

VIA CFTC PORTAL

Mr Christopher Kirkpatrick  
Commodity Futures Trading Commission  
115 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington DC 20581

25 March 2020

**LCH Limited Self-Certification: Client Buffer**

Dear Mr Kirkpatrick

Pursuant to CFTC regulation §40.6(a), LCH Limited (LCH), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the CFTC), is submitting for self-certification changes to its rules to amend the allocation methodology of Client Buffer and to delete certain provisions related to the Client Buffer which are no longer relevant.

**Part I: Explanation and Analysis**

The Client Buffer is an existing, optional, facility available to SwapClear Clearing Members (SCM), whereby they can lodge their own cash in either EUR, GBP or USD (note, the SCM is restricted to a single currency) to facilitate trade registration for their Clients intraday (ITD). For the avoidance of doubt, Client Buffer is not available to cover any End of day (EOD) liabilities or ITD shortfalls in the Clearing Member's house account. It is also not available to Future Commission Merchants (FCM) Members.

SwapClear proposes a simplification of the allocation process for the Client Buffer, from the current first-come first-served arrangement to a methodology based on a pro-rata of Client requirements. LCH considers this change to result in a more equitable allocation, allowing for greater certainty and a simplification of operational aspects to LCH, its Clearing Members and their Clients.

For this change to become effective, the General Regulations and Section 2C of the Procedures need to be amended to reflect the new method by which LCH will allocate a SCM's Client Buffer to its SwapClear Client Accounts. Additionally, LCH will delete the obsolete wording related to the collateralisation of SCM Client Accounts and Client Excess in Section 4 of the Procedures.

The rule changes will go live on, or after, 9 April 2020.

**Part II: Description of Rule Changes**

In the definitions section of the General Regulations, there are new definitions of: Available Collateral Value, Base Liability, Margin Shortfall, Primary Client Account, Shortfall Ratio and Single

Omnibus Gross Segregated Clearing Client. There are also amended definitions of: Client Buffer, Client Excess, Cross ISA Deduction (renamed from Cross ISA Client Excess Deduction), House Excess, Required Margin Amount and Total Required Margin Amount. The definition of Client Excess Spreadsheet has also been deleted as it is no longer applicable. In Regulation 10(c) of the General Regulations, Cross ISA Client Excess Deduction has been renamed to Cross ISA Deduction. Regulation 11(m)(iv) and (v) of the General Regulations has been amended to simplify the language.

Section 1.3.3 of Section 2C of the Procedures has been amended to reflect the new definitions of Client Buffer, SwapClear Tolerance and Standing Order Amount. Section 1.6.3 has been removed as it is no longer relevant. In Sections 1.7 and 1.9, Cross ISA Client Excess Deduction has been renamed to Cross ISA Deduction.

Sections 1.10 and 1.11.2, and Schedules 11 and 12, of Section 4 of the Procedures have been deleted as they have been superseded with the new method noted above.

The text of the changes is attached hereto as:

- i. **Appendix I**, General Regulations
- ii. **Appendix II**, Procedures Section 2C (SwapClear)
- iii. **Appendix III**, Procedures Section 4 (Margin & Collateral)

### **Part III: Core Principle Compliance**

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

### **Part IV: Public Information**

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

### **Part V: Opposing Views**

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

### **Certification**

LCH 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 [charlotte.woodwards@lch.com](mailto:charlotte.woodwards@lch.com).

Yours sincerely

PP. 

Charlotte Woodward  
Senior Regulatory Advisor  
LCH Limited

**Appendix I**  
General Regulations



**GENERAL REGULATIONS OF  
LCH LIMITED**

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## REGULATION 1 DEFINITIONS

In these Regulations and the Procedures, except where the context otherwise requires, the following words and expressions shall have the following meanings:

<b>"Account Balance"</b>	means, in relation to a Relevant Client Clearing Business of a Clearing Member, an Individual Segregated Account Balance, an Indirect Gross Account Balance, a Custodial Segregated Account Balance or an Omnibus Segregated Account Balance
<b>"ACSP Compression Cycle"</b>	means a Multilateral Compression Cycle established by the Clearing House and facilitated by an ACSP nominated by the Clearing House, which shall be open to participation by SwapClear Clearing Members either on their own account or with respect to a SwapClear Clearing Client in accordance with the provisions of Regulation 56 and relevant Compression Documentation
<b>"Account Information Documents"</b>	means the documents called "LCH Account Structures under EMIR" and "Fees for EMIR Segregation Accounts", as published by the Clearing House on its website and made available to Clearing Members and Clearing Clients upon request
<b>"Affected ForexClear Option Clearing Member"</b>	has the meaning assigned to it in Regulation 101
<b>"Affiliated Client Omnibus Net Segregated Account"</b>	means, in relation to a Relevant Client Clearing Business, an account opened within the Clearing House by a Clearing Member on behalf of a group of Affiliated Omnibus Segregated Clearing Clients which is designated by the Clearing House as an Affiliated Client Omnibus Net Segregated Account
<b>"Affiliated Client Omnibus Segregated Account"</b>	means, in relation to a Relevant Client Clearing Business, (i) an Affiliated Client Omnibus Net Segregated Account or (ii) an Omnibus Gross Segregated Account opened on behalf of a group of Affiliated Omnibus Segregated Clearing Clients
<b>"Affiliated Omnibus Net Segregated Clearing Clients"</b>	means Affiliated Omnibus Segregated Clearing Clients in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Affiliated Client Omnibus Net Segregated Account

<b>"Associated Collateral Balance"</b>	means the Account Balance or Account Balances (as applicable) that may be transferred from the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee pursuant to Regulation 60 of these Regulations and in accordance with the Procedures and (where applicable) any relevant Collateral Management Agreement
<b>"ATP Market Rules"</b>	means the rules, regulations, administrative procedures, Memorandum and Articles of Association or by-laws which regulate an ATP and the market administered by it as notified from time to time to the Clearing House
<b>"ATS Contract"</b>	means any contract subject to the Regulations entered into by the Clearing House and a RepoClear Clearing Member or a RepoClear Dealer pursuant to Default Rule 6(m), following a course of dealing on any Automated Trading System between the Clearing House and a RepoClear Clearing Member or RepoClear Dealer
<b>"ATS Participant"</b>	has the meaning assigned to such term in Regulation 63(b)
<b>"Auction Portfolio"</b>	has the meaning assigned to it in the Default Rules
<b>"AUD ForexClear Liquidity Fund Contribution"</b>	means, in respect of a ForexClear Option Clearing Member, the amount (notified by the Clearing House pursuant to Regulation 102(b)) of cash denominated in Australian Dollars that is required to be paid by that ForexClear Option Clearing Member to the Clearing House
<b>"Authorised CSD"</b>	means a central securities depository, which is authorised or recognised under Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014, as amended from time to time
<b>"Automated Trading System"</b>	means an automated trading system in respect of which the Clearing House has an agreement with the operator thereof and in respect of which the Clearing House has notified RepoClear Participants in accordance with the Procedures
<b>"Automatic Early Termination Event"</b>	has the meaning ascribed to such term in Rule 5 of the Default Rules
<b><u>"Available Collateral Value"</u></b>	<p><u>means, in respect of</u></p> <p><u>(i) a Client Account (other than an Omnibus Gross Segregated Account or Individual Segregated Account), the value (as determined by the Clearing House) of the Clearing Member Current Collateral Balance of such Client Account, where any Client</u></p>

Buffer forming part of such Clearing Member Current Collateral Balance will have a zero value,

(ii) an Individual Segregated Account, the value (as determined by the Clearing House) of the Clearing Member Current Collateral Balance of such Individual Segregated Account, after the application or deduction of any Cross-ISA Deduction (as applicable), where any Client Buffer forming part of such Clearing Member Current Collateral Balance will have a zero value, and

(iii) a sub-account of an Omnibus Gross Segregated Account, the value (as determined by the Clearing House) of such portion of the Clearing Member Current Collateral Balance of the Omnibus Gross Segregated Account attributed to such sub-account by the Clearing House, where any Client Buffer forming part of such Clearing Member Current Collateral Balance will have a zero value

**"Backup Clearing Member"**

means the Clearing Member(s) (a) indicated by a Clearing Client as acting as such, and (b) notified to the Clearing House from time to time in an Appointment Notice and in accordance with the procedure determined by the Clearing House

**"Backup Client"**

means an Indirect Gross Account Clearing Client identified by a Clearing Member to the Clearing House for the purposes of a transfer of Related Contracts pursuant to a Client to Client Porting

**"Backload Registration Cycle"**

has the meaning assigned to it in the Procedures

**"Backloaded Registration Trade"**

has the meaning assigned to it in the Procedures

**"Base Liability"**

means, in respect of

(i) a Client Account (other than an Omnibus Gross Segregated Account), the Total Required Margin Amount of such account, disregarding the amount by which such liability is reduced by the use of SwapClear Tolerance, and

(ii) a sub-account of an Omnibus Gross Segregated Account, the Total Required Margin Amount of such account, disregarding the amount by which such liability is reduced by the use of SwapClear Tolerance



<b>"ClearLink API"</b>	means the Clearing House's proprietary messaging standard used by market participants to interact with the Clearing House's clearing services
<b>"Client Account"</b>	means any Individual Segregated Account, any Indirect Gross Account, any Custodial Segregated Account and any Omnibus Segregated Account
<b>"Client Buffer"</b>	<p><del>M</del>means, <u>in respect of an SCM, the total</u> amount of Collateral (taking the form of cash in a currency acceptable to the Clearing House), <del>held in a Client Buffer Account</del> which:</p> <p>(i) <del>is intended to be used to provide a pool of available Collateral to</del> support the registration of, or to meet any other intraday margin requirements in connection with, SwapClear Contracts in Client Accounts <del>opened in connection with SwapClear of</del> <u>such SCM;</u></p> <p>(ii) <u>when not so used, is held in the Client Buffer Account of the SCM; and</u></p> <p>(iii) <u>the Clearing <del>Business</del>House designates as "Client Buffer" in its books and records</u></p>
<b>"Client Charge"</b>	means a deed of charge entered into between a Custodial Segregated Client, the Clearing House and a Clearing Member in respect of Collateral that the Custodial Segregated Client provides to the Clearing House in respect of the relevant Custodial Segregated Account
<b>"Client Buffer Account"</b>	means a sub-account of a SwapClear Clearing Member's Proprietary Account opened for the purpose of recording Client Buffer
<b>"Client Clearing Business"</b>	means each of RepoClear Client Clearing Business, SwapClear Client Clearing Business, EquityClear Client Clearing Business, ForexClear Client Clearing Business and Listed Interest Rates Client Clearing Business

**"Client Clearing Default Management Process"**

means the processes of the Clearing House outlined in the Client Clearing Annex to the Default Rules and includes the Rates Service DMP in relation to any Contract which is a SwapClear Contract and/or Listed Interest Rates Contract in respect of Rates Service Client Clearing Business, the RepoClear DMP in relation to any Fixed Income Contract in respect of RepoClear Client Clearing Business and the ForexClear DMP in relation to any Contract which is a ForexClear Contract in respect of ForexClear Client Clearing Business

**"Client Clearing End-User Notice"**

means the Client Clearing End-User Notice as specified by the Clearing House from time to time

**"Client Clearing Entitlement"**

has the meaning assigned to it in the Client Clearing Annex to the Default Rules

**"Client Clearing Services"**

means SwapClear Client Clearing Services, RepoClear Client Clearing Services, EquityClear Client Clearing Services, ForexClear Client Clearing Services, FCM Clearing Services and/or Listed Interest Rates Client Clearing Services

**"Client Collateral"**

means: (i) Client Securities Collateral; and/or (ii) cash that a Custodial Segregated Client provides to the Clearing House, in respect of the relevant Custodial Segregated Account and in accordance with the relevant Collateral Management Agreement, and that the Clearing House designates as such in its books and records

**"Client Excess"**

means, ~~-(i) in respect of a Client Account other than an Omnibus Gross Segregated Account, that part of the Clearing Member Current Collateral Balance which is in excess of the Total Required Margin Amount for such account; and (ii) in respect of an Omnibus Gross Segregated Clearing Client or a group of Combined Omnibus Gross Segregated Clearing Clients, that portion of the amount, the amount (if any) by which the value (as determined by the Clearing House) of the Clearing Member Current Collateral Balance for of such account Client Account exceeds the Total Required Margin Amount for such account which is referable to such Omnibus Gross Segregated Clearing of such Client or Combined Omnibus Gross Segregated Clearing Clients (as applicable) as notified to the Clearing House by the relevant Clearing Member in the relevant Client Excess Spreadsheet~~ Account

~~**"Client Excess Spreadsheet"**~~

~~has the meaning given to the term in Section 1.10 (Client Excess Spreadsheet) of Procedure 4 (Margin and Collateral) of the Clearing House's Procedures~~

<b>"Co-operating Clearing House"</b>	means a clearing house party to an agreement with the Clearing House in respect of the co-clearing of an Exchange pursuant to which such organisation co-clears specific types of Contract and agrees to be bound by these Regulations as a Member to the extent and subject to any variations agreed in such agreement
<b>"Co-operating Clearing House Contract"</b>	means in respect of a Co-operating Clearing House, a class of contract, which is cleared by the Co-operating Clearing House from time to time, permitted to be made by members of the Co-operating Clearing House under Co-operating Clearing House Rules and which is the subject of a Link
<b>"Co-operating Clearing House Rules"</b>	means the provisions of a Co-operating Clearing House's Memorandum or Articles of Association or other constitutional documents, by-laws, rules, regulations, procedures, customs, practices, notices and resolutions in whatever form adopted by such Co-operating Clearing House that regulate Co-operating Clearing House Contracts and the members and markets cleared by the Co-operating Clearing House and any amendment, variation or addition thereto
<b>"Corrupted Data"</b>	has the meaning assigned to it in Section 2C1.27 of the Procedures
<b>"Coupons"</b>	has the meaning assigned to it in section 1.1.7 of Section 4 of the Procedures
<b>"Cover"</b>	means an amount of cash or (with the approval of the Clearing House) non-cash Collateral, determined by the Clearing House, and in a form and currency acceptable to the Clearing House as prescribed in the Procedures
<b>"Crossing Transaction"</b>	has the meaning assigned to it in Chapter XIV(1)
<b>"Cross-ISA Client Excess Deduction"</b>	<p>means, <del>where a Total Required Margin Amount relates to an Individual Segregated Account held by a Clearing Member on behalf of an Individual Segregated Account Clearing Client, if and to the extent that Client Excess is available in one or more other Individual Segregated Accounts held by such Clearing Member on behalf of the same Individual Segregated Account Clearing Client, a deduction by the Clearing House from the other Individual Segregated Account(s) of that Client Excess</del><sup>if</sup></p> <p><u>(i) the value (as determined by the Clearing House) of the Clearing Member Current Collateral Balance of an Individual Segregated Account held by a Clearing Member on behalf of an Individual Segregated Account Clearing Client (where any Client Buffer</u></p>

within such Clearing Member Current Collateral Balance will have a zero value) exceeds,

- (ii) the Total Required Margin Amount of such Individual Segregated Account (disregarding the amount by which such liability is reduced by the use of SwapClear Tolerance or ForexClear Tolerance),

a deduction by the Clearing House of such excess (to the extent determined by the Clearing House) and the application of it to discharge the Total Required Margin Amount of another Individual Segregated Account held by the same Clearing Member on behalf of the same Individual Segregated Account Clearing Client

**"Cumulative Net Present Value"**

has:

- (i) in the case of a SwapClear STM Contract, the meaning assigned to it in Regulation 57A; and
- (ii) in the case of a ForexClear STM Contract, the meaning assigned to it in Regulation 106A

**"Custodial Segregated Account"**

means an account opened within the Clearing House by a Clearing Member which: (i) enables the relevant Clearing Member to distinguish the assets and positions held for the account of a Custodial Segregated Client from the assets and positions held for the account of its other clients; (ii) is designated by the Clearing House as a Custodial Segregated Account; and (iii) allows a Custodial Segregated Client to provide Client Collateral

**"Custodial Segregated Account Balance"**

means, in respect of a Custodial Segregated Client of a Clearing Member, the Clearing Member Current Collateral Balance of the relevant Custodial Segregated Account held by such Clearing Member on behalf of such Custodial Segregated Client (together with any receivables, rights, intangibles and any other collateral or assets deposited or held with the Clearing House in connection with such an account)

**"Custodial Segregated Client"**

means a Clearing Client in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in a Custodial Segregated Account and who has entered into a Collateral Management Agreement and Client Charge

**"daily settlement amounts"**

means amounts due to the Clearing House from a Member or to a Member from the Clearing House, as the case may be, arising out of settlement of open contracts pursuant to Regulation 23 or Regulation 99 and the Procedures

**"House Excess"**

~~Means, in relation to a Service, that part~~ respect of a Proprietary Account, the amount (if any) by which the value (as determined by the Clearing House) of the Clearing Member Current Collateral Balance maintained by a Clearing Member with the Clearing House on a proprietary basis and for its own account which is in excess of such Proprietary Account exceeds the relevant Total Required Margin Amount of such Proprietary Account

**"Identified Client Omnibus Net Segregated Account"**

means, in relation to a Relevant Client Clearing Business, (i) an account opened within the Clearing House by the relevant Clearing Member on behalf of its Identified Omnibus Segregated Clearing Clients which is designated by the Clearing House as an Identified Client Omnibus Net Segregated Account; together with (ii) for the purposes of the Default Rules, any Omnibus Segregated Account comprising Determined Omnibus Net Segregated Clients

**"Identified Client Omnibus Segregated Account"**

means (i) an Identified Client Omnibus Net Segregated Account or (ii) an Omnibus Gross Segregated Account opened on behalf of a group of Identified Omnibus Segregated Clearing Clients

**"Identified Omnibus Net Segregated Clearing Clients"**

means Identified Omnibus Segregated Clearing Clients in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Identified Client Omnibus Net Segregated Account

**"Identified Omnibus Segregated Clearing Clients"**

means, in relation to a Relevant Client Clearing Business, (i) certain Omnibus Segregated Clearing Clients of the relevant Clearing Member or FCM whose identities have been recorded by the Onboarding department of the Clearing House and who are grouped together in a single Omnibus Segregated Account of the Clearing Member but who are not Affiliated Omnibus Segregated Clearing Clients; together with (ii) for the purposes of the Default Rules, any Determined Omnibus Net Segregated Clearing Clients who are grouped together in a single Omnibus Segregated Account

**"Impacted ForexClear Option Clearing Member"**

has the meaning assigned to it in Regulation 100(g)

**"Index"**

has the meaning assigned to it in Chapter XIV(a)

**"Indirect Account"**

means an Indirect Gross Account or an Indirect Net Account

**"Indirect Clearing Client"**

means a client of an Indirect Gross Account Clearing Client or an Indirect Net Account Clearing Client in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Indirect Account

<b>"LSE"</b>	means the London Stock Exchange plc or any successor in title
<b>"Mandatory ForexClear Swap Contract"</b>	means a ForexClear Swap Contract that is entered into for and on behalf of an Affected and/or Non-Affected ForexClear Option Clearing Member by the Clearing House acting pursuant to Regulation 101(d)(v) or Regulation 101(h) and Regulation 105
<b>"Mandatory ForexClear Swap Limit"</b>	means, in respect of a given day, a given ForexClear Currency and a given ForexClear Option Clearing Member, the maximum amount of Mandatory ForexClear Swap Transactions denominated in that ForexClear Currency that the Clearing House shall be entitled to enter into on that day on behalf of that ForexClear Option Clearing Member in accordance with Regulation 101(d)(v), as determined in accordance with the Procedures
<b>"Mandatory ForexClear Swap Limit Cap"</b>	means, in respect of a ForexClear Currency and all ForexClear Option Clearing Members, USD1,000,000,000 (or the equivalent denominated in the relevant ForexClear Currency) (as amended from time to time in accordance with the Regulations)
<b>"Mandatory Settlement ForexClear Swap Contract"</b>	means a ForexClear Swap Contract that is entered into for and on behalf of an Impacted and/or Non-Impacted ForexClear Option Clearing Member by the Clearing House acting pursuant to Regulation 100(k), Regulation 100(l) and Regulation 105
<b>"margin"</b>	means initial margin, variation margin and/or any other amounts required to be transferred and maintained under Regulation 20(a) ( <i>Margin and Collateral</i> )
<b>"Margin Cover"</b>	has the meaning ascribed to such term in Default Rule 15(a)
<b><u>"Margin Shortfall"</u></b>	<u><a href="#">has the meaning assigned to it in Section 1.3.3 (Client Buffer, SwapClear Tolerance and Standing Order Amount) of Section 2C (SwapClear Clearing Service) of the Procedures</a></u>
<b>"market"</b>	means a futures, options, forward, stock or other market, administered by an Exchange, or an OTC market in respect of which the Clearing House has agreed with such Exchange or, in respect of an OTC market, with certain Participants in that market, to provide clearing services on the terms of these Regulations and the Procedures
<b>"Market Data"</b>	has the meaning assigned to it in Chapter XIV(f)(i)

**"Price"**

means in the case of:

- (a) a contract on the terms of an exchange contract or Listed Interest Rates Contract which is to be performed by delivery of a reference asset or commodity, the consideration to be paid by the buyer in cash in the currency prescribed by the terms of the exchange contract or Listed Interest Rates Contract, and in the case of an exchange contract or Listed Interest Rates Contract which is a contract for differences, the valuation quoted as a price under its terms; or
- (b) an OTC Contract, the price calculated by the Clearing House in accordance with the Regulations and the Procedures; or
- (c) an EquityClear Contract, the consideration to be paid by the buyer in cash in the currency as set out in the EquityClear ATP Match or EquityClear Novation Transaction information received by the Clearing House or its relevant approved agent

**"Price Alignment Amount"**

has:

- (i) in the case of a SwapClear STM Contract, the meaning assigned to it in Regulation 57A; and
- (ii) in the case of a ForexClear STM Contract, the meaning assigned to it in Regulation 106A

**"Price Alignment Amount Rate"**

has:

- (i) in the case of a SwapClear STM Contract, the meaning assigned to it in Regulation 57A; and
- (ii) in the case of a ForexClear STM Contract, the meaning assigned to it in Regulation 106A

**"Primary Client Account"**

means, in respect of an SCM, the Omnibus Gross Segregated Account which is in its name and which the Clearing House designates as the SCM's primary Client Account

**"Procedures"**

means Section 1 (*Clearing Member, Non-Member Market Participant and Dealer Status*), Section 2B (*RepoClear Service*) to Section 2J (*Listed Interest Rates Service*) and Sections 3 (*Financial Transactions*) to 8 (*Complaints*) of the Rulebook and the procedures for application for and regulation of membership of the Clearing House and in respect of SwapClear Dealers, RepoClear Dealers, and ForexClear Dealers respectively, for:

<b>"Required Margin Amount"</b>	means: (i) in respect of any type of margin and any account (other than an Omnibus Gross Segregated Account or Indirect Gross Account); (ii) in respect of any type of margin and (a) each <del>individual</del> <u>Single</u> Omnibus Gross Segregated Clearing Client <del>(other than a Combined Omnibus Gross Segregated Clearing Client)</del> within an Omnibus Gross Segregated Account; or (b) the Combined Omnibus Gross Segregated Clearing Clients grouped together within an Omnibus Gross Segregated Account; and (iii) in respect of any type of margin and each Indirect Gross Sub-Account, the most recent amount of each type of margin which the Clearing House requires in respect of the relevant account, sub-account or client(s) (as the case may be) as determined by the Clearing House and as recorded on its books and records
<b>"Requisite ForexClear Option Clearing Members"</b>	means on any business day, one or more ForexClear Option Clearing Members representing at least 75% of the total number of ForexClear Option Clearing Members
<b>"Resignation Effective Date"</b>	means the date on which the termination of a Resigning Member's Clearing Member status in respect of a specific Service becomes effective, as specified in Regulation 5(a)
<b>"Resigning Member"</b>	means at any time any Clearing Member: (i) who has given notice to the Clearing House for the purposes of resigning from a particular Service; or (ii) in respect of whom the Clearing House has given notice for the purposes of requiring such Clearing Member to resign from a particular Service
<b>"Retirement Effective Date"</b>	means the date on which the termination of a Retiring Member's Clearing Member status becomes effective, as specified in Regulation 5(e)
<b>"Retiring Member"</b>	means at any time any Clearing Member or, as the context may require, any former Clearing Member: (i) who has given notice to terminate its Clearing Member status to the Clearing House; or (ii) in respect of whom the Clearing House has terminated or given notice to terminate its Clearing Member status
<b>"Return Window"</b>	has the meaning assigned to it in the Client Clearing Annex to the Default Rules
<b>"Revised Caps"</b>	has the meaning assigned to it in Regulation 100
<b>"Revised Limits"</b>	has the meaning assigned to it in Regulation 100
<b>"Risk Neutralisation"</b>	has the meaning assigned to it in the Default Rules



**"settlement price"** means one or more prices determined and issued by an Exchange in accordance with its Exchange Rules in respect of a delivery month or prompt date

In relation to a Contract other than an exchange contract, one or more prices determined in accordance with the Regulations or the Procedures.

**"Settlement Service Provider"** means CLS Bank International or any other entity approved by the Clearing House from time to time for the provision to the Clearing House of settlement services in connection with settlement under the ForexClear Service not taking place through the Clearing House Protected Payment System

**"Shortfall Ratio"** means, in respect of an SCM and

(i) a Client Account (other than an Omnibus Gross Segregated Account) of such SCM, the ratio that the Margin Shortfall for such Client Account bears to aggregate Margin Shortfalls for all Client Accounts (other than Omnibus Gross Segregated Accounts) of such SCM and all sub-accounts of each Omnibus Gross Segregated Account of such SCM, and

(ii) a sub-account of an Omnibus Gross Segregated Account of such SCM, the ratio that the Margin Shortfall for such sub-account bears to aggregate Margin Shortfalls for all Client Accounts (other than Omnibus Gross Segregated Accounts) of such SCM and all sub-accounts of each Omnibus Gross Segregated Account of such SCM

**"Single Omnibus Gross Segregated Clearing Client"** means, in respect of an Omnibus Gross Segregated Account, an Omnibus Gross Segregated Clearing Client within such account that is not a Combined Omnibus Gross Segregated Clearing Client

**"SONIA"** means the overnight rate as calculated by the Wholesale Market Broker's Association and appearing on the Reuters Screen SONIA Page (or, if such a rate is not available, such SONIA-linked rate as may be determined in light of market conditions at such time by the Clearing House and notified by the Clearing House to Clearing Members)

<b>"Target Settlement Day"</b>	means any day on which TARGET2 is open for the settlement of payments in euro
<b>"tender"</b>	means a notice given by or on behalf of a seller (or buyer where Exchange Rules so require) pursuant to Exchange Rules, these Regulations and the Procedures, as applicable, of an intention to make (or take) delivery of a reference asset or commodity
<b>"Term £GC Trade"</b>	<p>means a trading activity in which a RepoClear Participant ("<b>the First Participant</b>") offers to sell (or buy) an agreed value of securities comprised in a Term £GC Basket (as defined in the Procedures), to be allocated in accordance with the RepoClear Procedures applicable to RepoClear Term £GC Contracts, and another RepoClear Participant ("<b>the Second Participant</b>") offers to buy (or sell, as the case may be) the securities so allocated, on the conditions that:</p> <ol style="list-style-type: none"> <li>a) at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) Equivalent Securities (as such term is used in the RepoClear Term £GC Contract Terms) and the First Participant buys (or sells, as the case may be) those Equivalent Securities; and</li> <li>b) the understanding of the parties is that their obligations during the term of the transaction will be effected through the CREST delivery by value (DBV) functionality of Euroclear UK and Ireland, as contemplated by the rules of Euroclear UK and Ireland and RepoClear Procedures applicable to RepoClear Term £GC Contracts, and a trade subsequently ensues</li> </ol>
<b>"Terminating SwapClear Contracts"</b>	means, in relation to any Compression Proposal, the SwapClear Contracts which will be terminated and replaced with Post-Multilateral Compression Contracts in accordance with Regulation 56
<b>"Third Parties Act"</b>	means the Contracts (Rights of Third Parties) Act 1999, as amended from time to time
<b>"Total Required Margin Amount"</b>	means the aggregate of the Required Margin Amount for all types of margin relating to (i) <del>in respect of an Individual Client Account (other than an Omnibus Gross Segregated Account, the relevant account after deducting any amounts pursuant to a Cross ISA Client Excess Deduction (if applicable),</del> (ii) <del>in respect of an Indirect Gross Account, a Custodial Segregated Account, an Omnibus Segregated Account (that is not an Omnibus Gross Segregated Account) or</del> , (ii) a Proprietary Account, <del>the relevant account</del> , or (iii) in respect of an Omnibus Gross Segregated Account, the relevant <u>Single</u> Omnibus Gross Segregated Clearing Client

or relevant group of Combined Omnibus Gross Segregated Clearing Clients ~~together~~—(as applicable) within such Omnibus Gross Segregated Account

- "trade correction procedures"** means the procedures established for the purposes of a Link to facilitate the correction of errors contemplated by such procedures
- "Trading Platform Particulars"** means the order or trade particulars, in respect of EquityClear Eligible Equities or EquityClear Eligible ccCFD(s), submitted to an ATP in accordance with the relevant ATP Market Rules by, or on behalf of, an EquityClear Clearing Member or a member of a relevant Co-operating Clearing House
- "Trading Venue"** means: (i) a swap execution facility or designated contract market registered as such with the CFTC; (ii) a regulated market, multilateral trading facility or organised trading facility operated in accordance with MiFID II; or (iii) any other electronic trading facility, in each case which the Clearing House has approved for the purposes of having transactions executed thereon presented to the Clearing House for registration. For the avoidance of doubt, a Trading Venue need not be an Approved Trade Source System
- "Trading Venue Transaction"** means, in respect of a Clearing Member, a transaction recorded in the Clearing House's systems (via applicable messaging from the relevant Trading Venue, Approved Trade Source System or otherwise) as a transaction that was executed on a Trading Venue
- "Transfer Account"** means: (i) in respect of a Receiving Clearing Member, the account in which Transferring SwapClear Contracts are to be registered on behalf of an Eligible Transferee following a transfer pursuant to Regulation 60 of these Regulations and in accordance with the Procedures and (where applicable) any relevant Collateral Management Agreement (which, for the avoidance of doubt, may be a Client Account or a Proprietary Account of the Receiving Clearing Member); and (ii) in respect of a Carrying Clearing Member, the account in which Transferring SwapClear Contracts are to be transferred from an Eligible Transferor following a transfer pursuant to Regulation 60 of these Regulations and in accordance with the Procedures and (where applicable) any relevant Collateral Management Agreement (which, for the avoidance of doubt, may be a Client Account or a Proprietary Account of the Carrying Clearing Member)

## CHAPTER III – ACCOUNTS AND CLIENT CLEARING

### REGULATION 10 ACCOUNTS

- (a) Accounts (including, where requested, Client Accounts) shall be opened between each Member and the Clearing House in accordance with the Procedures. The Clearing House shall offer segregated accounts (i) by maintaining separate records enabling it to distinguish in accounts the positions and assets held for the account of one Clearing Member from the positions and assets held for the account of any other Clearing Member; (ii) by allowing Clearing Members to provide Client Clearing Services to Clearing Clients on an Omnibus Segregated Account basis, by offering to keep separate records enabling each Clearing Member to distinguish in accounts with the Clearing House its own proprietary positions and assets from those held for the account of its Clearing Clients; (iii) by allowing Clearing Members to provide Client Clearing Services to Clearing Clients on an Individual Segregated Account basis and/or a Custodial Segregated Account basis, by offering to keep separate records enabling each Clearing Member to distinguish in accounts with the Clearing House positions and assets (including, for the avoidance of doubt, Client Excess) for the account of an individual Clearing Client from those held for the accounts of other Clearing Clients and those held by the Clearing Member; and (iv) by allowing Clearing Members to provide Client Clearing Services to Clearing Clients who are, in turn, providing clearing services to their Indirect Clearing Clients on an Indirect Account basis. Regulation 11(g) below provides information in respect of the different types of Client Accounts. For the avoidance of doubt, a Member shall be responsible for all obligations owed to the Clearing House in respect of every account opened in respect of such Member.
- (b) This paragraph applies to a Member's Proprietary Accounts. In the event that more than one Proprietary Account is opened in respect of a Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the Member's Proprietary Accounts, and to set off any amount or amounts standing from time to time to the credit of any one or more of such accounts in or towards payment or satisfaction of all or any of the Member's liabilities to the Clearing House on any one or more of such accounts. Further detail in respect of the composition and operation of Proprietary Accounts is set out in the Procedures Section 3 (*Financial Transactions*), paragraph 1.1 (*Accounts and Ledgers*).
- (c) This paragraph applies to a Member's Client Accounts. The Clearing House shall not combine or consolidate the balances on or positions recorded in a Member's Client Accounts or set off any amount or amounts standing to the credit of any such Client Account in or towards payment or satisfaction of the Member's liabilities to the Clearing House on any other such Client Account or on any Proprietary Account, except: (i) in the case of a Cross-ISA ~~Client Excess~~ Deduction; (ii) as provided under Rule 15(a)(ii) of the Default Rules; or (iii) in the case of an Insufficient Resources Determination, pursuant to any of the Insufficient Resources Determination Rules. Further detail in respect of the composition and operation of Client Accounts is set out in the Procedures Section 3 (*Financial Transactions*), paragraph 1.1 (*Accounts and Ledgers*).
- (d) Amounts standing to the credit of a Member's Proprietary Accounts may be applied by the Clearing House towards the payment of any sum whatsoever due by the Member to the Clearing House whether or not arising under these Regulations, save that, subject

## REGULATION 11 CLIENT CLEARING BUSINESS

- (a) The Services are provided by the Clearing House to Clearing Members. Any Clearing Member who wishes to offer Client Clearing Services in respect of a Service to its clients shall apply to the Clearing House and obtain the approval of the Clearing House before first offering such Client Clearing Services in respect of such Service. Any Client Clearing Services related services which are offered by a Clearing Member prior to obtaining the approval of the Clearing House shall not be treated as Client Clearing Services and the clients of the Clearing Member receiving such services shall not be treated as Clearing Clients. In accordance with the requirement under Article 39(7) of EMIR the Clearing House has published the Account Information Documents which together contain information regarding the levels of protection and account segregation which the Clearing House provides and the costs associated with such levels of segregation. The Account Information Documents are available on the Clearing House's website and are also made available to Clearing Members and Clearing Clients upon request.
- (b) Following the receipt of an application from a Clearing Member pursuant to paragraph (a) above, the Clearing House will confirm to a Clearing Member whether or not it is an Exempt Client Clearing Member.
- (c) Each Clearing Member which is designated by the Clearing House as an Exempt Client Clearing Member undertakes and agrees with the Clearing House on the following terms:
- (i) such Exempt Client Clearing Member shall pay or deliver (as applicable) to or to the order of the Clearing House each of the Account Balances relating to those of its Clearing Clients whose Relevant Contracts are:
- (A) transferred to; or
- (B) terminated and closed out and new contracts entered into on equivalent terms with,
- a Backup Clearing Member in accordance with the Client Clearing Annex (each such obligation of the Exempt Client Clearing Member being accelerated so as to become immediately due and payable at the time of the relevant transfer or termination and close out);
- (ii) such Exempt Client Clearing Member shall pay or deliver (as applicable) to or to the order of the Clearing House each of the Client Clearing Entitlements relating to those of its Individual Segregated Account Clearing Clients, Indirect Gross Account Clearing Clients, Custodial Segregated Clients, Affiliated Omnibus Segregated Clearing Clients and Identified Omnibus Segregated Clearing Clients, in each case, whose Relevant Contracts are closed out and liquidated in accordance with the Client Clearing Annex (each such obligation of the Exempt Client Clearing Member being accelerated so as to become immediately due and payable at the time of the relevant close out and liquidation); and

- (iii) the obligations set out in sub-paragraphs (i) and (ii) of this paragraph (c) (the "**Undertaking to Pay and Deliver**") shall, for the avoidance of doubt, constitute Secured Obligations as defined in and provided for by the relevant Deed of Charge between such Exempt Client Clearing Member and the Clearing House.
- (d) The approval of the offering and the provision of Client Clearing Services on an Individual Segregated Account basis, Indirect Gross Account basis, Custodial Segregated Account basis, Affiliated Client Omnibus Segregated Account basis or Identified Client Omnibus Segregated Account basis by any Clearing Member which is not such an Exempt Client Clearing Member will be conditional upon (i) the entering into by such Clearing Member of a Security Deed in respect of each of its Clearing Clients in relation to amounts due to it from the Clearing House; (ii) delivery to the Clearing House of evidence of the Clearing Member having entered into such Security Deed, such evidence to be in a form satisfactory to the Clearing House (in the Clearing House's sole discretion) and (iii) the making of any amendments to each such Security Deed as may be prescribed by the Clearing House from time to time.
- (e) In determining whether or not to grant approval to a Clearing Member in respect of the offering of Client Clearing Services, the Clearing House will consider factors including but not limited to the relevant concentration of risks relating to the provision (by the Clearing Member and or any other Clearing Member) of Client Clearing Services to Clearing Clients. The Clearing House shall be entitled to require the delivery of information from a Clearing Member about the criteria and arrangements it adopts for the provision of Client Clearing Services to Clearing Clients, both at the time of the process for the approval of the offering by the relevant Clearing Member of Client Clearing Services and as deemed necessary by the Clearing House on an ongoing basis.
- (f) Subject to the provisions of the Rulebook, Client Clearing Services may be provided by the relevant Clearing Member to its Clearing Clients on whatever terms the Clearing Member decides should apply provided, however, that:
  - (i) each Clearing Member shall, before providing the relevant Client Clearing Services to any client, ensure that it has entered into a Clearing Agreement with that client which gives the Clearing House enforceable rights against that client in the terms of the Clearing House Prescribed Language;
  - (ii) Contracts entered into by the Clearing Member in respect of Client Clearing Business and Collateral transferred by the Clearing Member to the Clearing House in respect of Client Clearing Business shall always be separately identified by the Clearing Member to the Clearing House and, subject to the provisions of Rule 8(d) of the Default Rules and the Insufficient Resources Determination Rules, shall never be combined with House Clearing Business or Collateral transferred to the Clearing House in respect of House Clearing Business;
  - (iii) in no circumstances will the client money protections provided for by the Client Assets sourcebook of the Handbook published by the Financial Conduct Authority be available in relation to accounts opened with the Clearing House in respect of Client Clearing Business;

- (iv) each Clearing Member shall, before providing Client Clearing Services to any Clearing Client ensure that the Clearing Client has been provided with or has been directed to a copy of the Client Clearing End-User Notice; and
  - (v) each Clearing Member shall, before providing Client Clearing Services to any Individual Segregated Account Clearing Client, Indirect Gross Account Clearing Client, Custodial Segregated Client, Affiliated Omnibus Segregated Clearing Client or Identified Omnibus Segregated Clearing Client, deliver to the Clearing House information regarding the identity of such Clearing Client and, in the case of an Indirect Gross Account, of any Indirect Clearing Clients grouped within such Indirect Gross Account, in accordance with the Clearing House's client identification requirements as published from time to time on the Clearing House's website.
- (g) Client Clearing Services in respect of a Service may be provided by a Clearing Member to its Clearing Clients in accordance with, and subject to, the Rulebook and Contracts may be entered into by a Clearing Member with the Clearing House in respect of such Clearing Clients, on:
- (i) an Individual Segregated Account basis;
  - (ii) an Indirect Gross Account basis;
  - (iii) a Custodial Segregated Account basis; and/or
  - (iv) an Omnibus Segregated Account basis with segregation, by the opening of:
    - (A) one or more Non-Identified Client Omnibus Net Segregated Accounts;
    - (B) one or more Identified Client Omnibus Net Segregated Accounts;
    - (C) one or more Affiliated Client Omnibus Net Segregated Accounts;
    - (D) one or more Omnibus Gross Segregated Accounts; and/or
    - (E) one or more Indirect Net Accounts.
- (h) A Clearing Member may operate one or more Individual Segregated Accounts on behalf of an Individual Segregated Account Clearing Client in respect of one or more Service(s).
- (i) A Clearing Member may operate one or more Custodial Segregated Accounts on behalf of a Custodial Segregated Client in respect of the SwapClear Service.
- (j) A Clearing Member may operate one or more Omnibus Segregated Accounts on behalf of its Clearing Clients in respect of one or more Service(s).
- (k) Client Clearing Services may be provided by a Clearing Member to one or more Clearing Clients who are, in turn, providing clearing services to their Indirect Clearing Clients. In such circumstances, the following will apply:
- (i) in respect of a Service, the Clearing Member may open:

- (A) one or more Indirect Gross Accounts; and/or
  - (B) one or more Indirect Net Accounts;
- (ii) [*intentionally left blank*];
  - (iii) the Clearing Member shall, before providing the relevant Client Clearing Services to the relevant Clearing Client, ensure that each relevant Indirect Clearing Client has been provided with or has been directed to a copy of the Client Clearing End-User Notice; and
  - (iv) the Clearing Member acknowledges that a Clearing Client that is an Indirect Net Account Clearing Client or an Indirect Gross Account Clearing Client acting in respect of its Indirect Clearing Clients may also be an Omnibus Segregated Clearing Client, an Individual Segregated Account Clearing Client or a Custodial Segregated Client acting for its own account and that the provisions of the Rulebook shall apply separately in respect of each capacity in which a Clearing Client may act.
- (l) The fees and charges applied by the Clearing House to Clearing Members in respect of the provision, maintenance and administration of Individual Segregated Accounts, Indirect Gross Accounts, Custodial Segregated Accounts and each type of Omnibus Segregated Account shall be as set out in the Clearing House's Account Information Documents.
  - (m) The Total Required Margin Amount relating to each Client Account of a Clearing Member will be calculated by the Clearing House and the obligation to provide Collateral in respect of such margin obligations will be discharged by:
    - (i) if and to the extent that there is Collateral available in the relevant Client Account, deduction by the Clearing House of amounts from such Collateral;
    - (ii) if the relevant Client Account is an Individual Segregated Account, the Clearing House applying a Cross-ISA ~~Client Excess~~ Deduction;
    - (iii) if the relevant account is a Client Account opened in connection with ForexClear Client Clearing Business and there is insufficient Collateral available in that Client Account, the allocation by the Clearing House of MER Buffer and then ForexClear Tolerance, in each case to the extent available;
    - (iv) if the relevant account is a Client Account opened in connection with SwapClear Client Clearing Business and there is insufficient Collateral available in that Client Account, allocation by the Clearing House of Client Buffer ~~(and then SwapClear Tolerance, in each case~~ to the extent available); and
    - ~~(v) if the relevant account is a Client Account opened in connection with SwapClear Client Clearing Business and there is insufficient Client Buffer available in relation to that Client Account, the Clearing House providing temporary tolerance in the form of SwapClear Tolerance; and~~
    - ~~(vi)~~ (v) otherwise, transfer by the Clearing Member to the Clearing House of Collateral with a value which is at least sufficient to discharge the relevant requirement.



**Appendix II**  
Procedures Section 2C (SwapClear)



**LCH LIMITED**

**PROCEDURES SECTION 2C**

**SWAPCLEAR CLEARING SERVICE**

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## 1.2 Operating Times and Calendars

### 1.2.1 *Opening Days*

The Clearing House will publish a circular detailing the days on which SwapClear will be open.

### 1.2.2 *Opening Hours*

Unless notified otherwise, the SwapClear clearing system will be operational during the following hours:

06:00 London Time to 19:00 New York Time<sup>1</sup>

However, SwapClear Clearing Members should note that Necessary Consents in relation to a Notification submitted during a business day shall be accepted by the Clearing House until 19.01 New York time on the following day. The Clearing House will notify SwapClear Clearing Members in the event that the SwapClear clearing system is scheduled for closure for operational or other reasons (including compression runs).

### 1.2.3 *SwapClear Clearing System Calendars*

The SwapClear clearing system uses the *SwapsMonitor Financial Calendar* for its processing. This will require all SwapClear Clearing Members to be licensees of the *SwapsMonitor Financial Calendar*. The calendars, as applicable to the SwapClear clearing system, will be available online for inspection and for file download from the SwapClear Clearing Member reporting system (see Section 1.1.3).

## 1.3 Registration

### 1.3.1 *Executing Parties and Presentation for Clearing*

A SwapClear Transaction may be entered into by and presented for clearing by (or on behalf of) any of the following parties: (a) SwapClear Clearing Members (or the SCM Branch of any such SwapClear Clearing Member); (b) SwapClear Dealers; (c) SwapClear Clearing Clients; (d) FCM SwapClear Members; and (e) in respect of Risk Neutralisation, the Clearing House.

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

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<sup>1</sup> The SwapClear clearing system may, in the Clearing House's absolute discretion, be operational beginning 04:00 London Time.

Prior to and as a precondition to the registration of an eligible SwapClear Transaction, the relevant SwapClear Clearing Member must provide notice to and receive approval from the Clearing House (or have previously provided such notice and received such approval), in such form as determined by the Clearing House in its sole discretion, with respect to each type of SwapClear Transaction— to be presented for registration (be it with respect to tenor, currency or other eligibility criteria). Notwithstanding anything herein to the contrary, if (a) notification pursuant to this paragraph is not received by the Clearing House, (b) the relevant SwapClear Clearing Member does not receive approval from the Clearing House pursuant to this paragraph, or (c) such approval granted pursuant to this paragraph has been rescinded by the Clearing House, the Clearing House may, in its sole discretion, reject any relevant SwapClear Transaction.

### 1.3.2 *Clearing House Notification*

In the case of a SwapClear Clearing Member which has been nominated to register a SwapClear Transaction on behalf of a third party Executing Party other than a SwapClear Dealer, the Clearing House will (only where such SwapClear Transaction is not a Trading Venue Transaction) provide notification to such SwapClear Clearing Member of the relevant SwapClear Transaction and that it has been so nominated, via member reports, the ClearLink API or otherwise ("**Notification**"). Where a SwapClear Clearing Member is nominated to clear both SwapClear Contracts arising from the registration of a SwapClear Transaction in the capacities described in this paragraph, such SwapClear Clearing Member will receive two separate Notifications from the Clearing House in relation to such SwapClear Transaction. All Notifications shall be provided within the required timeframe under all Applicable Law. In all other cases, no Notification will be provided to any SwapClear Clearing Member.

In respect of a SwapClear Transaction that is not a Trading Venue Transaction, following receipt of a Notification, a SwapClear Clearing Member may choose to grant or refuse consent to register the SwapClear Transaction. It is a condition for registration of such a SwapClear Transaction that a SwapClear Clearing Member grants a separate consent (each, a "**Necessary Consent**") in respect of each Notification received by it in relation to the registration of such SwapClear Transaction. The Clearing House has an automated system which it operates on each business day for the purposes of rejecting SwapClear Transactions which have been presented for clearing but in respect of which any Necessary Consent has not been notified to the Clearing House prior to the LCH Cut-off Time. The "**LCH Cut-off Time**" in respect of a SwapClear Transaction will be the expiry of the timeframe determined by the Clearing House. If a SwapClear Clearing Member has not notified the Clearing House of a Necessary Consent by the LCH Cut-off Time, it will be deemed to have rejected the relevant SwapClear Transaction. Any Necessary Consent of a SwapClear Transaction notified by a SwapClear Clearing Member to the Clearing House prior to the LCH Cut-off Time is irrevocable. Any Necessary Consent notified by a SwapClear Clearing Member to the Clearing House after the LCH Cut-off Time shall be invalid.

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

In accordance with Section 1.3.5 of these Procedures, it is a precondition for the registration of a SwapClear Contract that the applicable SwapClear Clearing Member has complied with all requirements to provide sufficient Collateral (taking into account Client Buffer and/or SwapClear Tolerance, if any) to the Clearing House as of the time of "submission" or "deemed submission" of the SwapClear Transaction to which the SwapClear Contract relates, except that such Collateral shall not be required to be provided prior to registration as a condition thereto if such SwapClear Transaction is a Sub-Block Trading Venue Transaction. For the avoidance of doubt, in respect of the registration of a SwapClear Transaction other than a Sub-Block Trading Venue Transaction, each SwapClear Clearing Member or the relevant SwapClear Clearing Member and FCM Clearing Member must have complied with all requirements to provide sufficient Collateral (taking into account Client Buffer and/or SwapClear Tolerance, if any) at the time when it submitted or was deemed to have submitted (as applicable) the relevant SwapClear Transaction.

In exceptional circumstances, where a Clearing Member experiences technical issues such that it is unable to accept or reject a Notification, it may contact the Clearing House via email to request that a SwapClear Transaction to which a Notification relates be accepted or rejected on its behalf. In such circumstances, and unless the Clearing House notifies the Clearing Member otherwise, the Clearing House will manually accept or reject the SwapClear Transaction on behalf of the requesting Clearing Member and will confirm registration or rejection of the SwapClear Transaction via email. In the event that a Clearing Member requests the manual acceptance or rejection of a SwapClear Transaction it shall ensure that such acceptance is requested by appropriately authorized personnel. The Clearing House shall have no liability in the event that a Clearing Member suffers a loss through the unauthorised manual acceptance or rejection of a SwapClear Transaction.

Where, in the context of a Default, the Clearing House executes a hedging SwapClear Transaction, which is:

- (a) not a Trading Venue Transaction, with a Hedging Rates Service Clearing Member for the purpose of Risk Neutralisation, and such SwapClear Transaction is presented for clearing to the Clearing House, the Defaulting Rates Service Clearing Member shall be

deemed to have received a Notification, in respect of such SwapClear Transaction, and to have notified a Necessary Consent, in respect of such SwapClear Transaction, to the Clearing House before the relevant LCH Cut-off Time; and

- (b) a Trading Venue Transaction, with a Hedging Rates Service Clearing Member for the purpose of Risk Neutralisation, and such SwapClear Transaction is presented for clearing to the Clearing House, the Trading Venue on which such SwapClear Transaction was executed shall be deemed to be an Eligible Trading Venue, in respect of the Defaulting Rates Service Clearing Member, at the time of execution of such SwapClear Transaction and such SwapClear Transaction shall be deemed to be an Eligible Trading Venue Transaction, in respect of the Defaulting Rates Service Clearing Member.

1.3.3 ~~Trade Registration Facilitation: Client Buffer, SwapClear Tolerance, Client Buffer and Standing Order Amount~~

~~In order to facilitate the registration of SwapClear Contracts by SwapClear Clearing Members, the Clearing House may:~~

- ~~(a) where sufficient Collateral is not available in relation to a Client Account, allocate Client Buffer (as further described below); and/or~~
- ~~(b) where sufficient Collateral (including Client Buffer) is not available, provide SwapClear Tolerance on a daily basis (as further described below).~~

~~The Clearing House will set SwapClear Tolerance Limits (as defined below) based on a number of factors, including a SwapClear Clearing Member's credit rating, risk profile and an analysis of the incremental risk registered by a SwapClear Clearing Member during a historic look-back period. However, the Clearing House sets SwapClear Tolerance Limits in its sole discretion, and may modify its methodologies at any time or may vary them across different SwapClear Clearing Members.~~

~~Client Buffer can also be used to cover the Total Required Margin Amount in relation to existing SwapClear Contracts registered in connection with SwapClear Client Clearing Business.~~

*Client Buffer*

~~If a SwapClear Clearing Member has not transferred sufficient Collateral to (i) enable the registration of a SwapClear Contract in a Client Account; and/or (ii) cover the Total Required Margin Amount on a Client Account in relation to existing SwapClear Contracts, then the Clearing House will, without further reference to the SwapClear Clearing Member, to the extent required, transfer any available Client Buffer from the SwapClear Clearing Member's Client Buffer Account to the relevant Client Account. However, prior to the Default of the SwapClear Clearing Member or the occurrence of a Termination Date specified by the relevant SwapClear Clearing Member under Regulation 45,~~

~~amounts standing to the credit of the Client Buffer Account are not available to support House Clearing Business and can only be used to support SwapClear Client Clearing Business.~~

(a) The Clearing House will allocate Client Buffer to the Client Accounts of an SCM, in accordance with paragraphs (b) to (f) below, in order to facilitate the registration of SwapClear Contracts to such Client Accounts or to otherwise satisfy the Total Required Margin Amounts of such Client Accounts.

(b) The Clearing House will at all times (except as provided under paragraph (e)(i) below) calculate:

(i) in respect of each Client Account (other than an Omnibus Gross Segregated Account), the amount (if any) by which the Base Liability exceeds the Available Collateral Value for such Client Account; and

(ii) in respect of the sub-account referable to a Single Omnibus Gross Segregated Clearing Client or a group of Combined Omnibus Gross Segregated Clearing Clients (as applicable), the amount (if any) by which the Base Liability exceeds the Available Collateral Value for such sub-account,

where each such amount calculated is the “Margin Shortfall” for the relevant Client Account or sub-account (as applicable).

(c) The Clearing House will automatically, and without further reference to the relevant SCM, allocate Client Buffer of such SCM to:

(i) a Client Account (other than an Omnibus Gross Segregated Account) of such SCM, which has a Margin Shortfall, equal to the total amount of Client Buffer held on behalf of such SCM multiplied by the Shortfall Ratio for such Client Account, up to a maximum of such Margin Shortfall; and

(ii) the sub-account of an Omnibus Gross Segregated Account of such SCM, which has a Margin Shortfall, equal to the total amount of Client Buffer held on behalf of such SCM multiplied by the Shortfall Ratio for such sub-account, up to a maximum of such Margin Shortfall.

(d) As part of the end of day margin and settlement call, the Clearing House will call each SCM for Collateral to cover the liabilities of its Client Accounts which are, at that point, being covered by Client Buffer.

(e) The Clearing House will perform the allocation of Client Buffer in accordance with paragraph (c) above on an ongoing basis, except that:

(i) subject to paragraph (e)(ii) below, where the Clearing House calls an SCM for end of day margin and/or settlement payments

on a business day, all calculations of Margin Shortfalls and allocations of Client Buffer will be suspended and all existing allocations of Client Buffer, in respect of the Client Accounts of such SCM, will remain in force from the time at which the Clearing House makes such end of day margin and settlement call until such time as the SCM satisfies such call (and at which time the Clearing House will resume calculation of Margin Shortfalls and allocation of Client Buffer in accordance with paragraphs (b) to (f)); and

(ii) notwithstanding paragraph (e)(i) above, if an SCM fails to meet any of its obligations to the Clearing House, the Clearing House may cease such allocation process and determine that all existing allocations of Client Buffer, in respect of the Client Accounts of such SCM, remain in force from the time specified by the Clearing House (until such later time as determined by the Clearing House, when it will resume allocation of Client Buffer in accordance with paragraphs (b) to (f)).

(f) Where Client Buffer has been ~~used to enable the registration of, or to meet any other intraday margin requirements in connection with, a SwapClear Contract in~~ allocated to a Client Account, ~~the relevant~~ such Collateral shall be recorded in ~~the collateral sub-account associated with the relevant Client Account and shall,~~ and form part of, the Clearing Member Current Collateral Balance in respect of ~~the relevant~~ such Client Account.

(g) ~~At the point at which~~ Where the Clearing House determines ~~that any Collateral transferred and recorded to a Client Account from the Client Buffer Account is no longer required (whether that is intra-day or at the end of day) the relevant Collateral shall,~~ after applying the allocation process in paragraph (c) above, that an amount of Client Buffer will no longer be allocated to a Client Account of an SCM (because either (i) there are no Margin Shortfalls, in respect of the SCM's Client Accounts, or (ii) the total amount of Client Buffer exceeds the total Margin Shortfalls, in respect of such SCM's Client Accounts), it will be returned and re-recorded by the Clearing House to the Client Buffer Account ~~and shall, from that point onwards:~~ of such SCM (until such time as allocated again to a Client Account in accordance with paragraph (c) above) and will cease to form part of the Clearing Member Current Collateral Balance ~~in respect of the relevant~~ such Client Account; ~~and,~~

~~(a) be available~~

(b)(h) Prior to ~~enable the registration of, or to meet any other intraday margin requirements in connection with, other SwapClear Contracts entered into in connection with~~ the Default of an SCM or the occurrence of a Termination Date specified by such SCM under Regulation 45, amounts standing to the credit of its Client Buffer



Account are not available to support House Clearing Business and can only be used to support its SwapClear Client Clearing Business.

~~As part of the end of day margin run and/or settlement process (as applicable), the Clearing House will call the SwapClear Clearing Member for Collateral and/or settlement payments (as applicable) to cover the liabilities which are, at that point, being covered by Collateral transferred from the Client Buffer Account to a Client Account. Where the SwapClear Clearing Member fails to provide such additional Collateral and/or settlement payments (as applicable), the Collateral previously transferred from the Client Buffer Account to the Client Account will continue to be recorded in the relevant Client Account and the Clearing House will not permit it to be transferred back to the Client Buffer Account in the manner envisaged above. In such circumstances, the SwapClear Clearing Member would be required to transfer the relevant Collateral out of and back into the Clearing House should it wish to return it to the Client Buffer Account (assuming such an arrangement would be consistent with the SwapClear Clearing Member's agreement with its client and that the Clearing House has not exercised any of its rights under the Default Rules following the Clearing Member's failure to meet the call for such additional Collateral).~~

~~For the avoidance of doubt, where a SwapClear Clearing Member has put Client Buffer arrangements in place, the Clearing House will transfer any available Client Buffer to the relevant Client Account before providing SwapClear Tolerance to that Client Account. Any additional Collateral transferred by a SwapClear Clearing Member to the Clearing House in respect of the relevant Client Account will be used to reduce the amount of SwapClear Tolerance utilised in respect of that Client Account to zero before any Collateral previously transferred from the Client Buffer Account is released and re-recorded to the Client Buffer Account.~~

~~Any Collateral released and re-recorded to the Client Buffer Account will immediately be used to replace and reduce the amount (if any) of SwapClear Tolerance utilised in respect of any other Client Account opened by the same SwapClear Clearing Member.~~

~~Where more than one relevant Client Account utilises SwapClear Tolerance at the time the relevant Collateral is re-recorded to the Client Buffer Account, the newly available Client Buffer shall be allocated to those Client Accounts pro rata to the sum of the Collateral transferred from the Client Buffer Account and currently recorded to the relevant Client Account (if any) and the amount of SwapClear Tolerance utilised by the relevant Client Account (if any) for each such Client Account at that time.~~

~~Conversely, any additional Collateral allocated to the Client Buffer Account by the SwapClear Clearing Member will remain in the Client Buffer Account until it is needed to enable the registration of, or to meet other intraday margin requirements in connection with, other SwapClear Contracts entered into in connection with SwapClear Client Clearing Business, irrespective of whether~~

~~one or more Client Accounts may be utilising SwapClear Tolerance at the time such additional Collateral is allocated to the Client Buffer Account.~~

### *SwapClear Tolerance*

- ~~(i) If a SwapClear Clearing Member has~~ The Clearing House may provide each SCM with initial margin forbearance (“SwapClear Tolerance”) in accordance with paragraphs (j) to (o) below, in order to facilitate the registration of SwapClear Contracts in the Proprietary Account(s) and/or Client Account(s) of such SCM or where the SCM has otherwise not transferred sufficient Collateral to the Clearing House (taking into account any Client Buffer ~~available in respect of a Client Account) to the Clearing House to enable the registration of a SwapClear Contract, then the Clearing House may provide such SwapClear Clearing Member with temporary “tolerance” in the form of initial margin forbearance (“SwapClear Tolerance”) to enable such registration. A SwapClear Clearing Member may utilise SwapClear Tolerance in between margin runs on a one-to-one basis to the value of the Collateral that would have been required to cover that SwapClear Clearing Member’s initial margin requirements for newly registered SwapClear Contracts registered in between margin runs. For~~ transferred to a Client Account).
- ~~(j) Subject to paragraphs (l), (m) and (n) below, the allocation of SwapClear Tolerance to:~~
- ~~(i) the Proprietary Account of an SCM will be adjusted, as and when necessary, in respect of shortfalls in Collateral following the Clearing House’s daily margin and settlement calls;:~~ (i) the Proprietary Account of an SCM will be adjusted, as and when necessary, in respect of shortfalls in Collateral following the Clearing House’s daily margin and settlement calls;:
  - ~~(ii) the Client Accounts of an SCM who does not use Client Buffer will be adjusted, as and when necessary, in respect of shortfalls in Collateral following the Clearing House’s daily margin and settlement calls; and~~ (ii) the Client Accounts of an SCM who does not use Client Buffer will be adjusted, as and when necessary, in respect of shortfalls in Collateral following the Clearing House’s daily margin and settlement calls; and
  - ~~(iii) the Client Accounts of an SCM who uses Client Buffer will be adjusted on an ongoing basis, after the allocation of Client Buffer by the Clearing House pursuant to paragraphs (c) and (e) above, such that in respect of:~~ (iii) the Client Accounts of an SCM who uses Client Buffer will be adjusted on an ongoing basis, after the allocation of Client Buffer by the Clearing House pursuant to paragraphs (c) and (e) above, such that in respect of:
    - ~~(A) a Client Account (other than an Omnibus Gross Segregated Account), the Clearing House will allocate SwapClear Tolerance to such account equal to the amount (if any) by which the Margin Shortfall, in respect of such Client Account, exceeds the Client Buffer allocated to it; and~~ (A) a Client Account (other than an Omnibus Gross Segregated Account), the Clearing House will allocate SwapClear Tolerance to such account equal to the amount (if any) by which the Margin Shortfall, in respect of such Client Account, exceeds the Client Buffer allocated to it; and
    - ~~(B) a sub-account of an Omnibus Gross Segregated Account, the Clearing House will allocate SwapClear Tolerance to such sub-account equal to the amount (if~~ (B) a sub-account of an Omnibus Gross Segregated Account, the Clearing House will allocate SwapClear Tolerance to such sub-account equal to the amount (if

any) by which the Margin Shortfall, in respect of such sub-account, exceeds the Client Buffer allocated to it.

- (k) SwapClear Tolerance does not, for the avoidance of doubt, ~~SwapClear Tolerance is provided in the form of temporary initial margin forbearance and a SwapClear Clearing Member's utilisation of SwapClear Tolerance does not~~ give rise to any payment or transfer of Collateral by from the Clearing House or result in any use of ~~default fund~~Default Fund resources (except following a Default).
- (l) ~~The Notwithstanding paragraph (j) above, the~~ Clearing House will determine, in its sole discretion, the maximum value of the SwapClear Tolerance (which may be zero) (the available to an SCM at a given time (the "SwapClear Tolerance Limit")), ~~which it will make available to a SwapClear Clearing Member at any particular time. SwapClear Tolerance is made available by the Clearing House to a SwapClear Clearing Member at the Clearing House's sole discretion. The~~
- (m) Notwithstanding paragraph (j) above, the Clearing House may adjust the value of ~~a SwapClear Clearing Member's~~such SwapClear Tolerance Limit, ~~and/or require a SwapClear Clearing Member to transfer Collateral to the Clearing House in respect of any utilised SwapClear Tolerance, at any time and without prior notice to the relevant SwapClear Clearing Member. The Clearing House will provide each SwapClear Clearing Member with information regarding and will notify each SCM of its SwapClear Tolerance Limit and will, as promptly as reasonably practicable, notify it following of any adjustment to the amount of its~~such SwapClear Tolerance Limit. ~~Subject to the~~
- (n) Notwithstanding paragraph (j) above, an ~~SwapClear Clearing Member-SCM~~ will ~~typically ordinarily~~ be required to transfer Collateral to the Clearing House in respect of ~~any its utilised SwapClear Tolerance utilised by it in the margin run immediately following the time of the relevant registration of a SwapClear Contract where SwapClear Tolerance was utilised, and settlement call immediately following such use, provided that the Clearing House may require an SCM to transfer Collateral to the Clearing House in respect of utilised SwapClear Tolerance at any time and without prior notice.~~
- (o) ~~Any~~The failure of an ~~SwapClear Clearing Member~~SCM to satisfy a any call for Collateral ~~relating in respect of utilised to~~ SwapClear Tolerance may give rise to a Default by such ~~SwapClear Clearing Member, just as any failure by a SwapClear Clearing Member to satisfy any other call for Collateral may give rise to a Default~~SCM.

*Standing Order Amount*

- (p) ~~To facilitate the registration of SwapClear Transactions, a SwapClear Clearing Member~~ An SCM may elect to maintain a minimum level of Client ~~Buffer Excess, in respect of its Primary Client Account, or House Excess~~ at the start of a business day (~~each~~ such amount, ~~the a~~ “**Standing Order Amount**”), ~~provided that the Clearing House may from time to time prescribe the type(s) of Client Accounts eligible for such election.~~ The Clearing House may approve such election in its sole discretion. Upon the effectiveness of such election, if, at the end of a business day, the amount of ~~a given SwapClear Clearing Member’s available~~ the SCM’s Client Buffer Excess, in respect of its Primary Client Account, or House Excess is less than the applicable Standing Order Amount, the Clearing House will call the ~~SwapClear Clearing Member~~ SCM for an amount of cash Collateral equal to the difference. Any amount so called and received by the Clearing House pursuant to this section shall constitute Collateral, in respect of the SCM’s Primary Client Buffer or House Excess Account, or Collateral, in respect of the SCM’s Proprietary Account, as applicable, of the ~~given SwapClear Clearing Member~~ SCM.
- (q) The form and manner of an election by ~~a SwapClear Clearing Member~~ an SCM pursuant to ~~this section~~ paragraph (p) above shall be determined by the Clearing House in its sole discretion (a “**Standing Order Request**”). In the event ~~a an SwapClear Clearing Member~~ SCM wishes to rescind or modify its Standing Order Request, it must contact the Clearing House’s Client Services Department (ratesclientservices@lch.com). The Clearing House may reduce the Standing Order Amount or terminate a Standing Order Request in its sole discretion.
- (r) Through submitting a Standing Order Request, ~~a an SwapClear Clearing Member~~ SCM warrants that the individual making the request on behalf of the ~~SwapClear Clearing Member~~ SCM is appropriately authorized to do so.

#### 1.3.4 *Approved Trade Source Systems and Trading Venues*

##### (a) Approved Trade Source Systems

Application for approved trade source system status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of Approved Trade Source Systems currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves additional Approved Trade Source Systems, it will notify SwapClear Clearing Members via a member circular.

SwapClear Transactions presented through an Approved Trade Source System must be in an acceptable message format, as prescribed by the Clearing House.

Notwithstanding the designation by the Clearing House of any system as an Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any

account will be further segregated into sub-accounts for each Omnibus Gross Segregated Clearing Client or, where applicable, a group of Combined Omnibus Gross Segregated Clearing Clients together.

In the case of Indirect Gross Accounts, the relevant segregated sub-accounts of the client "C" position-keeping account will be further segregated into position-keeping sub-accounts for each Indirect Gross Sub-Account (relating to each Indirect Clearing Client).

#### 1.6.2 *Further accounts*

At the Clearing House's discretion, further accounts may be opened from time to time.

#### 1.6.3 ~~Client Excess~~[\[Reserved\]](#)

~~A Clearing Member can transfer Client Excess in accordance with Section 1.10 of Procedure 4 (Margin and Collateral).~~

#### 1.6.4 *Default Fund (DF) Account*

Each SCM's Default Fund Contribution is held on a separate account. The DF account code is "F".

### 1.7 **Variation Margin and NPV Payments**

All SwapClear Transactions will, on submission to the Clearing House, be marked-to-market using the Clearing House's zero coupon yield curves. In accordance with Regulation 57 (*Collateralisation of SwapClear CTM Contracts*) and Regulations 57A (Settlement of SwapClear STM Contracts and Conversion to SwapClear STM Contract), the Clearing House will use these curves to calculate the net present value of the SwapClear Transaction to the Clearing House or, as the case may be, to an SCM.

In respect of each SwapClear Transaction that is settled-to-market daily in accordance with Regulations 57A, the obligation of either the relevant SCM or the Clearing House to pay to the other an amount in respect of the change in the net present value of a SwapClear Transaction shall, for the purposes of this Procedure, be referred to as the "NPV Payment".

A single separate calculation in respect of the variation margin and/or NPV Payment owed by or to the relevant SCM shall be performed for (i) an SCM's Proprietary Accounts, (ii) each Individual Segregated Account, Custodial Segregated Account and Omnibus Segregated Account (other than an Omnibus Gross Segregated Account), and (iii) each Indirect Gross Sub-Account within an Indirect Gross Account.

In respect of each Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) a single separate calculation in respect of the variation margin and/or NPV Payments owed by or to the relevant SCM shall be performed in respect of the SwapClear Contracts entered into by the relevant SCM on behalf of such Omnibus Gross Segregated Clearing Client.

In respect of a group of Combined Omnibus Gross Segregated Clearing Clients a single separate calculation in respect of the variation margin and/or NPV Payments owed by or to the relevant SCM shall be performed in respect of SwapClear Contracts entered into by the relevant SCM on behalf of such Combined Omnibus Gross Segregated Clearing Clients.

No offset between the "C" and the "H" accounts is allowed (except (i) pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule, or (ii) in relation to the transfer of House Excess or Client Buffer in accordance with the Rulebook) and no offset between any Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA ~~Client Excess~~-Deduction or any Insufficient Resources Determination Rule).

Except as expressly provided herein, Collateral and/or NPV Payments (as applicable) that are provided pursuant to this Procedure must, subject to intra-day registration, be in the form of cash in the currency of the SwapClear Transaction. Except as expressly provided herein, where a SwapClear Transaction is registered intra-day, and the variation margin obligation and/or NPV Payment obligations (as applicable) is covered with non-cash Collateral, the Clearing House will, the following business day, require the SCM to replace that non-cash amount with cash in the currency of the SwapClear Transaction.

All SwapClear Contracts will be marked-to-market or settled-to-market (as applicable) daily using the Clearing House's zero coupon yield curves. The daily change in the net present value will be credited to or debited from the relevant position account.

Any transfers of cash Collateral by an SCM to the Clearing House in respect of the SCM's variation margin obligations in connection with a SwapClear CTM Contract, or by the Clearing House to an SCM in respect of the Clearing House's variation margin obligations in connection with a SwapClear CTM Contract shall be for the purpose of collateralisation and not settlement of the relevant party's obligations under the relevant SwapClear CTM Contract.

Any NPV Payment made by an SCM to the Clearing House under a SwapClear STM Contract, or by the Clearing House to an SCM under a SwapClear STM Contract, shall be for the purpose of settlement of the applicable party's obligation to pay the required NPV Amount pursuant to the terms of that SwapClear STM Contract and not for the purpose of collateralising any obligations of either party under that SwapClear STM Contract.

#### 1.7.1 *Zero Coupon Yield Curve Construction*

The Clearing House will determine, at its sole discretion, appropriate instruments, points and market prices for the construction of zero coupon curves and portfolio valuation. Details of the construction method and Instruments used are available on request from SwapClear Risk on +44 (0)20 7 426 7549, but may be subject to change without prior notification.

- (ii) non-revised Index of Consumer Prices excluding Tobacco in France;
- (iii) non-revised Index of Consumer Prices excluding Tobacco in the United Kingdom; and
- (iv) non-revised Index of Consumer Prices for All Urban Consumer (CPI-U) before seasonal adjustment in the United States.

In the event an Index is not available to calculate the Index Final, the Clearing House will, in its sole discretion, determine a value for the Index Final.

#### 1.8.14 Non-deliverable Interest Rate Swaps

The Clearing House will calculate all coupon payments for SwapClear Contracts that are non-deliverable interest rate swaps, including the Fixed Amount or Floating Amount payable under any such SwapClear Contract, in USD, and all amounts due or payable under such SwapClear Contracts must be paid in USD.

### 1.9 Initial Margin

The Clearing House will require SCMs to transfer Collateral in respect of their initial margin obligations, which are not discharged. This amount will be determined by the prevailing market conditions and the expected time to close out the portfolio. The Portfolio Approach to Interest Rate Scenarios (PAIRS) will be used to calculate initial margin requirements for SwapClear Contracts.

Separate initial margin calculations are performed for an SCM's Proprietary Accounts and for each Individual Segregated Account, Custodial Segregated Account, Omnibus Segregated Account (other than an Omnibus Gross Segregated Account), and Indirect Gross Sub-Account within an Indirect Gross Account. In respect of each Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) separate initial margin calculations are performed in respect of the SwapClear Contracts entered into by the relevant SCM on behalf of each such Omnibus Gross Segregated Clearing Client. In respect of a group of Combined Omnibus Gross Segregated Clearing Clients a single initial margin calculation is performed in respect of SwapClear Contracts entered into by the relevant SCM on behalf of each such group of Combined Omnibus Gross Segregated Clearing Clients.

No offset between the "C" and the "H" accounts is allowed (except (i) pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule, or (ii) in relation to the transfer of House Excess or Client Buffer in accordance with the Rulebook) and no offset between any Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA ~~Client Excess~~-Deduction or any Insufficient Resources Determination Rule).

#### 1.9.1 Margin Parameters

The Clearing House Risk Management Department uses appropriate yield curve scenarios, both in terms of shape and magnitude of movement, to capture potential losses based on an observed history - the primary component

**Appendix III**  
Procedures Section 4 (Margin & Collateral)





**LCH LIMITED**

**PROCEDURES SECTION 4**

**MARGIN AND COLLATERAL**

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Member or the relevant Custodial Segregated Client making good the deficit pursuant to the triparty arrangement or retained as Collateral if the Clearing Member or a relevant Custodial Segregated Client does not make good the deficit.

## 1.9 CUSTODIAL SEGREGATED ACCOUNTS

A Clearing Member may, in respect of a Custodial Segregated Account, affirm an increase or decrease of the transaction amount of a triparty transaction between the Clearing House, the relevant Custodial Segregated Client (or its custodian) and the triparty agent in the circumstances set out in the relevant Collateral Management Agreement.

A Clearing Member may, via the CMS, elect to make such affirmation either manually ("**Manual Affirmation**") or using the auto-affirmation options in CMS. If a Clearing Member has elected Manual Affirmation, then the deadline by which it may affirm an increase or decrease of the transaction amount of a triparty transaction, via the CMS, is as follows:

Manual Affirmation deadline	17:00 (UK time)
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## 1.10 ~~CLIENT EXCESS SPREADSHEET~~ RESERVED

~~A SwapClear Clearing Member can transfer non-cash Client Excess in respect of a Client Account or request that the Clearing House calls Client Excess in the form of cash directly from the SwapClear Clearing Member.~~

~~The SwapClear Clearing Member is responsible for maintaining a record of the Client Excess held on behalf of each Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) or a group of Combined Omnibus Gross Segregated Clearing Clients (see Client Excess Spreadsheet, Schedule 111).~~

~~The Client Excess Spreadsheet submitted by a SwapClear Clearing Member to the Clearing House is the primary record of the Client Excess held on behalf of each Omnibus Gross Segregated Clearing Client or group of Combined Omnibus Gross Segregated Clearing Clients (as applicable) in an Omnibus Gross Segregated Account. A SwapClear Clearing Member must provide an updated version to the Clearing House whenever Client Excess is utilised to discharge margin obligations relating to an Omnibus Gross Segregated Clearing Client in an Omnibus Gross Segregated Account.~~

## 1.11 SWAPCLEAR INTRA-DAY MARGIN CALL: COLLATERAL MANAGEMENT

For the avoidance of doubt, this Section 1.11 applies only in respect of the SwapClear Service.

### 1.11.1 *General – Intra-day Margining*

Following an intra-day margin call and unless notified otherwise by a SwapClear Clearing Member at the time of an intra-day margin call, the Clearing House will deduct cash, in the appropriate currency, directly from the relevant SwapClear Clearing Member's PPS account to cover that intra-day margin call.

Standard Clearing House rules as to the currencies in which cash Collateral may be transferred to the Clearing House to satisfy an intra-day Collateral requirement will apply.

It is the responsibility of the SwapClear Clearing Members to ensure that they have sufficient cash funds in place with their PPS bank(s) in order to enable the Clearing House to deduct cash within 1 hour of the intra-day margin call.

If the Clearing House is unable to contact the SwapClear Clearing Member in order to arrange an alternative payment method for the intra-day margin call, the Clearing House will automatically issue a PPS call to debit the SwapClear Clearing Member's PPS account in the appropriate currency.

### ~~1.11.2 – Alternative Methods – Client Accounts~~

~~In respect of its Client Clearing Business, a SwapClear Clearing Member must notify the Clearing House of its preferred method of collateralisation at the time of the Clearing House's intra-day margin call. Once a SwapClear Clearing Member has chosen an intra-day collateralisation method and has notified the Clearing House of its chosen method, such choice is definitive and the Clearing House will not reverse any such decision.~~

#### ~~(a) – Intra-Day Prepayment Methods~~

##### ~~(i) – Method 1 – Transferring cash House Excess from its Proprietary Account~~

~~A SwapClear Clearing Member may choose to cover its intra-day margin calls by transferring House Excess in the form of cash from its Proprietary Account to the relevant Client Account.~~

~~In the event that a SwapClear Clearing Member notifies the Clearing House that it wishes to meet an intra-day margin call, or part of its intra-day margin call, in this way it must follow the procedure below.~~

~~A transfer of excess cash Collateral from its Proprietary Account to the relevant Client Account must be completed within 1 hour of the SwapClear Clearing Member's request to the Clearing House that it intends to transfer House Excess in the form of cash to such Client Account by completing the Intra-Day House Cash Excess Transfer Form (Schedule 12).~~

~~In the event that a SwapClear Clearing Member does not meet this requirement and fails to provide the Clearing House with an executed Intra-Day House Cash Excess Transfer Form within 1 hour of notifying the Clearing House of its intention to transfer House Excess in the form of cash, the Clearing House may at its discretion issue a PPS call to cover the requirements in cash, in the appropriate currency.~~

- ~~(ii) — Method 2 — Utilise cash Client Excess held in an Omnibus Gross Segregated Account on behalf of the relevant Omnibus Gross Segregated Clearing Client(s)~~

~~In respect of an intra-day margin call relating to the Contracts entered into by the relevant SwapClear Clearing Member on behalf of a specific Omnibus Gross Segregated Clearing Client, a SwapClear Clearing Member may choose to utilise cash Client Excess held on behalf; of (i) that Omnibus Gross Segregated Clearing Client or (ii) where the Omnibus Gross Segregated Clearing Client is a member of a group of Combined Omnibus Gross Segregated Clearing Clients, such Combined Omnibus Gross Segregated Clearing Clients, to meet such intra-day margin call.~~

~~In the event that a SwapClear Clearing Member notifies the Clearing House that it wishes to meet its intra-day margin call, or part of an intra-day margin call in this way it must follow the procedure below.~~

~~Having notified the Clearing House of the utilisation of cash Client Excess, the relevant SwapClear Clearing Member must provide an updated version of the Client Excess Spreadsheet (see 1.10 above) to the Clearing House within 30 minutes.~~

~~If a SwapClear Clearing Member does not fulfil this requirement and fails to provide the Clearing House with an executed Client Excess Spreadsheet within 30 minutes of the SwapClear Clearing Member's notification to the Clearing House that it wishes to utilise non-cash Collateral, the Clearing House may at its discretion issue a PPS call to cover the intra-day margin requirement in cash, in the appropriate currency, or impose penalty charges.~~

- ~~(b) — Intra-Day Non-Cash Collateralisation Methods~~

- ~~(i) — A SwapClear Clearing Member may choose not to cover its intra-day margin calls with cash Collateral. In such a case, a SwapClear Clearing Member may choose to use one or more of the following three methods:~~

- ~~(A) — Method 1 — Transfer intra-day non-cash Collateral into a Client Account; and/or~~

~~(B) Method 2 Transfer non-cash House Excess from a Proprietary Account to the relevant Client Account; and/or~~

~~(C) Method 3 In respect of an intra-day margin call relating to Contracts entered into by the relevant SwapClear Clearing Member on behalf of a specific Omnibus Segregated Account Client only, utilisation of non-cash Client Excess held in the relevant Omnibus Gross Segregated Account on behalf of the relevant Omnibus Segregated Account Client.~~

~~(ii) Method 1 Transfer intraday non-cash Collateral~~

~~A SwapClear Clearing Member may choose to transfer non-cash Collateral to the Clearing House to cover any intra-day margin call in respect of a Client Account relating to the Contracts entered into on behalf of the relevant client.~~

~~In the event that a SwapClear Clearing Member notifies the Clearing House that it wishes to meet its intra-day margin call, or part of its intra-day margin call in this way, it must follow the procedure below.~~

~~Within 30 minutes of the SwapClear Clearing Member's notification of its intention to transfer non-cash Collateral it must:~~

~~(A) instruct the lodgement of Collateral in the CMS; and~~

~~(B) input instructions for matching with the relevant Custodian account.~~

~~Any lodgement of non-cash Collateral must be transferred to the Clearing House's account at the relevant custodian for settlement within 1 hour of the SwapClear Clearing Member's notification to the Clearing House of its intention to transfer non-cash Collateral.~~

~~In the event that non-cash Collateral is not transferred in the Clearing House's account within 1 hour of the SwapClear Clearing Member notifying the Clearing House of its intention to transfer non-cash Collateral, the Clearing House may at its discretion issue a PPS call to cover the relevant intra-day requirement in cash, in the appropriate currency, or impose penalty charges.~~

~~(iii) Method 2 Transfer non-cash House Excess from a Proprietary Account~~

~~A SwapClear Clearing Member may choose to utilise House Excess held in its Proprietary Account to meet an intra-day margin call on a Client Account.~~

~~In the event that a SwapClear Clearing Member notifies the Clearing House that it wishes to meet its intra-day margin call, or part of its intra-day margin call, by transferring excess non-cash House Excess held in a Proprietary Account it must follow the procedure below.~~

~~A transfer of non-cash House Excess held in a Proprietary Account to the Client Account must be completed within 1 hour of the SwapClear Clearing Member's request to the Clearing House that it intends to transfer non-cash House Excess held in its Proprietary Account to the Client Account by instructing the transfer of Collateral in CMS.~~

~~In the event that a SwapClear Clearing Member does not fulfil this requirement and fails to instruct the transfer in CMS within 1 hour of notifying the Clearing House of its intention to transfer non-cash House Excess held in its Proprietary Account, the Clearing House may at its discretion issue a PPS call to cover the requirement in cash in the appropriate currency.~~

~~Transfers from the Client Account to the Proprietary Account are not permitted under any circumstances.~~

~~(iv) Method 3 Utilise non-cash Client Excess held on behalf of Omnibus Gross Segregated Clearing Client(s)~~

~~In respect of an intra-day margin call relating to Contracts entered into by the relevant SwapClear Clearing Member on behalf of a specific Omnibus Gross Segregated Clearing Client, a SwapClear Clearing Member may choose to utilise non-cash Client Excess held on behalf of (i) that Omnibus Gross Segregated Clearing Client; or (ii) where the Omnibus Gross Segregated Clearing Client is a member of a group of Combined Omnibus Gross Segregated Clearing Clients, such Combined Omnibus Gross Segregated Clearing Clients, to meet such intra-day margin call.~~

~~In the event that a SwapClear Clearing Member notifies the Clearing House that it wishes to meet an intra-day margin call, or part of an intra-day margin call in this way it must follow the procedure below.~~

~~Having notified the Clearing House of the utilisation of non-cash Client Excess, the relevant SwapClear Clearing Member~~

~~must provide an updated version of the Client Excess Spreadsheet (see Section 1.10 above) to the Clearing House within 30 minutes.~~

~~The Clearing House will apply accommodation charges for any non-cash Collateral transferred to the Clearing House in respect of an intra-day margin call (see Procedure 3 (*Financial Transactions*) of the Clearing House Procedures). This charge will be invoiced to Members separately from the monthly interest and accommodation charge statement.~~

~~If a SwapClear Clearing Member does not fulfil this requirement and fails to provide the Clearing House with an executed Client Excess Spreadsheet within 30 minutes of the SwapClear Clearing Member's notification to the Clearing House that it wishes to utilise non-cash Collateral, the Clearing House may at its discretion issue a PPS call to cover the intra-day margin requirement in cash, in the appropriate currency, or impose penalty charges.~~

**SCHEDULE 11**

~~CLIENT EXCESS SPREADSHEET, APPENDIX~~ INTENTIONALLY LEFT BLANK



**SCHEDULE 12**

**~~INTRA-DAY HOUSE CASH EXCESS TRANSFER FORM~~ INTENTIONALLY LEFT BLANK**



Version 2- 2013

~~Completed forms should be sent to the Clearing House Treasury Department (semcollateral@lchclearnet.com).~~

~~From: Clearing Member (full name) House Account:~~

~~To: Client Account Mnemonic:~~

~~We wish to transfer the following amount of cash Collateral from our Proprietary Account to the Client Account as detailed above. We confirm that we are duly authorised, on behalf of the Clearing Member detailed above, to instruct the Clearing House to make this transfer.~~

Amount

Signatories for and on behalf of the Clearing Member: 1.

.....  
(Signature)

.....  
(Print Name)

.....  
(Position)

2.

.....  
(Signature)

.....  
(Print Name)

.....  
(Position)

Date:

.....