

VIA CFTC PORTAL

6 March 2019

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

## **LCH Limited Self-Certification: Removal of Clearstream Frankfurt as a settlement location**

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 procedures to cease using Clearstream Frankfurt as a settlement location.

### **Part I: Explanation and Analysis**

For LCH’s Listed Rates Service, Clearstream Frankfurt is one of three settlement locations that can be used for the settlement of the German Government Bonds cleared at LCH (Euro Bund, BOBL and Schatz). This initiative will remove Clearstream Frankfurt as a settlement location for Listed Rates. The other two venues (Euroclear and Clearstream Luxembourg) will continue to be used and are not affected by this initiative.

The rule changes will go live on, or after, 22 March 2019.

### **Part II: Description of Rule Changes**

Section 1.11, 1.12 and 1.13 of Procedures Section 2J (Listed Interest Rate Clearing Service) has removed reference to Clearstream Frankfurt as a delivery location for German Government Bonds (Euro Bund, BOBL and Schatz) respectively.

The texts of the rule changes are attached hereto as:

- i. **Appendix I**, Procedure Section 2J

### **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 [julian.oliver@lch.com](mailto:julian.oliver@lch.com).

Yours sincerely



Julian Oliver  
Chief Compliance Officer  
LCH Limited

**Appendix I**  
Procedures Section 2J



**LCH LIMITED**

**PROCEDURES SECTION 2J**

**LISTED INTEREST RATES CLEARING SERVICE**

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The Seller must ensure that their Euroclear UK & Ireland priority settings and cap permit their trades to settle before the Clearing House settlement deadline.

*By 13:00 hours*

Gilts will have passed from the Seller's Euroclear UK & Ireland account to the Clearing House's Euroclear UK & Ireland account (5172) and subsequently to the Buyer's Euroclear UK & Ireland account on Settlement Day.

The Buyers and the Clearing House's settlement bank will effect payment by the end of the day across Real Time Gross Settlement (RTGS) accounts at the Bank of England.

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

### 1.11 German Government Bond (Euro Bund)

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Bunds, against payment of the consideration amount specified in the Listed Interest Rates Contract Terms for German Government Euro Bund Contracts;
- Euroclear - The Euroclear System; and
- Securities correspondent ~~— Euroclear~~ or; Clearstream Luxembourg SA ~~— or~~ Clearstream Frankfurt.

#### 1.11.1 Delivery Mechanism

Deliveries under the Euro Bund contract must be made or taken via accounts at one or more of the following delivery systems:

~~Clearstream Frankfurt;~~

- Euroclear; and
- Clearstream Luxembourg.

##### (a) Clearing House Delivery Account Details

~~The Clearing House's delivery agents and account details at the Clearstream Frankfurt are as follows:~~

~~Deutsche Bank AG  
Securities & Custody Services~~

~~PO Box 65755  
Eschborn  
Germany~~

~~Clearing House account number for Curve transactions : 7770~~

Details of the Clearing House's accounts at Euroclear and Clearstream Luxembourg are as follows:

Euroclear : Clearing House account number for Curve transactions 79317

Clearstream Luxembourg : Clearing House account number for Curve transactions 24270

**The Clearing House retains the right to amend the above list without prior notification to Clearing Members.**

For each Euro Bund delivery, Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

#### 1.11.2 *Delivery Communication and the Delivery System*

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action. Clearing Members experiencing difficulties should contact Client Services staff at the Clearing House immediately.

#### 1.11.3 *Consideration Value Calculation*

The amounts due to Sellers from Buyers are calculated in accordance with the Euro Bund contract terms.

Consideration value per lot = (1000 x FSP x Price Factor) + Accrued Interest

*Consideration Calculation Example*

FSP = 113.41  
Price Factor = 0.950491  
Accrued Interest = 2258.22

(1000 x 113.41 x 0.950491) + 2258.22

= EUR  
110,053.40431

Consideration Value = EUR 110,053.40

The consideration value is calculated using the **full** extent of decimal places for each component of the formula.

The invoice value of **1 lot** is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This **per** lot value is then multiplied by the number of lots to establish the total invoice value.

## 1.11.4 Delivery Timetable

DAY	TIME	TIME	ACTION	
	LONDON	CET*	SELLERS	BUYERS
Last trading day (LTD)	11:30	12:30	Trading ceases	Trading ceases
	12:00	13:00	FSP established	FSP established
	17:00	18:00	Synapse Position Keeping deadline Sellers submit <i>Sellers Delivery Notice</i>	Synapse Position Keeping deadline
	17:30	18:30	The Clearing House performs delivery allocation	The Clearing House performs delivery allocation
	18:00	19:00	The Clearing House makes Account Sales and Delivery Instruction Report available.	The Clearing House makes Invoices and Delivery Instruction Report available.
S - 1 (LTD + 1)	10:00	11:00	Sellers submit DVP instructions to their custodian bank	Buyers submit RVP instructions to their custodian bank
	14:00	15:00	Sellers match the Clearing House instruction entered into delivery centre	Buyers match the Clearing House instruction entered into delivery centre
S (LTD + 2)	Following standard delivery cycles	Following standard delivery cycles	The Clearing House receives confirmation of delivery	The Clearing House receives confirmation of delivery
S + 1 (LTD + 3)			The Clearing House releases Collateral in respect of initial and variation margin	The Clearing House releases Collateral in respect of initial and variation margin

\* CENTRAL EUROPEAN TIME INCLUDES ~~FRANKFURT-LUXEMBOURG~~ TIME WHERE QUOTED IN THE EXCHANGE CONTRACT TERMS, RULES AND CLEARING HOUSE DELIVERY PROCEDURES



### 1.11.5 *Transaction cut off times and Clearing House deadlines*

Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each Clearing Member's responsibility to ensure that they and their agents are aware of, and adhere to, the Clearing House deadlines.

### 1.11.6 *Delivery Procedures*

#### (a) *Deliverable Bonds*

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the Listed Interest Rates Contract Terms. The initial list of bonds will be available from the Delivery System until such time as the final list is published.

#### (b) *Last Trading, Notice and Settlement Day Definition*

The Last Trading Day, Notice Day and Settlement Day are as defined in the Listed Interest Rates Contract Terms for the Bobl Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a ~~Frankfurt-Luxembourg~~ working day, in which case the ~~Luxembourg~~~~Frankfurt~~ working day immediately following it is the Settlement Day.

#### (c) *Last Trading Day (LTD)*

*At 11:30*

Trading ceases in the delivery month.

*By 12:00*

The FSP is announced by the Exchange.

*By 17:00 hours - Delivery Notice Deadline*

Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 17:00 hours deadline. Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System.

*At 17:30 hours*

The Clearing House allocates Bunds to Buyers.

*By 18:00 hours*

The Clearing House makes the following available:

- *Account Sales* (Schedule 5)
- *Invoices* (Schedule 6)
- *Delivery Instructions for Sellers* (Schedule 7)
- *Delivery Instructions for Buyers* (Schedule 8).

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

The Clearing Member shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*. The instructions as described **must** be utilised by Clearing Members in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The time stipulated below is the latest possible time for matching.

- (d) *S-1 on or before the first ~~Frankfurt-Luxembourg~~ working day following the last trading day (LTD)*

*By 10:00 hours*

Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

*By 14:00 hours*

All instructions must be matched with the Clearing House.

**Failure to match with the Clearing House contravenes Clearing House procedures.**

- (e) *S Settlement Day (LTD + 2)*

*By 08:00 hours Central European time*

The Seller's delivery system or agent shall have transferred Bunds to the Clearing House's account at the relevant delivery system, against payment. The Clearing House shall have transferred Bunds to the Buyer's account at the relevant delivery system against payment.

**During Euroclear/Clearstream Luxemburg Overnight Processing**

Where the Clearing House is taking delivery of Bunds, via Euroclear or Clearstream Luxemburg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or

Clearstream Luxembourg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxembourg overnight processing cycle will be passed to the defaulting Selling Clearing Member.

### **During Clearstream Frankfurt standard cycle**

~~Where the Clearing House is taking delivery of Bunds via one of its Clearstream Frankfurt agents, and a Seller fails to deliver to the Clearing House Deliverable Bonds in the standard cycle, the Clearing House will attempt to borrow stock.~~

~~All costs arising as a result of failure to deliver to the Clearing House (in the standard cycle) will be passed to the defaulting Selling Clearing Member.~~

- (f) *S + 1* The first ~~Frankfurt-Luxembourg~~ working day immediately following Settlement Day (*LTD + 3*)

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

## 1.12 German Government Bond (BOBL)

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Bonds, against payment of the invoicing amount specified in the Listed Interest Rates Contract Terms for Bobl Futures Contracts;
- Euroclear - The Euroclear System; and
- Securities correspondent - Euroclear, or Clearstream Luxembourg SA ~~or Clearstream Frankfurt.~~

### 1.12.1 Delivery Mechanism

Deliveries under the Bobl contract must be made or taken via accounts at one or more of the following delivery systems:

~~Clearstream Frankfurt;~~

- Euroclear; and
- Clearstream Luxembourg.

(a) *Clearing House Delivery Account Details*

~~The Clearing House's delivery agents and account details at the Clearstream Frankfurt are as follows:~~

~~Deutsche Bank AG  
Securities & Custody Services  
PO Box 65755  
Eschborn  
Germany~~

~~Clearing House account number for Curve transactions : 7770~~

Details of the Clearing House's accounts at Euroclear and Clearstream Luxembourg are as follows:

Euroclear : Clearing House account number for Curve transactions 79317

Clearstream : Clearing House account number for Curve  
Luxembourg transactions 24270

<p><b>The Clearing House retains the right to amend the above list without prior notification to Clearing Members.</b></p>
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For each delivery, Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

1.12.2 *Delivery Communication and the Delivery System*

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action. Clearing Members experiencing difficulties should contact Client Services staff at the Clearing House immediately.

1.12.3 *Consideration Value Calculation*

The amounts due to Sellers from Buyers are calculated in accordance with the Bobl Futures Contract terms.

Consideration value per lot = (1000 x FSP x Price Factor) + Accrued Interest

*Consideration Calculation Example*

FSP	=	113.41
Price Factor	=	0.950491
Accrued Interest	=	2258.22

$$\begin{aligned} & (1000 \times 113.41 \times 0.950491) + 2258.22 \\ & = \text{EUR } 110,053.40431 \\ \text{Consideration Value} & = \text{EUR } 110,053.40 \end{aligned}$$

The invoice value is calculated using the **full** extent of decimal places for each component of the formula.

The invoice value of **1 lot** is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This **per** lot value is then multiplied by the number of lots to establish the total invoice value.

## 1.12.4 Delivery Timetable

DAY	TIME	TIME	ACTION	
	LONDON	CET*	SELLERS	BUYERS
Last trading day (LTD)	11:30	12:30	Trading ceases	Trading ceases
	12:00	13:00	FSP established	FSP established
	17:00	18:00	Synapse Position Keeping deadline Sellers submit <i>Sellers Delivery Notice</i>	Synapse Position Keeping deadline
	17:30	18:30	The Clearing House performs delivery allocation	The Clearing House performs delivery allocation
	18:00	19:00	The Clearing House makes the Account Sales and Delivery Instructions Report available	The Clearing House makes the Invoices and Delivery Instructions Report available
S - 1 (LTD + 1)	10:00	11:00	Sellers submit DVP instructions to their custodian bank	Buyers submit RVP instructions to their custodian bank
	14:00	15:00	Sellers match the Clearing House instruction entered into delivery centre	Buyers match the Clearing House instruction entered into delivery centre
S (LTD + 2)	Following standard delivery cycles	Following standard delivery cycles	The Clearing House receives confirmation of delivery	The Clearing House receives confirmation of delivery
S + 1 (LTD + 3)			The Clearing House releases Collateral in respect of initial and variation margin	The Clearing House releases Collateral in respect of initial and variation margin

\* CENTRAL EUROPEAN TIME INCLUDES ~~FRANKFURT-LUXEMBOURG~~ TIME WHERE QUOTED IN THE EXCHANGE CONTRACT TERMS, RULES AND CLEARING HOUSE DELIVERY PROCEDURES

### 1.12.5 *Transaction cut off times and Clearing House deadlines*

Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each Clearing Member's responsibility to ensure that they and their agents are aware of, and adhere to, the Clearing House deadlines.

### 1.12.6 *Delivery Procedures*

#### (a) *Deliverable Bonds*

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the Listed Interest Rates Contract Terms. The initial list of bonds will be available from the Delivery System until such time as the final list is published.

#### (b) *Last Trading, Notice and Settlement Day Definition*

The Last Trading Day, Notice Day and Settlement Day are as defined in the Listed Interest Rates Contract Terms for the Bobl Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a ~~Frankfurt-Luxembourg~~ working day, in which case the ~~Frankfurt-Luxembourg~~ working day immediately following it is the Settlement Day.

#### (c) *Last Trading Day (LTD)*

*At 11:30*

Trading ceases in the delivery month.

*By 12:00*

The FSP is announced by the Exchange.

*By 17:00 hours - Delivery Notice Deadline*

Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 17:00 hours deadline. Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System.

*At 17:30 hours*

The Clearing House allocates deliveries to Buyers.

*By 18:00 hours*

The Clearing House makes the following available:

- *Account Sales* (Schedule 9)
- *Invoices* (~~Schedule 10~~[Schedule 10](#))
- *Delivery Instructions for Sellers* (Schedule 11)
- *Delivery Instructions for Buyers* (~~Schedule 12~~[Schedule 12](#)).

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

Clearing Members shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*. The instructions as described **must** be utilised by Clearing Members in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The time stipulated below is the latest possible time for matching.

- (d) *S-1 on or before the first ~~Frankfurt-Luxembourg~~ working day following the last trading day (LTD)*

*By 10:00 hours*

Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

*By 14:00 hours*

All instructions must be matched with the Clearing House.

**Failure to match with the Clearing House contravenes Clearing House procedures.**

- (e) *S Settlement Day (LTD + 2)*

*By 08:00 hours Central European time*

The Seller's delivery system or agent shall have transferred Bonds to the Clearing House's account at the relevant delivery system, against payment. The Clearing House shall have transferred Bonds to the Buyer's account at the relevant delivery system against payment.

**During Euroclear/Clearstream Luxemburg Overnight Processing**

Where the Clearing House is taking delivery of Bonds, via Euroclear or Clearstream Luxemburg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or Clearstream Luxemburg, the Clearing House will invoke automatic borrowing procedures, subject to supply.



All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxembourg overnight processing cycle will be passed to the defaulting Selling Clearing Member.

~~During Clearstream Frankfurt standard cycle~~

~~Where the Clearing House is taking delivery of Bonds via one of its Clearstream Frankfurt agents, and a Seller fails to deliver to the Clearing House Deliverable Bonds in the standard cycle, the Clearing House will attempt to borrow stock.~~

~~All costs arising as a result of failure to deliver to the Clearing House (in the Clearstream Frankfurt standard cycle) will be passed to the defaulting Selling Clearing Member.~~

- (f)  $S + 1$  The first ~~Frankfurt-Luxembourg~~ working day immediately following Settlement Day (LTD + 3)

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

### 1.13 German Government Bond (Schatz)

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Bonds, against payment of the invoicing amount specified in the Listed Interest Rates Contract Terms for Schatz Futures Contracts;
- Euroclear - The Euroclear System; and
- Securities correspondent - Euroclear, Clearstream Luxembourg SA ~~or Clearstream Frankfurt.~~

#### 1.13.1 Delivery Mechanism

Deliveries under the Schatz contract must be made or taken via accounts at one or more of the following delivery systems:

~~Clearstream Frankfurt;~~

- Euroclear; and
  - Clearstream Luxembourg.
- (a) *Clearing House Delivery Account Details*

~~The Clearing House's delivery agents and account details at the Clearstream Frankfurt are as follows:~~

Deutsche Bank AG  
 Securities & Custody Services  
 PO Box 65755  
 Eschborn  
 Germany

~~Clearing House account number for Curve transactions : 7770~~

Details of the Clearing House's accounts at Euroclear and Clearstream Luxembourg are as follows:

Euroclear : Clearing House account number for Curve transactions 79317

Clearstream : Clearing House account number for Curve Luxembourg transactions 24270

**The Clearing House retains the right to amend the above list without prior notification to Clearing Members.**

For each delivery, Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

#### 1.13.2 *Delivery Communication and the Delivery System*

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action. Clearing Members experiencing difficulties should contact Client Services at the Clearing House immediately.

#### 1.13.3 *Consideration Value Calculation*

The amounts due to Sellers from Buyers, are calculated in accordance with the Listed Interest Rates Contract Terms for Schatz Futures Contracts.

Consideration value per lot = (1000 x FSP x Price Factor) + Accrued Interest

##### *Consideration Calculation Example*

FSP	=	113.41
Price Factor	=	0.950491
Accrued Interest	=	2258.22
		(1000 x 113.41 x 0.950491) + 2258.22
	=	EUR 110,053.40431
Consideration Value	=	EUR 110,053.40

The invoice value is calculated using the **full** extent of decimal places for each component of the formula.

The invoice value of **1 lot** is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This **per** lot value is then multiplied by the number of lots to establish the total invoice value.

## 1.13.4 Delivery Timetable

DAY	TIME	TIME	ACTION	
	LONDON	CET*	SELLERS	BUYERS
Last trading day (LTD)	11:30	12:30	Trading ceases	Trading ceases
	12:00	13:00	FSP established	FSP established
	17:00	18:00	Synapse Position Keeping deadline Sellers submit <i>Sellers Delivery Notice</i>	Synapse Position Keeping deadline
	17:30	18:30	The Clearing House performs delivery allocation	The Clearing House performs delivery allocation
	18:00	19:00	The Clearing House makes the Account Sales and Delivery Instructions Report available	The Clearing House makes the Invoices and Delivery Instructions Report available
S - 1 (LTD + 1)	10:00	11:00	Sellers submit DVP instructions to their custodian bank	Buyers submit RVP instructions to their custodian bank
	14:00	15:00	Sellers match the Clearing House instruction entered into delivery centre	Buyers match the Clearing House instruction entered into delivery centre
S (LTD + 2)	Following standard delivery cycles	Following standard delivery cycles	The Clearing House receives confirmation of delivery	The Clearing House receives confirmation of delivery
S + 1 (LTD + 3)			The Clearing House releases Collateral in respect of initial and variation margin	The Clearing House releases Collateral in respect of initial and variation margin

\* CENTRAL EUROPEAN TIME INCLUDES ~~FRANKFURT-LUXEMBOURG~~ TIME WHERE QUOTED IN THE EXCHANGE CONTRACT TERMS, ADMINISTRATIVE PROCEDURES AND CLEARING HOUSE DELIVERY PROCEDURES

### 1.13.5 *Transaction cut off times and Clearing House deadlines*

Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each Clearing Member's responsibility to ensure that they and their agents are made aware of Clearing House deadlines.

### 1.13.6 *Delivery Procedures*

#### (a) *Deliverable Bonds*

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the Listed Interest Rates Contract Terms. A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the Listed Interest Rates Contract Terms. The initial list of bonds will be available from the Delivery System until such time as the final list is published.

#### (b) *Last Trading, Notice and Settlement Day Definition*

The Last Trading Day, Notice Day and Settlement Day are as defined in the Listed Interest Rates Contract Terms for the Schatz Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a ~~Frankfurt~~Luxembourg working day, in which case the ~~Frankfurt~~Luxembourg working day immediately following it is the Settlement Day.

#### (c) *Last Trading Day (LTD)*

*At 11:30 hours*

Trading ceases in the delivery month.

*By 12:00 hours*

The FSP is announced by the Exchange.

*By 17:00 hours - Delivery Notice Deadline*

Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 13:30 hours deadline. Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System.

*At 17:30 hours*

The Clearing House allocates deliveries to Buyers.

*By 18:00 hours*

The Clearing House makes the following available:

- *Account Sales* (~~Schedule 13~~ [Schedule 13](#))
- *Invoices* (~~Schedule 14~~ [Schedule 14](#))
- *Delivery Instructions for Sellers* (~~Schedule 15~~ [Schedule 15](#))
- *Delivery Instructions for Buyers* (~~Schedule 16~~ [Schedule 16](#)).

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

Clearing Members shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*. The instructions as described **must** be utilised by Clearing Members, their delivery system and or agent in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The time stipulated below is the latest possible time for matching.

- (d) *S-1 on or before the first ~~Frankfurt~~ [Luxembourg](#) working day following the last trading day (LTD)*

*By 10:00 hours*

Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

*By 14:00 hours*

All instructions must be matched with the Clearing House.

Failure to match with the Clearing House contravenes Clearing House procedures and the Listed Interest Rates Contract Terms for the Schatz Future Contract.

- (e) *S Delivery Day (LTD + 2)*

*By 08:00 hours Central European time*

The Seller's delivery system or agent shall have transferred Bonds to the Clearing House's account at the relevant delivery system against payment. The Clearing House shall have transferred Bonds to the Transferee's account at the relevant delivery system against payment.

### During Euroclear/Clearstream Luxemburg Overnight Processing

Where the Clearing House is taking delivery of Bonds, via Euroclear or Clearstream Luxemburg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or Clearstream Luxemburg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxemburg overnight processing cycle will be passed to the defaulting Selling Clearing Member.

### ~~During Clearstream Frankfurt standard cycle~~

~~Where the Clearing House is taking delivery of Bonds via one of its Clearstream Frankfurt agents, and a Seller fails to deliver to the Clearing House Deliverable Bonds in the standard cycle, the Clearing House will attempt to borrow stock.~~

~~All costs arising as a result of failure to deliver to the Clearing House (in the Clearstream Frankfurt standard cycle) will be passed to the defaulting Selling Clearing Member.~~

- (f)  $S + 1$  The first ~~Frankfurt~~Luxembourg working day immediately following Settlement Day (LTD + 3)

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

## 1.14 Listed Interest Rates Client Clearing

### 1.14.1 Listed Interest Rates Client Clearing – Ancillary Documentation

#### (a) *Security Deed*

Unless specified otherwise by the Clearing House, a Listed Interest Rates Clearing Member must enter into a Security Deed in respect of its Clearing Clients in relation to amounts due to it from the Clearing House pursuant to the Client Clearing Annex. Further information in relation to such Security Deed is prescribed by the Clearing House from time to time and published on the Clearing House's website.

#### (b) *Clearing House Prescribed Language*

Pursuant to the Clearing House's Regulations, each Listed Interest Rates Clearing Member is required to ensure that it includes certain language in its agreement with its Listed Interest Rates Clearing Client(s) (the "**Clearing House Prescribed Language**"). The Clearing House Prescribed Language is shown at Schedule 2 of Procedure 4 (*Margin and Collateral*).

### 1.14.2 Backup Clearing Members