9 June 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"), hereby submits for self-certification an amendment to the LCH.Clearnet Rulebook. These changes become effective on or after June 23, 2015.

Part I: Explanation and Analysis

The purpose of these changes is to amend the LCH.Clearnet Rulebook to clarify the testing requirements for Clearing Members’ PPS Contingency arrangements. The sections of the Rulebook that are amended are shown in the table below:

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<th>Procedures (Section 3) Reference</th>
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<td>1.3.1(j)</td>
<td>1.2.1 &amp; 3.2.1(j)</td>
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<td>Hyperlink at top of page 6 amended to show specific section of Rulebook.</td>
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Part II: Description of Rule Changes

The changes are reflected in the following named black-lined versions attached as Appendices:

Appendix A – Procedures Section 3 (Financial Transactions)
Appendix B – Procedures Section 1 (Clearing Member, and Dealer Status)
Appendix C – FCM Procedures
Part III: Certification by LCH.Clearnet

LCH.Clearnet certifies to the CFTC, in accordance with CFTC Regulation §40.6, that the planned changes comply with the Commodity Exchange Act and the CFTC Regulations promulgated there under. LCH.Clearnet further certifies that, prior to submission of this material, in compliance with §39.21 of the Commission's regulations, LCH.Clearnet has posted a notice of pending certification with the CFTC and a copy of the submission on the LCH.Clearnet website at http://www.lchclearnet.com/rules_and_regulations/ltd/proposed_rules.asp

Part IV: Compliance with Core Principles

LCH.Clearnet has concluded that its compliance with the Core Principles would not be adversely affected by these changes. The changes reflected herein will ensure continued compliance with the Core Principles.

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 changes.

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

Yours sincerely,

[Signature]

Julian Oliver
Chief Compliance Officer
Appendix A
LCH.Clearnet Rulebook – Procedures Section 3
(Financial Transactions)
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Details of Collateral balances, valuations and instructions are also available using the on-line Collateral Management System (CMS).

1.3 **Protected Payments System (PPS)**

The Clearing House operates a direct debit system, known as the Protected Payments System ("PPS"), for the transfer of funds to and from Clearing Members. PPS is a recognised interbank payments system overseen by the Bank of England.

PPS is operated in both London ("UK PPS") and in the United States (where it is known as "US PPS"). In this Section, a day on which PPS is open is referred to as a "working day". The Clearing House also operates accounts in Hong Kong where Clearing Members will be mandated to hold accounts for the operation of certain Asian markets.

Clearing Members should note that the PPS (both in London and in the US) is a system for facilitating payment to the Clearing House of moneys due from Clearing Members to the Clearing House and vice versa. The giving of a commitment by a participating bank through PPS to make any payment, and the receipt of that commitment by the Clearing House, is not to be regarded as satisfaction of any payment due to the Clearing House.

Each Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, *inter alia*, by the Clearing Membership Agreement, clearing extension documentation and the Regulations, Default Rules and Procedures. Payment is only completed when the funds have been credited for value to the relevant Clearing House bank account, and any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

1.3.1 **PPS Mandates**

(a) **Introduction**

A Clearing Member is required to maintain a PPS bank account(s) in the currency or currencies in which it makes Contributions, and for each currency in which it incurs settlements, at one or more of the bank branches participating in the PPS system in London. Different banks may be used for different currencies.

Each Clearing Member is required to maintain at least one US dollar PPS account with at least one of the US PPS banks (please refer to the following link for details): http://www.lchlearnet.com/risk-collateral-management/collateral-management/protected-payments-system

Clearing Members are responsible at all times for ensuring that their PPS banks accounts have sufficient funds or credit lines to be able to meet margin calls from the Clearing House.

Any bank charges connected with the holding of any PPS bank accounts or related to any activity on that account must be paid by the Clearing Member holding the relevant account PPS mandates.
Clearing Members must ensure that they are required to have contingency payment arrangements in place to ensure that they can continue to meet their margin obligations in the event of failure of their nominated PPS bank(s). During the application process, the Clearing House will require the Clearing Member—the applicant—to provide evidence of these arrangements and will test these prior to the applicant becoming a Clearing Member. The Clearing Member will be required to provide evidence of their contingency payment arrangements on an ongoing basis at the Clearing House’s request.

(k) Recovery from Insolvent PPS Banks

In the event that payment is not completed by the relevant PPS bank, due to insolvency rather than technical failure, and the affected Clearing Member(s) make alternative payments, the Clearing House, should it make a recovery from the estate of the PPS bank, will credit such recovery, net of cost, to the accounts of the affected Clearing Members in proportion to the amount of the original missed payment.

1.3.2 Hong Kong Payments

(a) Introduction

In order to facilitate clearing services for the Asian/Pacific markets, the ability to call funds to cover margin requirements during the Asian day is required.

The Clearing House mandates that Clearing Members clearing in certain Asian markets maintain bank accounts in Hong Kong to facilitate margin calls during the Hong Kong day.

Currently only USD accounts are operated in Hong Kong.

Where the Clearing House has mandated that Clearing Members must operate an account in Hong Kong, each Clearing Member is required to maintain one US dollar account at a bank in Hong Kong where the Clearing House also operates an account. A list of the banks used by the Clearing House in Hong Kong appears in Schedule 1.
Appendix B
Procedures Section 1
(Clearing member, and Dealer Status)
LCH.CLEARNET LIMITED

PROCEDURES SECTION 1

CLEARING MEMBER, NON-MEMBER MARKET PARTICIPANT AND DEALER STATUS
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(c) has been notified to the Clearing House in accordance with Section 1.2.2 below.

1.2.2 Notification of appointment of NCP as agent

A Clearing Member must submit to the Clearing House a static data form (which is available on request from the Clearing House), the purpose of which is to inform the Clearing House of the appointment of an NCP as its agent. The submission of the static data form executed by both the relevant Clearing Member and the relevant NCP shall be definitive proof of the Clearing Member's appointment of the NCP to act as its agent and on its behalf. The Clearing House is not obliged to verify the appropriateness or authenticity of the signatures which appear on such static data form, nor that the person signing on behalf of any of the parties had the correct authority to sign.

LCH.Clearnet Ltd contracts with the Clearing Member alone and, to the fullest possible extent permitted by law, disclaims any duties or obligations to any NCP.

1.2.3 Termination of NCP status

The Clearing Member may terminate its agreement with an NCP at any time by giving 21 days written notice to the relevant Exchange or Approved EquityClear Trading Platform (as applicable) and the Clearing House. For the avoidance of doubt, the Clearing House need not receive any notice of or any confirmation of such termination from the relevant NCP.

1.3 Criteria for Clearing Member Status

1.3.1 General

The Clearing House imposes certain criteria and requirements in relation to Clearing Member status. The relevant criteria have, in all cases, been established by the Clearing House so as to be non-discriminatory and objective and so as to ensure fair and open access by Clearing Members (whether existing or potential) to the Clearing House.

The relevant criteria are without prejudice to the provisions of the Clearing Membership Agreement which must be executed by the applicant, and must equally be met by Clearing Members.

The Clearing House may, in its sole discretion, refuse an application for membership where it considers it appropriate to do so in accordance with its internal risk management policies and procedures as amended from time to time. In the event that the Clearing House refuses an application for membership, the Clearing House will provide reasons for such rejection in writing to the relevant applicant. Clearing Members are referred to the Clearing House's website at http://www.lchclearnet.com/risk-collateral-management/risk-management-overview for further information about the relevant internal risk management policies and procedures.
The applicant must either be, or have applied to become, a RepoClear Clearing Member (categories F & G), a SwapClear Clearing Member (category H), an EquityClear Clearing Member (categories I & J), a Clearing Member of the relevant exchange(s) (categories B – D), an LCH EnClear Clearing Member (category B), a Special Clearing Member (category K) or a ForexClear Clearing Member (category M). Clearing Member status may be granted on a conditional basis before any Clearing House requirements have been fully met or before related exchange clearing membership(s) requirements are met, but cannot be operational until such requirements are satisfied.

The applicant must, if it also wishes to submit and clear RepoClear, SwapClear and/or ForexClear trades, meet the additional criteria for such status (see Sections 1.3.2, 1.3.3 and 1.3.4 respectively). The applicant, any controller of the applicant, and those of its staff who exercise an executive or managerial role, must have a high standard of integrity and a level of knowledge, as determined by and acceptable to the Clearing House, of the nature, risks and obligations of trading in the markets and contracts they wish to clear.

A Clearing Member of one or more markets who wishes to clear the Contracts of another market cleared by the Clearing House, must apply to the Clearing House for such extension and have the Clearing House's express written approval before commencing to submit trades in such other market for registration. The prescribed form of document for the relevant new market is available from the Clearing House's Membership team. Clearing Members should be aware that they also need the appropriate additional exchange clearing membership before they can extend their range of activities in this way. The Clearing Member must, within six months of notification of their approval to extend their activities, fulfil all conditions attached to their approval. If the Clearing Member does not, within these six months, fulfil all such conditions, the Clearing House may, at its sole discretion, consider the grant of approval to have lapsed and may notify the Clearing Member accordingly that they will be required to provide further information, following which the extension will be submitted for re-approval.

The applicant must satisfy the minimum net capital requirements, as set out in Section 1.7.2 ("Net Capital Requirements") or such greater amounts as may be required by the Clearing House.

The applicant must open a Protected Payments System (PPS) bank account at one or more of the bank branches participating in PPS:

(a) in the UK in GBP;
(b) in the UK in each currency in which it incurs settlements;
(c) in the USA in US dollars;
(d) in Hong Kong in US dollars if clearing in certain Asian markets – please see Section 3 (Financial Transactions) of the Procedures for further information,
and execute all necessary documentation (see the Protected Payments System Section of the LCH.Clearnet website for further information) in order to manage and open its House and Client accounts.

Clearing Members must ensure that they are required to have contingency payment arrangements in place to ensure that they can continue to meet their margin obligations in the event of failure of their nominated PPS bank(s). During the application process, the Clearing House will require the applicant to provide evidence of these arrangements and will test these prior to the applicant becoming a Clearing Member. The Clearing Member will be required to provide evidence of their contingency payment arrangements on an ongoing basis at the Clearing House’s request.

The applicant must refrain from contravening the general prohibition contained in Section 19 of the Financial Services and Markets Act 2000.

If the applicant is a bank, it must at all times be appropriately authorised by the banking supervisors of its home country and additionally meet any notification or authorisation requirements set by banking supervisors in the United Kingdom.

The applicant must satisfy a minimum internal credit score which is determined by the Clearing House based on analysis of a range of quantitative and qualitative inputs. These include financial analysis, external market data as well as consideration of any implicit or explicit support available to the applicant. The analysis is performed on a predetermined methodology applicable to all applicants.

The applicant must maintain a back office:

(a) remote from both the trading floor and/or trading desks;

(b) with adequate systems (including but not limited to computer and communications systems) and records;

(c) with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the markets and contracts cleared by the Clearing House and in which the Clearing Member participates; and

(d) with such equipment (including technology and connectivity) as may be stipulated by the Clearing House or by the exchange(s) or EquityClear Approved Trading Platform ("ATP").

Applicants and Clearing Members must at all times respond promptly to enquiries or requests for information made by the Clearing House. Such enquiries may require Applicants and Clearing Members to demonstrate compliance with the applicable membership criteria and/or applicable law or regulation.

Each Clearing Member shall at all times continue to comply with the qualifications and requirements set forth in these Procedures and shall
FCM PROCEDURES OF
THE CLEARING HOUSE

LCH.CLEARNET LIMITED
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Clearing House), maintain each agreement evidencing each such FCM Transaction continuously as an official record of that FCM Clearing Member.

1.2 Criteria for FCM Clearing Member Status

1.2.1 General

The Clearing House imposes certain criteria and requirements in relation to FCM Clearing Member status. The relevant criteria have, in all cases, been established by the Clearing House so as to be non-discriminatory and objective and so as to ensure fair and open access by FCM Clearing Members (whether existing or potential) to the Clearing House.

The relevant criteria are without prejudice to the provisions of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement which must be executed by the applicant, and must equally be met by FCM Clearing Members.

The Clearing House may, in its sole discretion, refuse an application for membership where it considers it appropriate to do so in accordance with its internal risk management policies and procedures as amended from time to time. Where the Clearing House refuses an application it will provide a written justification for such refusal. FCM Clearing Members are referred to the Clearing House's website at [*]1 for further information about the relevant internal risk management policies and procedures.

FCM Clearing Member status may be granted on a conditional basis before any Clearing House requirements have been fully met or before related Exchange or FCM Approved Trade Source System membership requirements are met, but cannot be operational until such requirements are satisfied.

The applicant, any controller of the applicant, and those of its staff who exercise an executive or managerial role, must have a high standard of integrity and a level of knowledge, as determined by and acceptable to the Clearing House, of the nature, risks and obligations of trading in the markets and contracts they wish to clear.

The applicant must satisfy the minimum net capital requirements, as set out in the FCM Regulations or such greater amounts as may be required by the Clearing House.

The applicant must open a Protected Payments System (PPS) bank account at one or more of the bank branches participating in the PPS system:

(i) in London in each currency including in US dollars and GBP; and

(ii) in the USA in US dollars,

LCH to insert website reference.
execute all necessary documentation (see Protected Payments System section of the LCH.Clearnet website for further information) in order to manage and open its House and Client accounts.

FCM Clearing Members must ensure that they are required to have contingency payment arrangements in place to ensure that they can continue to meet their margin obligations in the event of failure of their nominated PPS bank(s). During the application process, the Clearing House will require the applicant to provide evidence of these arrangements and will test these prior to the applicant becoming an FCM Clearing Member. The FCM Clearing Member will be required to provide evidence of their contingency payment arrangements on an ongoing basis at the Clearing House’s request.

The applicant must maintain a back office:

(i) remote from both the trading floor and/or trading desks;

(ii) with adequate systems (including but not limited to computer and communications systems) and records;

(iii) with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the markets and contracts cleared by the Clearing House and in which the FCM Clearing Member participates; and

(iv) with such equipment (including technology and connectivity) as may be stipulated by the Clearing House or by any relevant Exchange(s).

Applicants for FCM Clearing Member status and FCM Clearing Members must at all times respond promptly to enquiries or requests for information made by the Clearing House. Such enquiries may require applicant FCM Clearing Members to demonstrate compliance with the applicable FCM clearing membership criteria and/or applicable laws and regulations.

FCM Clearing Members are required to promptly notify or pre-notify the Clearing House of any changes which may result in non-compliance with the Clearing Member status criteria as stated in these FCM Procedures.

Termination of FCM Clearing Member Status: In the event that an FCM Clearing Member wishes to retire from FCM Clearing Member status, it may do so by giving written notice to the Clearing House not less than three months ahead of the proposed termination date. By the close of business on the proposed termination date, the Retiring Member shall ensure that all FCM Contracts registered in the Retiring Member's name have been closed-out or transferred so as to ensure that there are no open FCM Contracts to which the Retiring Member is a party at the proposed termination date. Once all such FCM Contracts have been closed-out or transferred, such Retiring Member shall be entitled to request that the Clearing House releases and returns to it
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<td>Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.</td>
<td>Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.</td>
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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 from one FCM Client Sub-Account to another FCM Client Sub-Account**

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

FCM Clearing Members interested in providing these services to their FCM Clients should contact the Clearing House's SwapClear Client Services department. An FCM Clearing Member may provide these services 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 Contracts that an FCM Clearing Member transfers between two of its FCM Clients, the FCM 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.

FCM Clearing Member acknowledges and agrees that:

(i) the contractual terms of the relevant FCM SwapClear Contracts will not change solely as a 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 to the same extent that it was prior to such transfer;

(iii) 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) 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(e)2.1.14(e)) in connection therewith;

(v) 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) 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) 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
FCM Clearing Membership Agreement, clearing extension documentation and the applicable provisions of the FCM Rulebook. Payment is only completed when the funds have been credited for value to the relevant Clearing House bank account, and any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

3.2.1 **PPS Mandates**

(a) **Introduction**

An FCM Clearing Member is required to maintain a PPS bank account(s) in the currency or currencies in which it makes Contributions, and for each currency in which it incurs settlements, at one or more of the bank branches participating in the PPS system in London. Different banks may be used for different currencies.

Each FCM Clearing Member is required to maintain at least one US dollar PPS account with at least one of the US PPS banks (please refer to the following link for details):


FCM Clearing Members are responsible at all times for ensuring that their PPS bank accounts have sufficient funds or credit lines to be able to meet margin calls from the Clearing House.

Any bank charges connected with the holding of any PPS bank accounts or related to any activity on that account must be paid by the FCM Clearing Member holding the relevant account PPS mandates.

The GBP non-segregated PPS account will, *inter alia*, be used to process Contributions for all services other than the ForexClear Service. For ForexClear Service, the USD non-segregated PPS account is used.

Where applicable, all PPS accounts that hold FCM Client Funds must be segregated in accordance with the FCM Regulations and the applicable provisions of the CEA and CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of such regulations. Furthermore, PPS accounts that contain FCM Client Funds held with respect to Futures/Options Contracts may not contain FCM Client Funds held with respect to Cleared Swaps, unless permitted under the CEA or CFTC Regulations.

Each FCM Clearing Member is required to complete a standard form UK PPS Mandate and/or US PPS Mandate (copies are available from [treasury.ops.uk@lchclearnet.com](mailto:treasury.ops.uk@lchclearnet.com)) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the FCM Clearing Member institution and
Confirmation that PPS payments will be made must be received within the deadlines set out in Sections 3.2.1(c) and 3.2.1(d). However, the value date for any PPS transactions made on a day which is a bank or public holiday in the country of that currency will be for the next business day on which both the foreign currency center and the Clearing House are open for business. This applies to GBP, CAD, EUR and USD.

Example: 20 August is a public holiday in the USA but not in the UK. 21 August is a normal banking day in the USA.

On 20 August, the Clearing House will issue its normal USD instructions to PPS banks, and receive confirmation in response to the PPS call, for value on 21 August.

Please refer to Clearing Member Circulars for details of Clearing House opening days and currency holidays at the following link:

www.lchclearnet.com/member_notices/

(h) **UK Bank Holidays**

The Clearing House does not give value to any currency on a UK bank holiday, if the Clearing House is closed for business on that bank holiday. PPS calls will be made on the next following business day, for the relevant currency.

However, the Clearing House may sometimes be open for business on a UK bank holiday – in such circumstances PPS calls will be made as normal that day. Value will be given the same day provided that the relevant currency center is open for business. It should be noted, however, that value for GBP is given on the next GBP business day.

(i) **Use of UK PPS and US PPS**

These FCM Procedures indicate which part of the PPS system will be used in the normal course of events for making PPS calls. Generally UK PPS will be used for Morning PPS calls (including Contributions to the default fund), remitting surplus cash balances to an FCM Clearing Member, and for making intra-day margin calls up to 16:00 London time. However FCM Clearing Members should be aware that the Clearing House reserves the right to direct a Morning PPS call or intra-day margin calls before 16:00 London time to an FCM Clearing Member's US PPS account in exceptional circumstances (an “Exceptional PPS Call”). The Clearing House will use all reasonable commercial efforts to notify the FCM Clearing Member in advance of issuing any such Exceptional PPS Call.

(j) **Contingency Payment Arrangements**

FCM Clearing Members must ensure that they are required to have contingency payment arrangements in place to ensure that they can
continue to meet their margin obligations in the event of failure of their nominated PPS bank(s). From time to time the During the application process, The Clearing House may require the applicant FCM Clearing Member to provide evidence of these arrangements and will test these prior to the applicant becoming an FCM Clearing Member. The FCM Clearing Member will be required to provide evidence of their contingency payment arrangements on an ongoing basis at the Clearing House’s request.

(k) Recovery from Insolvent PPS Banks

In the event that payment is not completed by the relevant PPS bank, due to insolvency rather than technical failure, and the affected FCM Clearing Member(s) make alternative payments, should the Clearing House make a recovery from the estate of the PPS bank, it will credit such recovery, net of costs, to the accounts of the affected FCM Clearing Members in proportion to the amount of the original missed payment.

3.3 Acceptable Forms Of Cover

The Clearing House accepts certain types of securities and cash in the Clearing House's prescribed form as Collateral against liabilities of the relevant FCM Clearing Member.

Please refer to the following link for further details:


The Clearing House may vary, at its discretion, the standard requirements and valuation procedures set out in this Section, either generally or in a particular case, without giving prior written notice to FCM Clearing Members. Further, the Clearing House may vary the types of collateral acceptable to it as Collateral, including but not limited to cash, performance bonds or securities.

3.3.1 Cash

In order not to fall within the scope of deposit-taking regulations applying to banks and similar institutions, the Clearing House can accept cash from FCM Clearing Members only in relation to current or anticipated obligations.

Cash cover need not be provided in the same currency as that of the liability. In such cases, currencies will be notionally converted with reference to quoted exchange rates determined at approximately 16:45 London time the previous business day.

FCM Clearing Members must give LCH.Clearnet Limited Treasury Operations no less than two business days' notice of their intention to request withdrawal of cash Collateral and its replacement by the lodgment of non-cash