



VIA CFTC PORTAL

2 January 2015

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

Dear Mr Kirkpatrick:

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet Limited ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to its rules with respect to the transfer of cleared contracts by both SwapClear Clearing Members ("SCMs") and Futures Commission Merchants ("FCMs").

LCH.Clearnet intends to implement these rule changes on January 21, 2015.

Part I: Explanation and Analysis

The changes to the rules and procedures clarify that LCH.Clearnet will facilitate transfers between the client accounts of a single FCM or SCM where (i) the beneficial owner of the positions remains the same, (ii) where the transfer is a correction of a mis-booking which takes place within three days of the booking error, or, (iii) at the sole discretion of LCH.Clearnet. LCH.Clearnet retains a discretionary power to facilitate transfers due to the broad types of transfer that are requested by clients and their clearing members. LCH.Clearnet will only effect transfers where clearing members confirm that such transfers are in accordance with applicable law and regulation.

These changes will clarify existing FCM rules which have been amended in response to member consultation and requests. The General Regulations and Procedures Section 2C have been harmonized with the FCM Rulebook.

There are further changes included to clarify wording related to client account transfers and to include some operational time limits.

Part II: Description of Rule Changes

FCM Procedures:

- Changes to section 2.1.12 of the FCM Procedures are primarily clarifications and re-numbering in response to clearing member feedback. LCH.Clearnet has also removed certain discretions to

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refuse an FCM Clearing Member's request to facilitate a transfer. Certain redundant representations have been deleted. The requirement that all transfers must be carried out within three days of an execution error has been moved to the FCM Regulations where further information has been provided on how LCH.Clearnet may exercise its discretion to facilitate a transfer.

FCM Regulations:

- LCH.Clearnet's broad powers to transfer have been clarified in response to clearing member feedback.
- A general power to transfer swaps contracts from one FCM Client account to another FCM Client account has been included; such transfers being permitted in the event of execution error, where FCM Clients are under common beneficial ownership or otherwise in LCH.Clearnet's discretion (as further described above).

General Regulations:

- Deletion of conflicting term in General Regulations 18 and 60 which may be interpreted to prohibit transfers between Client accounts.
- New provision in General Regulation 50 permitting transfers between Client accounts.

Section 2C of the Procedures (SwapClear):

- Harmonising provisions to choose already included in the FCM Procedures.

The changes to the General Regulations are included at Appendix I, the Procedures Section 2C at Appendix II, the FCM Regulations at Appendix III and the FCM Procedures at Appendix IV.

Part III: Core Principle Compliance

LCH.Clearnet has concluded that compliance with the Core Principles will not be adversely affected by this change.

Part IV: Public Information

LCH.Clearnet has posted a notice of pending certification with the CFTC and a copy of the submission on LCH.Clearnet's website at:

<http://www.lchclearnet.com/rules-regulations/proposed-rules-changes>

Part V: Opposing Views

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



Certification

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

Should you have any questions please contact me at julian.oliver@lchclearnet.com.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Julian Oliver".

Julian Oliver
Chief Compliance Officer
LCH.Clearnet Limited



Appendix I
General Regulations



**GENERAL REGULATIONS OF
LCH.CLEARNET LIMITED**

REGULATION 18 TRANSFER

- (a) If a Member wishes to transfer an open contract from his name to be registered in the name of another Member, the Clearing House may, with the agreement of both Members and subject to such conditions as it may stipulate, at its absolute discretion and, without prejudice to any power of the Clearing House under the Default Rules, and where relevant with the consent of the Exchange whose Exchange Rules form part of the terms of such open contract, transfer the registration of such open contract into the name of the Member agreeing to have such contract registered in his name, whereupon Regulation 12(b) (Novation) shall take effect.
- (b) No open contract on the terms of an exchange contract may be transferred pursuant to paragraph (a) above to any Member who is not entitled under Exchange Rules to have open contracts on the terms of that exchange contract registered in his name. No open contract may be transferred pursuant to paragraph (a) above to any Member who is not a Member in respect of the relevant Service.
- (c) Rights under an open contract shall not be capable of assignment by a Member. Any such purported assignment by a Member, ~~or any purported transfer that is not in compliance with this Regulation,~~ shall be void.

REGULATION 60 TRANSFER

- (a) Other than in the event that a SwapClear Clearing Member is a Defaulter, SwapClear Contracts carried by such a SwapClear Clearing Member in respect of SwapClear Client Clearing Business shall not be transferred except as provided in this Regulation ~~60.60~~ [or in the Procedures.](#)
- (b) A Receiving Clearing Member may (A) upon the instruction or at the request of an Individual Segregated Account Clearing Client or an individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client), request the Clearing House (as set out in the Procedures) to transfer to the Receiving Clearing Member the relevant SwapClear Clearing Client's portfolio (and not less than an entire portfolio) of SwapClear Contracts registered with the Carrying Clearing Member in a particular Client Account and, if also requested, to transfer the Associated Collateral Balance attributable to such SwapClear Clearing Client in respect of such Client Account from the Carrying Clearing Member to the Receiving Clearing Member; or (B) upon the instruction or at the request of (i) all of the Identified Omnibus Net Segregated Clearing Clients comprising a single Identified Client Omnibus Net Segregated Account held by a Carrying Clearing Member; (ii) all of the Affiliated Omnibus Net Segregated Clearing Clients comprising a single Affiliated Client Omnibus Net Segregated Account held by a Carrying Clearing Member; or (iii) all of the Omnibus Gross Segregated Clearing Clients comprising a particular group of Combined Omnibus Gross Segregated Clearing Clients of a Carrying Clearing Member, request the Clearing House (as set out in the Procedures), to transfer the entire portfolio (and not less than an entire portfolio) of SwapClear Contracts registered with the Carrying Clearing Member in a particular Client Account on behalf of the relevant SwapClear Clearing Clients and, if also requested, to transfer the Associated Collateral Balances attributable to such SwapClear Clearing Clients in respect of such Client Account from the Carrying Clearing Member to the Receiving Clearing Member. It is a condition precedent to a transfer described in this paragraph that:
- (i) no relevant SwapClear Clearing Client has become insolvent (each such SwapClear Clearing Client will be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House);
 - (ii) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulter;
 - (iii) such transfer would not violate or result in the violation of any applicable law or regulation;
 - (iv) the relevant SwapClear Clearing Client(s), the Receiving Clearing Member and the Carrying Clearing Member have each executed all documents necessary or required by the Clearing House in order to effect such transfer (including, where applicable, a Security Deed, Deed of Charge, Clearing Membership Agreement and/or a Clearing Agreement);

- (iii) For the avoidance of doubt, the Carrying Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the Associated Collateral Balance transferred.
- (iv) The transfer of the Relevant SwapClear Contracts and Associated Collateral Balance shall be deemed to occur simultaneously, and the transfer of the Relevant SwapClear Contracts shall be conditioned on the transfer of the Associated Collateral Balance, and vice versa.
- (v) If the transfer of the Relevant SwapClear Contracts and Associated Collateral Balance is not completed for any reason, then any actual transfer of any part of the Associated Collateral Balance or Relevant SwapClear Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of any part of the Associated Collateral Balance or Relevant SwapClear Contracts that has occurred shall be immediately unwound.
- (vi) (i) That portion (if any) of the Clearing House Current Collateral Balance in respect of the Carrying Clearing Member which is attributable to the Relevant SwapClear Contracts (the "**Relevant Portion**") shall be reduced to zero; and (ii) the Clearing House Current Collateral Balance in respect of the Receiving Clearing Member shall be increased by an amount equal to the value of the Relevant Portion immediately prior to the reduction referred to in (i) immediately above.
- (g) Rights under a SwapClear Contract entered into by a SwapClear Clearing Member in respect of SwapClear Client Clearing Business shall not be capable of assignment by a SwapClear Clearing Member. Any such purported assignment by a SwapClear Clearing Member, or any purported transfer that is not in compliance with this Regulation 60 [or the Procedures](#) shall be void.
- (h) If a SwapClear Clearing Member is a Defaulter, the Clearing House shall take such actions, subject to and in accordance with the Default Rules in relation to SwapClear Contracts carried by such SwapClear Clearing Member on behalf of SwapClear Clearing Clients, **provided always that** the Clearing House shall take such actions as are required to meet the Clearing House's continuing regulatory obligations including those applicable to it as a Recognised Clearing House and a Derivatives Clearing Organization.
- (i) Subject to paragraph (j) below, but otherwise notwithstanding anything to the contrary in these Regulations, in making any transfer of Relevant SwapClear Contracts and (if applicable) an Associated Collateral Balance pursuant to this Regulation 60, the Clearing House shall be authorised and entitled to rely conclusively on the instructions of, and information provided by, the relevant SwapClear Clearing Member(s), which shall be solely responsible for all such instructions and information, including for the purposes of ensuring that (i) the transfer is properly authorised or rejected (as the case may be); (ii) the appropriate Client Account of the Carrying Clearing Member (from which the transfer is to be made) has been identified and the transfer is made from that Client Account; and (iii) in the case of a partial transfer of SwapClear Contracts pursuant to paragraph (c) above, the appropriate Relevant SwapClear Contracts have been identified by the Receiving Clearing Member, and the Clearing House shall have no responsibility or liability therefor.

- (j) The Clearing House shall verify that the Relevant SwapClear Contracts identified to it by a SwapClear Clearing Member as being the subject of such a transfer correspond to SwapClear Contracts which, according to its records, are registered in the name of the Carrying SwapClear Clearing Member on behalf of the relevant SwapClear Clearing Client. In the event that the Clearing House identifies a discrepancy, it will notify the relevant SwapClear Clearing Member(s) and no transfer will occur pursuant to this Regulation 60 until such time as the Relevant SwapClear Contracts identified to the Clearing House by the relevant SwapClear Clearing Member(s) can be verified by the Clearing House.
- (k) The Carrying Clearing Member agrees to indemnify the Clearing House in respect of all liabilities, costs, loss, fees, damages or expenses suffered or incurred by the Clearing House (howsoever arising or occurring) by reason of a proposed transfer being rejected by the Carrying Clearing Member other than in compliance with the grounds set out in the final paragraphs of Regulation 60(b) and Regulation 60(c) above.
- (l) If and to the extent permitted under applicable law, and if applicable under the rules of an [Approved Trade Source System](#), a SwapClear Clearing Member may transfer positions from one Client Account to another Client Account of that SwapClear Clearing Member, provided that: (i)(a) the transferring SwapClear Contracts will be owned or beneficially owned by the same Clearing Client(s); or (i)(b) an error has been made in the registration of a SwapClear Contract and the error is discovered and the transfer is completed within three Business Days (or any such longer period that the Clearing House may agree to in its sole discretion) after the registration that SwapClear Contract; or (ii) the Clearing House otherwise approves the transfer in its sole discretion. Any transfers carried out in accordance with this Regulation 60(l) are subject to the provisions of the Procedures.



Appendix II
Procedures Section 2C (SwapClear)



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2C

SWAPCLEAR CLEARING SERVICE

- 1.14.2 Each of the steps referred to in paragraphs (a), (b) and (c) of 1.14.1 above and any Fallback Transfer will be subject to receipt by the Clearing House of the following:
- (a) a copy of the notice from the relevant SwapClear Clearing Member to the relevant SwapClear Clearing Client or from the relevant SwapClear Clearing Member to the relevant SwapClear Clearing Client ~~or from the relevant SwapClear Clearing Client to the relevant SwapClear Clearing Member~~ Client to the relevant SwapClear Clearing Member, copied to each of the relevant Indirect Clearing Clients, designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;
 - (b) a copy of a notice served by the relevant SwapClear Clearing Member on the relevant SwapClear Clearing Client and copied to each of the relevant Indirect Clearing Clients, alerting that SwapClear Clearing Client and those Indirect Clearing Clients (i) of its intention to request a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) in respect of the relevant Related SwapClear Contracts; and (ii) that, in the event of an Impossibility Determination in respect of a request for Porting or a Direct Account Opening, a Fallback Transfer is likely to occur; and
 - (c) an indemnity from the relevant SwapClear Clearing Member in a form suitable to the Clearing House.

Unless contested by the relevant SwapClear Clearing Client, the Clearing House will usually arrange a transfer of Related SwapClear Contracts: (i) in the case of an Initial Transfer, within 24 hours of receipt (to the extent applicable) of the documents listed in paragraphs (a), (b) and (c) of this of 1.14.2; and (ii) in the case of a Fallback Transfer, within 24 hours of the relevant Impossibility Determination.

For the purposes of this Section 1.14 a "Related SwapClear Contract" has the same meaning as ascribed to such term in Section 1.13.1 save that, in this Section 1.14, the SwapClear Clearing Client is acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

1.15 Position Transfers

The SwapClear Clearing System provides functionality for transfer of positions between SCMs and from an SCM to an FCM Clearing Member. Other than transfers conducted pursuant to Regulation 60 (*Transfer*) and Section 1.20.4, an SCM who wishes to effect a position transfer to another SCM should contact the Clearing House Risk Management Department.

SwapClear Dealers who wish to change their SCM will be required to execute a new SwapClear Dealer Clearing Agreement with their intended new SCM. The Clearing House will, if all parties are in agreement, effect a transfer of positions from one SCM to the other.

Time (all references below are to London Time)	Partial Transfer	Full Transfer (with collateral)	Full Transfer (without collateral)
09:00	Clearing House of any additional Collateral from the Carrying Clearing Member and/or the Receiving Clearing Member required to enable the transfer.	by Clearing House of any additional Collateral from the Receiving Clearing Member required to enable the transfer.	by Clearing House of any additional Collateral from the Receiving Clearing Member required to enable the transfer.
Day 3: 09:00	Clearing House transfers the Relevant SwapClear Contracts.	Clearing House transfers the Relevant SwapClear Contracts and (if applicable) some or all of the Associated Collateral Balance.	Clearing House transfers the Relevant SwapClear Contracts.

The timings and processes listed in the table above may be amended from time to time by the Clearing House in its full discretion via member circular.

In the case of a Carrying Clearing Member that is an FCM Clearing Member, the timings and processes in respect of a transfer of FCM SwapClear Contracts will be as set out in the FCM Procedures.

(e) [Transfers of SwapClear Contracts from one Client Account to another Client Account opened by the same Clearing Member](#)

[A Clearing Member is permitted under certain conditions to transfer SwapClear Contracts registered to one Client Account to another Client Account pursuant to Regulation 60\(1\). Transfers are permitted between two Omnibus Segregated Accounts, two Individual Segregated Accounts or between an Individual Segregated Account and an Omnibus Segregated Account \(or vice versa\).](#)

[Clearing Members interested in providing these services to their Clearing Clients should contact the Clearing House's SwapClear Client Services department. A Clearing Member may provide these services if, with respect to and prior to each such transfer that it intends to conduct, it delivers all information required by the Clearing House with respect to the intended transfer in the format required by the Clearing House \(which may include transfer forms or other relevant documentation\). Details can be obtained from the Clearing House's SwapClear Client Services department. Even where such Clearing Member has provided all requested information, each transfer shall be subject to the Clearing House's discretion. Transfer requests received](#)

before [17:00] hours (London time) will normally be processed by the Clearing House on the day of receipt. Requests received after 17:00 hours will normally be processed on the following Business Day.

In connection with each transfer of one or more SwapClear Contracts that a Clearing Member transfers between two of its Client Accounts, the Clearing Member shall be deemed to make the agreements, acknowledgements and representations set forth in the following paragraph to the Clearing House with respect to each such transfer.

The Clearing Member acknowledges and agrees that:

- (i) the contractual terms of the relevant SwapClear Contracts will not change solely as a result of the Clearing House effecting the requested transfer;
- (ii) the Clearing Member will remain liable to the Clearing House for all obligations under the relevant SwapClear Contracts prior to, during and after the transfer;
- (iii) the Clearing House may require that certain changes be made to the books and records of one or more Approved Trade Source Systems in order to reflect the requested transfer;
- (iv) the Clearing House is acting solely upon the Clearing Member's instructions as detailed to the Clearing House in writing and in reliance on the Clearing Member's agreements and representations (including as set out in this Section [1.20.4(e)]) in connection therewith;
- (v) the requested transfer is permissible under applicable law and is not in violation of applicable law, and the Clearing Member has obtained any and all necessary and appropriate consents, authorisations and approvals, including from Clearing Clients, regulators or otherwise, and has taken any other actions required under applicable law, in connection with the requested transfer;
- (vi) Collateral will not be transferred and the transfer may be conditional upon Collateral being delivered to the Clearing House;
- (vii) if the Clearing House determines (in its sole discretion) to make the requested transfer, the Clearing House may refuse to carry out the transfer or any requested actions in connection therewith until the Clearing Member provides it with such evidence of the authorisation of the transfer by the relevant Clearing Client(s) as the Clearing House may require in its sole discretion; and

(viii) the Clearing House shall not be liable for any costs, expenses, damages or losses, whether direct or indirect, suffered by any of the parties hereto, or by the Clearing Clients, as a result of any actions taken by the Clearing House in connection with the transfer.

1.21 Early Termination Events

SwapClear Clearing Members using MarkitWire, Tradeweb and Bloomberg may, if they so wish, use the Early Termination Provision FpML block to include details of any terms relating to optional early termination agreed between the parties to that SwapClear Transaction.

The Clearing House has agreed, in order to assist SwapClear Clearing Members, that SwapClear Clearing Members may use these fields for their own administrative convenience as a record of a term of the underlying SwapClear Transaction between them, but any data populating these fields will not under any circumstances constitute any part of or any term of the SwapClear Contracts which arise between the Clearing House and the SCMs in whose name such trades are registered. SCMs have no right to elect early termination of any SwapClear Contract. The full terms of any such SwapClear Contract are as set out in the Product Specific Contract Terms and Eligibility Criteria Manual.

The Clearing House does not store or record any data populating these fields or blocks or any other fields or blocks in the trade confirmation message which are ignored by the SwapClear system (see information documents provided by SwapClear entitled: "The FpML Validation Rules for SwapClear").

1.22 Termination of SwapClear Dealer Status

The SwapClear Dealer Agreement sets out how that relationship may be terminated.

In particular, a SwapClear Dealer may terminate the agreement by giving no less than twenty one (21) days' written notice in the same terms to the SCM and to the Clearing House. Before the expiry of such twenty one (21) days (the "**Termination Date**"), the Clearing House will notify all SwapClear Clearing Members and SwapClear Dealers that the relevant SD is no longer able, from such Termination Date to submit SwapClear Transactions for registration. It may only resume registration of SwapClear Transactions if it enters into another SwapClear Dealer Clearing Agreement and resumes its place in the Register of SwapClear Dealers. The Clearing House may give such notification by letter, email, fax, internet or telephone.

An SCM may terminate the agreement, *inter alia*, at any time by giving written notice to the SD and to the Clearing House in accordance with the provisions of the agreement. Following receipt of that notice, the Clearing House will confirm receipt to the SCM and SD and such termination will become effective 3 hours after the Clearing House's confirmation has been sent out. Confirmation may be given by the Clearing House by letter, email, fax, internet or telephone. Where notice is given to the Clearing House on a day which is not a business day for the SwapClear Service, it will become effective three (3) hours after the commencement of the SwapClear Service on the next following business day.



Appendix III
FCM Regulations

**FCM REGULATIONS OF
THE CLEARING HOUSE
LCH.CLEARNET LIMITED**

REGULATION 13 TRANSFER

- (a) **Transfer of FCM Client Contracts and Collateral from Carrying Clearing Members to Receiving Clearing Members.** A Receiving FCM Clearing Member may, upon the instruction or at the request of an FCM Client, request (in the manner set out in the FCM Procedures) that the Clearing House transfer to the Receiving Clearing Member some or all of an FCM Client's FCM Contracts registered to its FCM Client Sub-Account or to an FCM Omnibus Futures Client Account with LCH with a Carrying Clearing Member (such FCM Contracts subject to transfer, the "**Porting Contracts**"). Where the Porting Contracts constitute the entire portfolio of an FCM Client's FCM Contracts registered with the Carrying Clearing Member (and only in such case), the Receiving FCM Clearing Member may also request in connection with such transfer the transfer of the applicable Collateral attributable to such FCM Client (such Collateral, the "**Porting Collateral**"). It is a condition precedent to any transfer described in this paragraph that:
- (i) the FCM Client has not become insolvent (such FCM Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);
 - (ii) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulter;
 - (iii) the Receiving FCM Clearing Member has consented to the transfer of the Porting Contracts and, if applicable, the Porting Collateral;
 - (iv) the Clearing House determines that, following the transfer, the Receiving FCM Clearing Member shall have satisfied the Required Margin in respect of the Porting Contracts;
 - (v) in the event that the transfer would lead to an increase in Required Margin due from the Carrying Clearing Member to the Clearing House, the Carrying Clearing Member provides sufficient Margin to the Clearing House to satisfy such requirement; and
 - (vi) the Carrying Clearing Member has not rejected such transfer (it being presumed by the Clearing House that the Carrying Clearing Member has not rejected the transfer unless it has rejected it in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House).

For purposes of clause (vi) above, the Carrying Clearing Member will be entitled to reject the transfer only if (A) the applicable FCM Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and its affiliates, including any increased Margin due and payable that may result from the proposed transfer (for this purpose, "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 Porting Contracts of the FCM Client which are being transferred, or the FCM Client's related Collateral), (B) the transfer of the Porting Contracts would result in the FCM Client breaching exposure limits with, and/or other

(which are subject to the FCM Rulebook) shall, upon transfer, be converted to Contracts subject to the Rulebook (as defined in the UK General Regulations) but shall otherwise remain on the same contract terms.. The transfer of the Porting Contracts shall occur by novation of all of the Carrying Clearing Member's rights and obligations in respect of such Porting Contracts to the Receiving Clearing Member.r.

(ii) In the case where a transfer pursuant to FCM Regulation 13(a) will include the transfer of Porting Collateral in addition to the transfer of Porting Contracts:

(A) Upon completion of the transfer, (x) the Clearing House shall have satisfied and discharged all of its obligations under the FCM Clearing Membership Agreement and the FCM Rulebook to repay or return to the Carrying Clearing Member any amounts in respect of such Porting Collateral; and (y) the Porting Collateral furnished to the Clearing House by the Carrying Clearing Member and held by the Clearing House in respect of the Porting Contracts shall be deemed to have been delivered by the Receiving Clearing Member to the Clearing House (aa) where the Receiving Clearing Member is not an FCM Clearing Member, by way of title transfer or, in the case of non-cash Collateral, a pledge pursuant to the relevant Deed of Charge or (bb) where the Receiving Clearing Member is an FCM Clearing Member, by way of a first-priority security interest granted by the Receiving Clearing Member to the Clearing House under the FCM Clearing Membership Agreement and the FCM Rulebook. Furthermore, and for the avoidance of doubt, the Carrying Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the Porting Collateral transferred.

(B) Where all or a portion of the Porting Collateral has been accepted by the Receiving FCM Clearing Member, the transfer of the Porting Contracts and the accepted Porting Collateral shall be deemed to occur simultaneously, and the transfer of the Porting Contracts shall be conditioned on the transfer of the accepted Porting Collateral, and vice versa.

(C) If the transfer of all Porting Contracts and (if applicable) all accepted Porting Collateral is not completed for any reason, then any actual transfer of Porting Collateral or Porting Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of Porting Collateral or Porting Contracts that has occurred shall be immediately unwound.

(d) **Other Transfers of FCM Contracts.** If and to the extent permitted under applicable law ~~and the FCM Procedures~~, and if applicable under relevant Exchange Rules or the rules of an FCM Approved Trade Source System, an FCM Clearing Member may ~~in accordance with the FCM Procedures~~:

(i) transfer Open Contracts between its Proprietary Account and the FCM Client Sub-Account(s) of each of its FCM Clients (or in the case of Futures Products, its applicable FCM Omnibus Futures Client Account with LCH), upon an

FCM Client default or otherwise as permitted under and subject to applicable provisions of the CEA, [the FCM Procedures](#) and CFTC Regulations regarding segregation of assets; and

- (ii) transfer Open Contracts registered ~~to~~for the [account of one](#) FCM Client ~~Sub-Account of one of its FCM Clients~~ to [another account of](#) an FCM Client ~~Sub-Account of one of its other FCM Clients~~.
- (e) **Where an FCM Clearing Member is a Defaulter.** If an FCM Clearing Member is a Defaulter, the Clearing House shall take such actions, subject to and in accordance with the Default Rules, and as may be required by the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts carried by such FCM Clearing Member on behalf of its FCM Clients. If possible under such applicable laws and regulations and the Default Rules, the Clearing House shall undertake to dispose of open FCM Contracts that are Swap Products held by FCM Clients of the Defaulter in accordance with the instructions of such FCM Clients, either by liquidating such FCM Contracts or by transferring such FCM Contracts to the FCM Clearing Member designated by such FCM Clients within seven calendar days of the date that the FCM Clearing Member is declared to be a Defaulter; **provided, that** the Clearing House shall at all times act in accordance with the Default Rules, the requirements of the CEA, CFTC Regulations, any instructions from a Regulatory Body and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts; **provided, further, that** the Clearing House shall have no responsibility or liability whatsoever for any action taken or not taken with respect to the accounts and FCM Contracts of FCM Clients of the Defaulter in accordance with such laws or regulations or the directions of any Regulatory Body or bankruptcy trustee. For the avoidance of doubt, the Client Clearing Annex which forms part of the Default Rules does not apply to FCM Contracts. In the event that the Clearing House does not receive instructions from FCM Clients in a timely manner, or the Clearing House for any reason deems it necessary or appropriate for its protection, or the protection of market participants, the Clearing House may take any action with respect to the Open Contracts of FCM Clients of the Defaulter that it determines to be appropriate in its sole discretion, which may include (i) as part of the SwapClear DMP, including an FCM SwapClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate by the Clearing House, **provided, that** the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM SwapClear Contracts in respect of FCM Client Business, and/or (ii) as part of the ForexClear DMP, including an FCM ForexClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate by the Clearing House, **provided, that** the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM ForexClear Contracts in respect of FCM Client Business. Risk Neutralisation in relation to such FCM SwapClear Contracts or ForexClear Contracts, as applicable, and the auction process in relation to an Auction Portfolio of such FCM SwapClear Contracts, or FCM ForexClear Contracts, as applicable, shall be conducted in accordance with the provisions of the SwapClear DMP Annex or the ForexClear DMP Annex, respectively.
- (f) **Clearing Member Instructions.**

- (i) Subject to paragraph (ii) below, but otherwise notwithstanding anything to the contrary in the FCM Rulebook, in making any transfer of Porting Contracts and Porting Collateral pursuant to this FCM Regulation 13, the Clearing House shall be authorized and entitled to rely conclusively on the instructions of and information provided by the relevant FCM Clearing Member(s), which shall be solely responsible for all such instructions and information, including (A) ensuring that the transfer is properly authorized or rejected (as the case may be) and (B) the transfer is being made from the appropriate FCM Client Sub-Account or FCM Omnibus Futures Client Account with LCH, and that the appropriate account, FCM Contracts and Collateral has been identified, the Clearing House shall have no responsibility or liability therefor.
 - (ii) The Clearing House shall verify that the Porting Contracts identified to it by the applicable FCM Clearing Member as being the subject of such a transfer correspond to FCM Contracts which, according to its records, are registered in the name of the Carrying Clearing Member on behalf of the relevant FCM Client. In the event that the Clearing House identifies a discrepancy, it will notify the relevant FCM Clearing Member(s) and no transfer will occur pursuant to this FCM Regulation 13 until such time as the Porting Contracts identified to the Clearing House by the relevant FCM Clearing Member(s) can be verified by the Clearing House.
- (g) **Limitation on Assignment of Rights under an FCM Contract and Transfer of an FCM Contract.** Except as may be permitted by paragraph (d) above, expressly permitted by other parts of the FCM Rulebook or as may otherwise be expressly permitted by the Clearing House in writing, rights under an FCM Contract shall not be capable of assignment by an FCM Clearing Member. Any such purported assignment by an FCM Clearing Member, or any purported transfer that is not in compliance with this FCM Regulation 13 and the FCM Procedures, shall be void. The FCM Procedures shall specify the Products that can be transferred in accordance with this FCM Regulation 13 and the applicable forms or other requirements of the Clearing House in connection with such a transfer.
- (h) **Indemnity.** The Carrying Clearing Member agrees to indemnify the Clearing House in respect of all liabilities, costs, loss, fees, damages or expenses suffered or incurred by the Clearing House (howsoever arising or occurring) by reason of a proposed transfer being rejected by the Carrying Clearing Member other than pursuant to the grounds set out in the final paragraph of FCM Regulation 13(a).
- (i) **Transfer/Novation.** Transfers of Open Contracts made pursuant to this FCM Regulation 13 shall occur by transfer/novation of such Open Contracts rather than by closeout and rebooking of new FCM Contracts.
- (j) **Futures Products.** Transfers of FCM Contracts that are Futures Products made pursuant to ~~this FCM Regulation 13, other than in connection with an FCM Clearing Member default or FCM Client default to an FCM Clearing Member, 13(d)(ii)~~ shall only be permitted where: (i) the transferred FCM Contracts will be owned or beneficially owned by the same FCM Client following the transfer; or (ii) an error has been made in the registration of an FCM Contract and the error is discovered and the transfer is completed within three Business Days (or any such longer period that the Clearing House may agree to in its sole discretion) after the submission of the

corresponding FCM Transaction for registration, **provided**, that the Exchange cooperates in effecting such transfer.

(k) **Swaps Products.** Transfers of FCM Contracts that are Swaps Products made pursuant to FCM Regulation 13(d)(ii) shall only be permitted where: (i) the transferred FCM Contracts will be beneficially owned by the same FCM Client following the transfer; (ii) an error has been made in the registration of an FCM Contract and the error is discovered and the transfer is completed within three Business Days (or any such longer period that the Clearing House may agree to in its sole discretion) after the submission of the corresponding FCM Transaction for registration or the allocation of the relevant FCM Contract; or (iii) the Clearing House otherwise approves the transfer in its sole discretion. Any transfers carried out in accordance with this FCM Regulation 13 are subject to the provisions of the FCM Procedures.



Appendix IV
FCM Procedures



**FCM PROCEDURES OF
THE CLEARING HOUSE**

LCH.CLEARNET LIMITED

Clearing Member will be notified by 19:00 hours, New York City time, on the applicable day whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

- (b) In order to compress an FCM SwapClear Contract, an FCM Clearing Member must register with an FCM Approved Trade Source System an offsetting FCM SwapClear Contract and shall then follow the process for compression as set out above.
- (c) The Clearing House shall process the compression of all FCM SwapClear Contracts as notified to it prior to 18:00 hours, New York City time, shortly after 18:00 hours, New York City time, and shall notify the applicable FCM Clearing Member by 19:00 hours, New York City time, of the result of such compression procedure. A notification received after 18:00 hours, New York City time, shall be treated as if such notification was submitted on the following day prior to 18:00 hours, New York City time, and as such shall be considered shortly after 18:00 hours, New York City time, on such following day and the results notified to the applicable FCM Clearing Member by 19:00 hours, New York City time, on such following day.
- (d) Following the compression process described above and as further set out in FCM Regulation 45(m) (*Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts*), the applicable FCM Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed FCM SwapClear Contracts as notified to the FCM Clearing Member by the Clearing House.

2.1.12 *Transfers of ~~FCM Clients; Defaulting~~ FCM Clients*

In certain circumstance the Clearing House will transfer FCM SwapClear Contracts from one FCM Clearing Member to another FCM Clearing Member, pursuant to and in accordance with FCM Regulation 13 (*Transfer*) and these FCM Procedures.

(a) *Partial Transfers of FCM Clients*

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of a portion of such FCM Client's portfolio of FCM SwapClear Contracts held with a Carrying Clearing Member, it shall provide the Clearing House with an FCM Client Partial Transfer Form (see Schedule 2.1B), signed on behalf of the relevant FCM Client. Such form shall list all of the FCM SwapClear Contracts that are to be transferred pursuant to this procedure. Following receipt of an FCM Client Partial Transfer Form, the Clearing House shall notify the Carrying Clearing Member that a

Time (all references below are to New York City time)	Partial Transfer	Full Transfer (with Collateral)	Full Transfer (without Collateral)
	or the Receiving FCM Clearing Member required to enable the transfer.	required to enable the transfer.	Member required to enable the transfer.
Day 3: 04:00	Clearing House transfers FCM SwapClear Contracts.	Clearing House transfers FCM SwapClear Contracts and associated Collateral.	Clearing House transfers FCM SwapClear Contracts.

The timings and processes listed in the table above may be amended from time to time by the Clearing House in its full discretion via member circular.

Where the Carrying Clearing Member is not an FCM Clearing Member then the timings and processes in respect of the above will be as set out in the UK General Procedures.

- (e) *Transfers of FCM SwapClear Contracts ~~off from one FCM Client to the Client Sub-Account~~ ~~ofto~~ another FCM Client ~~of the same FCM Clearing Member Sub-Account~~*

An FCM Clearing Member is permitted under certain conditions to transfer FCM SwapClear Contracts registered to ~~the one~~ FCM Client Sub-Account ~~of one of its FCM Clients to the~~ another FCM Client Sub-Account ~~of another one of its FCM Clients~~.

FCM Clearing Members interested in providing these services to their FCM Clients should contact the Clearing House's SwapClear Client Services department. ~~The ability of FCM Clearing Members to provide such services shall be at the full discretion of the Clearing House, even where such FCM Clearing Member has obtained approval from the Clearing House with respect to these services.~~ An FCM Clearing Member may provide these services ~~(subject to the Clearing House's discretion)~~ if it is approved to do so by the Clearing House (in its sole discretion), and if the FCM Clearing Member provides the Clearing House, with respect to and prior to each such transfer that it intends to conduct, the information required by the Clearing House with respect to the intended transfer in the format required by the Clearing House (which may include transfer forms or other relevant documentation). Details can be obtained from the Clearing House's SwapClear Client Services department. Even where such FCM Clearing Member has obtained approval from the Clearing House to provide these services, each transfer shall be subject to the Clearing

House's discretion. Transfer requests received before 17:00 hours (New York time) will normally be processed by the Clearing House on the day of receipt. Requests received after 17:00 hours will normally be processed on the following Business Day.

In connection with each transfer of one or more FCM SwapClear ~~Contract~~Contracts that an FCM Clearing Member transfers between two of its FCM Clients, the FCM Clearing Member shall be ~~to~~ deemed to make the agreements, acknowledgements and representations set forth in the following paragraph to the Clearing House with respect to each such transfer.

FCM Clearing Member acknowledges and agrees that:

- (i) the contractual terms of the relevant FCM SwapClear Contracts will not change solely as a ~~direct~~ result of the Clearing House effecting the requested transfer;
- (ii) FCM Clearing Member will remain liable to the Clearing House for all obligations under the relevant FCM SwapClear Contracts prior to, during and after the transfer ~~and any required actions taken by the Clearing House,~~ to the same extent that ~~we are currently liable with respect to such obligations, in accordance with and subject to the terms of the FCM Rulebook;~~
- ~~(iii) the Clearing House is under no obligation to act upon the FCM Clearing Member's transfer request or any of the particular instructions or requests made in connection therewith;~~
- ~~(iv) FCM Clearing Member will notify the Clearing House promptly when it wishes for the transfer to be carried out in order that the Clearing House can update its books and records; it was prior to such transfer.;~~
- (iii) ~~(v)~~ the Clearing House may require that certain changes be made to the books and records of one or more FCM Approved Trade Source Systems in order to reflect the requested transfer;
- (iv) ~~(vi)~~ the Clearing House is acting solely upon FCM Clearing Member's instructions as detailed to the Clearing House in writing and in reliance on the FCM Clearing Member's agreements and representations (including as set out in this Section ~~2.1.12~~2.1.11(e)) in connection therewith;
- (v) ~~(vii)~~ the Clearing House may debit or credit FCM Clearing Member's accounts at the Clearing House with any obligations, liabilities or otherwise as appropriate and permissible under applicable law;

- (vi) ~~(viii)~~ the requested transfer is permissible under applicable law and is not in violation of applicable law, and FCM Clearing Member has obtained any and all necessary and appropriate consents, authorizations and approvals, including from FCM Clients, regulators or otherwise, and have taken any other actions required under applicable law, in connection with the requested transfer;
- (vii) ~~(ix)~~ if the Clearing House determines (in its sole discretion) to make the requested transfer, the Clearing House will not carry out the transfer or any requested actions in connection therewith until FCM Clearing Member provides it with such evidence of the relevant FCM Clients' authorization that the transfer be carried out as the Clearing House may require in its sole discretion; and
- (viii) ~~(x)~~ the Clearing House shall not be liable for any costs, expenses, damages or losses, whether direct or indirect, suffered by any of the parties hereto, or by the FCM Clients, as a result of any actions taken by the Clearing House in connection with the transfer.

~~All transfers pursuant to this subsection (e) must be effected before the end of business on the third Business Day following the day of registration of the relevant FCM Contract (or at such later time as the Clearing House may permit in its sole discretion).~~

2.1.13 *Proprietary Account Position Transfers*

The FCM SwapClear clearing system provides functionality for the transfer of positions from an FCM Clearing Member's Proprietary Account. Any such transfer may only occur if the receiving FCM Clearing Member is an Affiliate of the Carrying Clearing Member.

An FCM Clearing Member who wishes to effect a position transfer to another FCM Clearing Member should contact the Clearing House's Risk Management Department. Transfers will only be effected once adequate Margin has been furnished by both parties to the transfer. Transfers of Affiliate positions shall not be permitted to another FCM Clearing Member's Proprietary Account unless such Affiliate is also an Affiliate of the FCM Clearing Member receiving the transferred position.

(a) *Legal Documentation*

The Clearing House will provide standard legal documentation for the transfer of positions. The transfer must be authorized by both parties and by individuals with appropriate signing authority.

(b) *Position Transfer Notice Period*