

# SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) LCHLTD Date: April 15, 2013

**IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.**

**ORGANIZATION** LCH.Clearnet Limited

**FILING AS A:**  DCM  SEF  DCO  SDR   
ECM/SPDC

## TYPE OF FILING

- **Rules and Rule Amendments**

- Certification under § 40.6 (a) or § 41.24 (a)
- “Non-Material Agricultural Rule Change” under § 40.4 (b)(5)
- Notification under § 40.6 (d)
- Request for Approval under § 40.4 (a) or § 40.5 (a)
- Advance Notice of SIDCO Rule Change under § 40.10 (a)

- **Products**

- Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)
- Swap Class Certification under § 40.2 (d)
- Request for Approval under § 40.3 (a)
- Novel Derivative Product Notification under § 40.12 (a)

## RULE NUMBERS

See attached Appendix A, “Rulebook Matrix RTTR”

## DESCRIPTION

Self-certification pursuant to §40.6(a) to implement changes required to comply with Commission Regulation 39.12(b)(7) and associated conforming changes.

**Via Electronic mail**

April 15, 2013

Ms. Melissa Jurgens  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581

**RE: Changes to LCH.Clearnet Limited's Trade Registration process**

Dear Ms. Jurgens:

Pursuant to §40.6(a) of the Commission Regulations, LCH.Clearnet Limited ("LCH.Clearnet"), a Derivatives Clearing Organization registered with the Commodity Futures Trading Commission ("CFTC"), hereby submits proposed changes to its rules pursuant to Commission Regulation §40.6. As detailed more fully below, LCH.Clearnet proposes to implement the changes to its rulebook on or before May 17, 2013 and to commence services on that basis on or before May 20, 2013<sup>12</sup>.

**Explanation and Analysis**

LCH.Clearnet seeks to amend its rules in order to comply with Commission Regulation §39.12(b)(7) ("Timing of Acceptance for Clearing"), which requires DCOs "to accept or reject each trade submitted to the DCO for clearing by or for the clearing member, or a customer of the clearing member, as quickly as would be technologically practicable if fully automated systems were used".

In its rulemaking, the Commission noted that this standard is intended to accommodate developments in technology that continue to reduce trade latency and to enhance certainty of clearing for trade participants. On August 31, 2012, the Division of Clearing & Risk clarified that it expects all DCOs to accept or reject trades not later than 60 seconds after acceptance by the FCM or submission to the DCO by an approved trade source. LCH.Clearnet now seeks to implement changes to its rules and related procedures which will enable it to comply with this rulemaking.

**Part I: Explanation and Rationale for the Amendments**

LCH.Clearnet is amending its rules and making changes to the SwapClear service in order to introduce "real time trade registration" (hereafter "RTTR") in compliance with §39.12(b)(7)<sup>3</sup>. This will require LCH.Clearnet to replace its existing trade architecture with one that provides for trades to be accepted or rejected within 60 seconds from the time that the trade is either received from an approved trade source or accepted by an FCM / Clearing Broker. Additionally, since acceptance by LCH.Clearnet of a transaction within 60 seconds is conditioned in the LCH.Clearnet rulebook upon LCH.Clearnet holding sufficient funding to cover the incremental risk represented by the transaction,

---

<sup>1</sup> LCH.Clearnet has been granted an Extension for Compliance with Commission Regulation 39.12(b)(7) by the Division of Clearing and Risk through May 17, 2013.

<sup>2</sup> Subject to final regulatory approval by the Bank of England

<sup>3</sup> LCH.Clearnet notes that it filed a separate submission reflecting rule changes necessary for its ForexClear service to comply with §39.12(b)(7) on February 14, 2013 and that those changes were implemented on March 18, 2013. We note further that the Default Fund changes reflected within this submission will be made effective approximately 3 days prior to the other proposed changes so that necessary Default Fund contributions may be called.

LCH.Clearnet will extend the SwapClear Default Fund in order to cover the increased stress test losses associated with deferring intraday IM, as described more fully below.

These changes will enable LCH.Clearnet to comply with the provisions of 39.12(b)(7), to comply with its other obligations under the Commission's Regulations, and to continue to adhere to its internal risk management policies.

### **Description of Changes**

1. LCH.Clearnet currently employs a 'batch' process to register transactions, which will be replaced by a process whereby the incremental risk and estimated margin requirement of each new transaction will be assessed in order to make a decision to accept or reject the transaction. The decision whether to accept or reject a trade for clearing by SwapClear will be based on the incremental risk represented by the trade and availability of sufficient cover and SwapClear Tolerance (as described below) for each participant to the trade.
2. SwapClear will extend its service hours from 7:30 a.m. to 00:00 London (7:00 p.m. NY local time) and will begin registering trades at 7:30 am London time. Trades not accepted by an FCM by 7:01 p.m. EST local time will be automatically rejected.
3. Creation of a framework that allows for the extension of registration tolerance to members for purposes of intraday trade registration, pre-funded on a mutualized basis through an extension of the SwapClear Default Fund on a Cover 2 basis by £400 million.
4. Additional conforming changes to the LCH.Clearnet rulebook as detailed on the "RTTR Rulebook Matrix", which is attached as Appendix A.

Where required, these changes have been approved by the LCH.Clearnet Risk Committee for implementation by SwapClear.

### **Detail of the SwapClear RTTR Changes**

#### **1. Trade Registration Process**

a. After acceptance by an FCM / Clearing Broker for client-clearing transactions, or upon receipt from an approved trade source for inter-dealer transactions, individual trades will be assessed to determine the incremental portfolio risk, estimate the margin requirement of each counterparty, compare against the members' available cover, then make a decision whether to accept or reject based on whether sufficient cover for each party is available. For SwapClear, "cover" is comprised of a combination of (1) existing voluntary posted excess collateral and (2) SwapClear Tolerance, which is described more fully below.

If sufficient cover is available to both counterparties of the trade, it will be accepted and registered for clearing. In the event either party has insufficient cover to register the trade, it will be rejected, and messaging will be issued to both counterparties. The counterparties may choose to resubmit the transaction.

b. SwapClear will extend its service time to begin registering trades at 7:30 a.m. London time. This will provide for registration of new trades in advance of all cash margin calls being met to settle the previous days' EOD process, up to the amount of any individual members existing unutilized SwapClear Tolerance Limit.

## 2. Trade Registration Facilitation ; SwapClear Tolerance Limits

Within the SwapClear service, LCH.Clearnet will utilize a process to establish individual SwapClear Tolerance Limits for each member on a risk assessed basis, and will then check each new transaction against the member's available excess collateral and, if there is insufficient existing collateral against its Tolerance Limit to determine whether to accept or reject the trade. The Tolerance Limit of a member will be subject to change based on the member's internal credit rating and will be monitored against several warning thresholds, including a Cap on the aggregate House and Client Tolerance Limit utilization for an individual Member, a Cap on the aggregate Tolerance Limits utilization across a Member Group, and a warning threshold based on a Members Stress Test Losses versus its Net Capital. The SwapClear Default Fund will be increased, on a Cover 2 basis, to cover the additional intraday stress test losses arising from the extension of registration tolerance. The SwapClear Default Fund will therefore be increased by £400mm (the maximum Member Group Cap is £200mm), which will be called from members in advance (14 May 2013) of the implementation of the RTTR solution. No changes are proposed to the existing default waterfall or loss attribution provisions associated with the SwapClear Default Fund. LCH.Clearnet will attribute a portion of the additional Default Fund contributions to each member based on their Tolerance Limit utilization relative to other members over the prior month. Member additional Default Fund contributions will be floored at £3mm and capped at £30mm, such that members can manage their obligation by managing their Tolerance Limit utilization.

LCH.Clearnet will calculate a total required Cover amount for each member, based on the member's trailing one month trade registration activity. Should a Member's Cover exceed their Tolerance Limit, then Members will be able to opt-in to provide additional collateral in the form of MER ("Minimum Excess Requirement"). Once a Member has opted-in to provide MER, this is compulsory excess collateral - as detailed in the 2C Procedures and FCM Procedures submitted herewith, members may opt in or opt out of posting MER (i.e., a member may rely solely on available SwapClear Tolerance for intraday registration) but, once a member has opted into the MER arrangements, amounts called as MER by LCH.Clearnet become part of the member's required initial margin.

If a member has not opted in to the MER Arrangement and no SwapClear Tolerance is available, additional trades submitted which would require cover (i.e., are not risk reducing) will be rejected until additional collateral is posted by the member. Members will notify LCH.Clearnet with respect to their MER status via a written monthly election process. LCH.Clearnet will treat all members' status as unchanged relative to their most recent notification unless affirmatively notified by a member of an intent to change the member's status.

SwapClear will actively monitor members' intraday liabilities and utilization of SwapClear Tolerance against warning thresholds to alert senior management, in which case LCH.Clearnet may take steps to reduce exposures or call for additional collateral. SwapClear will make Report 86/86c available to members every 15 minutes so that members may view their available Tolerance Limits and manage their available Tolerance Limit utilisation. LCH.Clearnet has also committed to notifying Members of any changes in the amount of SwapClear Tolerance that it provides.

### Part II: Amendments to the Rules & Regulations of LCH.Clearnet

The changes described above are reflected in changes to numerous provisions of each of the following documents, as explained on the document "Rulebook Matrix RTTR", which is attached as Exhibit A together with the following sections of LCH.Clearnet's rulebook:

- LCH.Clearnet Limited General Regulations at Exhibit B;
- Section 2C Procedures (SwapClear) at Exhibit C;
- LCH.Clearnet Limited Default Fund Rules at Exhibit D;
- LCH.Clearnet Limited FCM Regulations at Exhibit E ;
- LCH.Clearnet Limited FCM Procedures at Exhibit F;
- Section 2G Procedures (Nodal) at Exhibit G; and
- Section 2E Procedures (EnClear) at Exhibit H.

### **Part III: Certification by LCH.Clearnet**

LCH.Clearnet certifies to the CFTC, in accordance with CFTC Regulation §40.6, that the planned changes comply with the Commodity Exchange Act and the CFTC Regulations promulgated thereunder. LCH.Clearnet further certifies that, upon the submission of this material, in compliance with §39.21 of the Commission's regulations, LCH.Clearnet will post a notice of pending certification with the CFTC and a copy of the submission on LCH.Clearnet's website at

[http://www.lchclearnet.com/rules\\_and\\_regulations/ltd/proposed\\_rules.asp](http://www.lchclearnet.com/rules_and_regulations/ltd/proposed_rules.asp)

### **Part IV: Compliance with Core Principles**

The rule amendments and other changes described above relate primarily to LCH.Clearnet's compliance with Core Principles B (Financial Resources), C (Participant and Product Eligibility) and D (Risk Management). LCH.Clearnet has concluded that its compliance with Core Principles would not be adversely affected by these changes. The changes reflected herein will ensure continued compliance with the Core Principles.

Specifically, the implementation of the Trade Registration Process changes described will enable LCH.Clearnet to ensure that SwapClear complies with §39.12(b)(7) by accepting or rejecting transactions as soon as would be technologically possible if fully automated systems were used, and within 60 seconds as required by Division guidance. In addition, the implementation of the SwapClear Tolerance Limits and the extension of the SwapClear Default Fund will ensure that LCH.Clearnet complies with the relevant provisions of Core Principle B and with Core Principle D.

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

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

#### **Certification**

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

Should you have any questions regarding this submission please contact me at [jay.iyer@lchclearnet.com](mailto:jay.iyer@lchclearnet.com)

Sincerely yours,

A handwritten signature in black ink, appearing to be 'Jay Iyer', with a long horizontal line extending to the right.

Jay Iyer, Chief Compliance Officer  
LCH Clearnet Limited

**cc:** Ananda Radhakrishnan, CFTC  
Phyllis Dietz, CFTC  
Adam Cohen, CFTC  
Dennis McLaughlin, LCH.Clearnet  
Michael Davie, LCH.Clearnet  
Gordon Alexander, LCH.Clearnet  
Lisa Rosen, Group Head of Compliance & Public Affairs  
Susan Milligan, LCH.Clearnet LLC

Exhibit A  
Rulebook Matrix RTTR

**Rulebook Matrix: Explanation of Changes to the LCH.Clearnet Limited (“LCH”) rulebook in connection with the CFTC submission of RTTR.**

Rulebook Reference:	Explanation:	Additional Commentary:
<b>General Regulations</b>		
<p><b>Definitions:</b>  “MER”  “SwapClear Tolerance”  <b>Regulation 47:</b>  <b>Registration</b>  47(d)   47(d)(iv)   47(d)(vi)   47(f)</p>	<p>Conforming change.  Conforming Change  Amendment for the introduction of “Buffer”.   Amendment introduced to confirm that LCH will register or reject SwapClear Transactions as quickly as would be technologically practicable if fully automated systems were used.  Reference to SwapClear Tolerance and MER have been included.   There is no longer any inter-dependency on the registration of SwapClear Contracts between different members (other than parties to the original transaction).   References to margin runs removed.</p>	<p>None  None.  See §22.13(b).   The wording mirrors the CFTC requirement.   LCH requires that trades be funded prior to being registered. Funding requirements can be satisfied through the delivery of margin (or ‘cover’) and MER, or through the provision of SwapClear Tolerance by LCH.  Under the real-time trade registration model, trades will be registered or rejected. There will be no ‘parking’ of trades or any dependency on another SwapClear Transaction being registered (other than the counterparty to the original SwapClear Transaction).  Following the implementation of the real-time registration solution, trades will be registered continually and will not be parked until the next margin run.</p>
<p>Certain other formatting, cross-referencing and typographical changes have been introduced. No changes have been made to the substance of the provisions in the General Regulations.</p>		

<b>Rulebook Reference:</b>	<b>Explanation:</b>	<b>Additional Commentary:</b>
<b>Default Fund Rules</b>		
<b>Definitions:</b>		
“Minimum Non-Tolerance SwapClear Contribution”	Amendment introduced to reflect the fact that the current £10,000,000 default fund contribution is separate from and in addition to the new additional minimum introduced as a result of the Real-Time Trade Registration (RTTR) solution.	The SwapClear Contribution now consists of the original default fund contribution of £10,000,000 and the additional contribution to enable real time trade registration which has a floor of £3,000,000.
Deletion of “Minimum SwapClear Contribution”	See comment above.	None.
“Minimum SwapClear Contribution Member”	Conforming changes.	None.
“SwapClear Tolerance Utilisation”	New definition referring to the value of SwapClear Tolerance that a SwapClear Clearing Member utilises.	The amount of contribution that a SwapClear Clearing Member has to provide is linked to the amount of SwapClear Tolerance that it has utilised historically.
Rule 17	Typographical and formatting changes.	None.
F10	Typographical error.	None.
<b>SwapClear Default Fund Supplement</b>		
S2(a)	Amendments have been included to clarify how new joiners are treated in terms of their default fund contributions. Typographical error.	Certain clearing members were of the view that there was some ambiguity surrounding how new members are treated differently from current members in terms of their default fund contributions - amendments have been made in response to their requests.
“SwapClear Tolerance Amount”	A paragraph has been introduced to refer to that ‘layer’ of the default fund that has been introduced to cover LCH’s potential liabilities with respect to the provision of SwapClear Tolerance.	The part of the SwapClear Default Fund that is called to cover LCH’s potential exposure in the provision of SwapClear Tolerance is referred to as the ‘SwapClear Tolerance Amount’.

Rulebook Reference:	Explanation:	Additional Commentary:
"SwapClear Tolerance Weight"	SwapClear Tolerance Weight is the weight applied to a member based on its use of SwapClear Tolerance with reference to use by all other SwapClear Clearing Members. Where data is unavailable then the Clearing House will estimate the relevant peak utilisation.	None.
"SwapClear Tolerance Contribution Amount"	A new paragraph to introduce the term for the amount payable by each SwapClear Clearing Member with reference to SwapClear Tolerance Amount and SwapClear Tolerance Weight, together with a floor and a cap.	An individual contribution is based on the member's utilisation of Tolerance over the last 20 days measured against the total funds available to LCH (i.e. the SwapClear Tolerance Amount').
"SwapClear Non-Tolerance Amount"	The SwapClear Non-Tolerance Amount is that portion of the default fund that is called to cover the Clearing House's potential SwapClear Tolerance exposure.	None.
"SwapClear Non-Tolerance Weight", "SwapClear non-Tolerance Contribution Amount" and "SwapClear Contribution".	Conforming changes.	<p>Conforming changes resulting from the fact that a member's default fund contribution is made up of two amounts, that relating to "SwapClear Tolerance" and the other which is non-tolerance related (i.e. what was previously known as the SwapClear Contribution).</p> <p>The definition of 'SwapClear Tolerance Contribution Amount' contains a cap and a floor but also contains an additional provision that permits the Clearing House to reduce or increase a member's contribution, where as a result of other members' contributions being rounded up or down to meet the individual member floor or cap, the total SwapClear default fund (allocated to cover Tolerance) has an aggregate excess or shortfall.</p>
S2(j) to S2(p)	Conforming change.	S2(j) includes an additional provision that permits the Clearing House to reduce a member's contribution, where as a result of other members' contributions being rounded

Rulebook Reference:	Explanation:	Additional Commentary:
		up to meet the individual member floor, the total SwapClear default fund has an aggregate excess.
S3(b) and (c)	Conforming change.	None.
S4	Conforming change.	None.
S10	Typographical error.	None.
R2(b)	Typographical error.	None.
R9	Typographical errors.	None.
R10	Typographical error.	None.
<b>Procedures: Section 2C SwapClear</b>		
2C.1.1	The SwapClear Service calculates MER Requirements and SwapClear Tolerance limits. Conforming changes. Typographical error.	None.
2C.2.2	Revised opening hours. SwapClear will accept confirmations from clearing members until 00:01.	CFTC regulated Clearing Members have up to 60 seconds to accept a SwapClear Transaction that is presented in their name. Messages to members run until 00:00, therefore, LCH will accept confirmations received until 00:01.
2C.3.2	Certain typographical errors. It is a precondition for registration of a SwapClear Transaction that sufficient cover is held by LCH and that both parties to the original SwapClear Transaction must post sufficient cover with respect to that SwapClear Transaction and the existing cleared SwapClear Contracts.	Members must provide cover for both their current cleared contracts and additional transactions that are presented for clearing. 'Cover' in this context includes SwapClear Tolerance and MER.
2C.3.3	New paragraphs explaining SwapClear Tolerance and MER.	SwapClear Tolerance is provided by LCH to cover a SwapClear Clearing Member's margin requirement where cover has not been delivered. MER is a minimum cover requirement that a SwapClear Clearing Member must lodge based on a number of factors as set out in this section.

<b>Rulebook Reference:</b>	<b>Explanation:</b>	<b>Additional Commentary:</b>
2C.3.5	Amendments to remove the concept of a SwapClear Transaction being 'parked' and requiring all new trades to be margined prior to registration (or be covered with SwapClear Tolerance/MER).	None.
2C.3.6	Wording has been amended to provide that backloaded trades must all be funded in order to be registered. Funding includes MER and SwapClear Tolerance.	Backloaded trades are trades that have a trade date of more than 10 days prior to their date of submission. By their nature, backloads normally entail that relatively large amount of cover to be required for registration. Backloads were previously parked until the end of day settlement cycle. The current proposal is to bring backloaded trades in line with new trades and require that they be sufficiently funded prior to registration.
2C.3.8	Rejected trades: trades will be rejected where there is insufficient cover (including MER and SwapClear Tolerance).	None.
2C.6	Conforming change.	None.
2C.6.3	Conforming change.	None.
2C.20.8	Typographical error.	None.
App. 2C.A	Conforming change.	None.
<b>Procedures: Section 2E EnClear</b>		
2E.1.9	Clarification.	LCH will register <u>or reject</u> a trade immediately following receipt of the relevant transaction.
2E.1.12	Clarification.	Amendment to clarify that 2E.1.12 applies only to the notification of a rejection rather than a rejection itself.
<b>Procedures: Section 2G The Nodal Service</b>		
2G.6.2	Trades will be registered or rejected immediately upon receipt.	Nodal transactions are registered immediately (subject to eligibility requirements). 2G.6.2 makes this clear in the rulebook.

Rulebook Reference:	Explanation:	Additional Commentary:
<b>FCM Procedures</b>		
2A.1.1	The SwapClear Service calculates MER Requirements and SwapClear Tolerance limits. Conforming changes.	None.
2A.2.2	Revised opening hours. SwapClear will accept confirmations from clearing members until 00:01.	Clearing Members have up to 60 seconds to accept a SwapClear Transaction that is presented in their name. Messages to members run until 00:00, therefore, LCH will accept confirmations received until 00:01.
2A.3.2	Certain typographical errors. It is a precondition for registration of a SwapClear Transaction that sufficient cover is held by LCH and that both parties to the original SwapClear Transaction must post sufficient cover with respect to that SwapClear Transaction and the existing cleared SwapClear Contracts.	Members must provide cover for both their current cleared contracts and additional transactions that are presented for clearing. 'Cover' in this context includes SwapClear Tolerance and MER.
2A.3.3	New paragraphs explaining SwapClear Tolerance and MER.	SwapClear Tolerance is provided by LCH to cover a SwapClear Clearing Member's margin requirement where cover has not been delivered. MER is a minimum cover requirement that a SwapClear Clearing Member must lodge based on a number of factors as set out in this section. Note: For FCM Clearing Members, unlike SCM Clearing Members, MER is akin to FCM Buffer (the term that was introduced during the LSOC implementation process).
2A.3.5	Amendments to remove the concept of a FCM SwapClear Transaction being 'parked' and requiring all new trades to be margined prior to registration (or be covered with SwapClear Tolerance/MER).	None.

<b>Rulebook Reference:</b>	<b>Explanation:</b>	<b>Additional Commentary:</b>
	Wording has been amended to provide that backloaded trades must all be funded in order to be registered. Funding includes MER and SwapClear Tolerance.	Backloaded trades are trades that have a trade date of more than 10 days prior to their date of submission. By their nature, backloads normally entail that relatively large amount of cover to be required for registration. Backloads were previously parked until the end of day settlement cycle. The current proposal is to bring backloaded trades in line with new trades and require that they be sufficiently funded prior to registration.
2A.3.7	Conforming changes.	None.
2A.6.1	Conforming changes.	None.
2A.7.13	Conforming change.	None.
2A.8.2	Conforming change.	None.
2C.1.9	Clarification.	LCH will register <u>or reject</u> a trade immediately following receipt of the relevant transaction.
2C.1.11	Clarification.	Amendment to clarify that 2C.1.11 applies only to the notification of a rejection rather than a rejection itself.
<b>FCM Regulations</b>		
<b>Definitions:</b> "Affiliate"	Typographical error.	None.
"Allocating SwapClear Transaction"	Cross-referencing correction.	None.
"Ineligible FCM SwapClear Contract"	Conforming change.	None.
"Ineligible FCM SwapClear Transaction"	Conforming change.	None.
"MER"	Conforming change.	None.
"SwapClear Tolerance"	Conforming change.	None.
Regulation 11(a)	Typographical error.	None.

Rulebook Reference:	Explanation:	Additional Commentary:
Regulation 12	Typographical error.	None.
<p data-bbox="181 328 510 550"><b>Regulation 30: Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts</b></p> <p data-bbox="181 555 510 590">Regulation 30(b)</p> <p data-bbox="181 707 510 742">30(d)</p> <p data-bbox="181 858 510 893">30(d)(iv)</p> <p data-bbox="181 898 510 933">30(e)</p> <p data-bbox="181 1082 510 1117">30(f)</p>	<p data-bbox="517 555 1290 627">Deletion of provision requiring members to pay cover upon request.</p> <p data-bbox="517 707 1290 850">Amendment introduced to confirm that LCH will register FCM SwapClear Transactions as quickly as would be technologically practicable if fully automated systems were used.</p> <p data-bbox="517 855 1290 890">Conforming change.</p> <p data-bbox="517 895 1290 1007">There is no longer any inter-dependency on the registration of FCM SwapClear Contracts between different members (other than parties to the original transaction).</p> <p data-bbox="517 1086 1290 1230">Amendment to regulation dealing with the Clearing House's ability to reject FCM SwapClear Transactions that have been registered in error as they were ineligible at the time of registration.</p>	<p data-bbox="1296 555 2056 699">FCM Clearing Members are required to provide cover in order to register trades (including Tolerance and MER), as opposed to being required to pay upon request in order to register transactions.</p> <p data-bbox="1296 703 2056 738">The wording mirrors the CFTC requirement.</p> <p data-bbox="1296 855 2056 890">None.</p> <p data-bbox="1296 895 2056 1078">Under the real-time trade registration model, trades will be registered or rejected. There will be no 'parking' of trades or any dependency on another FCM SwapClear Transaction being registered (other than the counterparty to the original FCM SwapClear Transaction).</p> <p data-bbox="1296 1083 2056 1378">Harmonization change between the FCM Regulations and the General Regulations: the rationale for including this change is that the equivalent provision in the General Regulations was historically amended and, owing to the fact that a SwapClear Transaction may be registered as two contracts under the two different rulebook it was prudent to update the FCM Regulations to ensure they are harmonized.</p>

15 April 2013

Exhibit B  
General Regulations

## CONTENTS

GENERAL REGULATIONS OF THE CLEARING HOUSE .....	1
Scope .....	1
Definitions .....	2
<i>Regulation 1</i> Obligations of the Clearing House to each Member .....	32
<i>Regulation 2</i> Performance by the Clearing House of its Obligations under the Terms of an Open Contract 33	33
<i>Regulation 3</i> Novation .....	34
<i>Regulation 4</i> Clearing Member Status of the Clearing House .....	35
<i>Regulation 5</i> Accounts .....	36
<i>Regulation 6</i> Presentation of Particulars of Original Exchange Contracts and Confirmation of Original Exchange Contracts .....	38
<i>Regulation 7</i> Allocation of Original Exchange Contracts .....	39
<i>Regulation 8</i> Designation .....	40
<i>Regulation 9</i> Registration .....	41
<i>Regulation 10</i> Trading Information .....	42
<i>Regulation 11</i> Transfer .....	43
<i>Regulation 12</i> Margin and Cover for Margin .....	44
<i>Regulation 13</i> Premium under Option Contracts and Payments under LIFFE Credit Default Swap Index Contracts .....	47
<i>Regulation 14</i> Official Quotations and Reference Price .....	48
<i>Regulation 15</i> Daily Settlement or Marking to Market .....	49
Regulation 15A Settlement and Revaluation: Clearing Processing System .....	51
<i>Regulation 16</i> Other Modes of Settlement and Revaluation .....	52
<i>Regulation 17</i> Exercise of Options .....	53
<i>Regulation 18</i> Delivery Contract Arising upon the Exercise of an Option and Event Protection Contracts 54	54
<i>Regulation 19</i> Obligation to Make and Accept Tender under Cleared Exchange Contracts	56
Regulation 19A Delivery Contracts .....	58
<i>Regulation 20</i> Open Contracts Subject to Tender .....	59
<i>Regulation 21</i> Arrangements for Delivery and Payment of Price .....	61
<i>Regulation 22</i> Restrictions on Clearing House's Obligations and Liability .....	62
<i>Regulation 23</i> Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery)	63
<i>Regulation 24</i> Cover in Event of a Claim .....	66
<i>Regulation 25</i> Default of a Member: Substituted Obligation .....	67
<i>Regulation 26</i> Market Disorders, Impossibility of Performance, Trade Emergency .....	68
<i>Regulation 27</i> Force Majeure .....	70
<i>Regulation 28</i> Invoicing Back .....	71

<i>Regulation 29</i>	Currency Conversion .....	73
<i>Regulation 30</i>	Disclosure .....	74
<i>Regulation 31</i>	Fees and Other Charges .....	75
<i>Regulation 32</i>	Records .....	76
<i>Regulation 33</i>	Procedures .....	77
<i>Regulation 34</i>	Alteration of Regulations and the Procedures .....	78
<i>Regulation 35</i>	Interpretation of these Regulations .....	79
<i>Regulation 36</i>	Waiver .....	80
<i>Regulation 37</i>	Validity of Regulations and Action .....	81
<i>Regulation 38</i>	Governing Law and Jurisdiction .....	82
<i>Regulation 39</i>	Exclusion of Liability .....	83
Regulation 39A	Netting .....	86
Regulation 39B	Distribution of Assets .....	88
LINK REGULATIONS .....		89
<i>Regulation 40</i>	Application of Link Regulations .....	89
<i>Regulation 41</i>	Transfer of Contracts on the terms of a Linked Exchange Contract .....	90
Regulation 41A	Transfer to the Clearing House of Participating Exchange Contracts .....	92
<i>Regulation 42</i>	Default Affecting Transfer .....	93
<i>Regulation 43</i>	Margin .....	96
<i>Regulation 44</i>	Impossibility of Transfer .....	97
<i>Regulation 45</i>	Cross-Margining Regulations .....	98
SWAPCLEAR REGULATIONS .....		99
<i>Regulation 46</i>	Application of SwapClear Regulations .....	99
<i>Regulation 47</i>	Registration of SwapClear Contracts .....	100
<i>Regulation 48</i>	Compression .....	103
Regulation 48A	Termination by Automated Service .....	104
<i>Regulation 49</i>	SwapClear Dealers .....	106
<i>Regulation 50</i>	Settlement and Daily Revaluation of SwapClear Contracts .....	107
<i>Regulation 51</i>	The reset rate for, and the net present value of, a SwapClear Contract ....	108
<i>Regulation 52</i>	Withdrawal of the SwapClear Service by the Clearing House .....	109
Regulation 52A	SwapClear Clearing Client Business .....	110
Regulation 52B	Default Management in respect of SwapClear Clearing Client Business...	113
SCHEDULE TO THE SWAPCLEAR REGULATIONS .....		122
Part A	SwapClear Contract Terms .....	122
Part B	Product Eligibility Criteria for Registration of a SwapClear Contract .....	131
REPOCLEAR REGULATIONS .....		143
<i>Regulation 53</i>	Application of RepoClear Regulations .....	143

<i>Regulation 54</i>	Submission of details of RepoClear Transactions and RepoClear GC Transactions through an Approved Trade Matching System .....	144
<i>Regulation 55</i>	Registration of RepoClear Contracts and RepoClear GC Contracts following Submission of Details of a RepoClear Transaction or RepoClear GC Transaction .....	146
<i>Regulation 56</i>	RepoClear transactions entered into by RepoClear Clearing Members through an Automated Trading System .....	148
<i>Regulation 56A</i>	RepoClear transactions entered into by RepoClear Dealers through an Automated Trading System .....	152
<i>Regulation 57</i>	RepoClear Dealers .....	156
<i>Regulation 57A</i>	Authorisation to act as a RepoClear Clearing Member .....	157
<i>Regulation 58</i>	Daily Margining of RepoClear Contracts and RepoClear GC Contracts ....	158
<i>Regulation 59</i>	Delivery (or Other) Failures .....	159
<i>Regulation 60</i>	Withdrawal of RepoClear Service by the Clearing House .....	160
SCHEDULE TO THE REPOCLEAR REGULATIONS .....		161
Part A	RepoClear Contract Terms: RepoClear Contracts arising from RepoClear Transactions, Repo Trades or Bond Trades .....	161
Part B	Product Eligibility Criteria for Registration of a RepoClear Contract .....	167
Part C	LCH GC Repo Contract Terms .....	176
Part D	Product Eligibility Criteria for Registration of a LCH GC Repo Contract ....	177
Part E	RepoClear SGC Contract Terms: RepoClear SGC Contracts arising from RepoClear SGC Transactions or SGC Trades .....	178
Part F	Product Eligibility Criteria for Registration of a RepoClear SGC Contract..	184
Part G	RepoClear GC Contract Terms: RepoClear €GC Contracts arising from RepoClear €GC Transactions or €GC Trades .....	186
Part H	Product Eligibility Criteria for Registration of A RepoClear €GC Contract..	193
EQUITYCLEAR REGULATIONS .....		198
<i>Regulation 61</i>	Application of EquityClear Regulations .....	198
<i>Regulation 62</i>	EquityClear .....	199
<i>Regulation 62A</i>	EquityClear (Equities) Open Offer for EquityClear (Equities) ATP Matches	199
<i>Regulation 62B</i>	EquityClear Novation Transactions .....	204
<i>Regulation 62C</i>	EquityClear Open Offer for EquityClear (ccCFD) ATP Matches ("EquityClear (ccCFD) Open Offer")	209
<i>Regulation 63</i>	EquityClear NCMs .....	213
<i>Regulation 64</i>	Delivery (or Other) Failures .....	214
<i>Regulation 65</i>	Suspension of the EquityClear service or the EquityClear Open Offer .....	215
<i>Regulation 66</i>	Withdrawal of EquityClear Service by the Clearing House .....	216
<i>Regulation 67</i>	Rejection of ATP Matches and of EquityClear Novation Transactions .....	217
<i>Regulation 67A</i>	Rejection of EquityClear (ccCFD) ATP Matches .....	218
SCHEDULE TO THE EQUITYCLEAR REGULATIONS .....		219
Part A	EquityClear (Equities) Contract Terms .....	219
Part B	EquityClear Eligible (Equities) .....	221

Part C	EquityClear (ccCFD) Contract Terms.....	222
LCH ENCLEAR OTC REGULATIONS .....		226
<i>Regulation 68</i>	Application of LCH EnClear OTC Regulations .....	226
<i>Regulation 69</i>	Registration of LCH EnClear Contracts.....	227
<i>Regulation 70</i>	LCH EnClear Contracts .....	228
<i>Regulation 71</i>	LCH EnClear Third Party Clearing Participants.....	229
<i>Regulation 72</i>	Daily Settlement.....	230
<i>Regulation 73</i>	Withdrawal of the LCH EnClear Service by the Clearing House.....	231
Regulation 73A	Registration of LCH EnClear OTC Contracts .....	232
Regulation 73B	LCH EnClear OTC Contracts .....	233
Regulation 73C	Daily Settlement.....	235
Regulation 73D	[This provision has been left blank intentionally] .....	236
Regulation 73E	Withdrawal of the LCH EnClear OTC Services by the Clearing House .....	237
SCHEDULE TO THE LCH ENCLEAR OTC REGULATIONS .....		238
Part A	LCH EnClear OTC Contract Terms.....	238
Part B	Product Eligibility Criteria for Registration of a LCH EnClear OTC Contract.....	275
Turquoise Derivatives REGULATIONS .....		288
<i>Regulation 74</i>	Application of Regulations for TGHL market .....	288
<i>Regulation 75</i>	Turquoise Derivatives Orderbook Matches made on TGHL Market .....	289
<i>Regulation 76</i> for Registration	Reported Trades and Turquoise Derivatives OTC Trades Reported to TGHL 293	
<i>Regulation 77</i> Submission of Details	Registration of Turquoise Derivatives Cleared Exchange Contracts following of a Reported Trade or Turquoise Derivatives OTC Trade .....	294
<i>Regulation 78</i>	Delivery (or Other) Failures.....	295
<i>Regulation 79</i>	Suspension of the Open Offer for Turquoise Derivatives .....	296
<i>Regulation 80</i> Clearing House	Withdrawal of Clearing House Turquoise Derivatives Services by the 297	
<i>Regulation 81</i> Contracts	Cancellation, variation etc of Turquoise Derivatives Cleared Exchange 298	
<i>Regulation 82</i>	Rejection of Orderbook Matches.....	299
<i>Regulation 83</i> Member of a Co-operating Exchange	Cross-Border Transfers to the Clearing House of Contracts Executed by a - Automatic Transfers.....	300
<i>Regulation 84</i>	Default affecting a Cross-Border Transfer.....	301
<i>Regulation 85</i>	Impossibility of Transfer .....	302
<i>Regulation 86</i>	Options .....	303
<i>Regulation 87</i>	Re-registration of Contracts .....	304
SCHEDULE TO THE Turquoise Derivatives REGULATIONS .....		305
Part A	Turquoise Derivatives Cleared Exchange Contract Terms arising from Turquoise Derivatives OTC Trades .....	305

Part B Trade	Product Eligibility Criteria for Registration of an Turquoise Derivatives OTC 309	
HKMEx REGULATIONS .....		311
<i>Regulation 88</i>	Introduction and Application .....	311
<i>Regulation 89</i> Contracts	Presentation, allocation of HKMEx Transactions and registration of HKMEx 313	
<i>Regulation 90</i>	HKMEx Contracts .....	315
<i>Regulation 91</i>	Daily Settlement or Marking to Market .....	317
NODAL REGULATIONS .....		319
<i>Regulation 92</i>	Introduction and Application .....	319
<i>Regulation 93</i> Contracts	Presentation, Allocation of Nodal Transactions and Registration of Nodal 321	
<i>Regulation 94</i>	Nodal Contracts .....	323
<i>Regulation 95</i>	Daily Settlement or Marking to Market .....	325
NYSE LIFFE CLEARING REGULATIONS .....		327
<i>Regulation 96</i>	Introduction and Application .....	327
<i>Regulation 97</i>	NYSE Liffe Clearing Membership .....	328
<i>Regulation 98</i>	Default of a NYSE Liffe Clearing Member .....	330
RESERVED .....		331
<i>Regulation 99</i>	RESERVED .....	331
<i>Regulation 100</i>	RESERVED .....	331
<i>Regulation 101</i>	RESERVED .....	331
<i>Regulation 102</i>	RESERVED .....	331
FOREXCLEAR REGULATIONS .....		332
<i>Regulation 103</i>	Application of ForexClear Regulations .....	332
<i>Regulation 104</i>	Registration of ForexClear Contracts .....	335
<i>Regulation 105</i>	ForexClear Contracts .....	337
<i>Regulation 106</i>	Cancellation of ForexClear Contracts .....	339
<i>Regulation 107</i>	ForexClear Dealers .....	340
<i>Regulation 108</i>	Variation Margin .....	341
<i>Regulation 109</i>	Withdrawal of the ForexClear Service by the Clearing House .....	342
SCHEDULE TO THE FOREXCLEAR REGULATIONS .....		343
Part A	ForexClear Contract Terms .....	343
Part B	Product Eligibility Criteria for Registration of a ForexClear Contract .....	348

Clearing House from time to time.

<i>Member Link Agreement</i>	- A Link Clearing Agreement or a Trade Allocation Agreement.
<u>MER</u>	= <u>Has the meaning assigned to it in Section 2C.3.3 of the Procedures.</u>
<i>Nodal</i>	- Nodal Exchange, LLC of 8065 Leesburg Pike, Suite 700, Vienna, VA 22182, United States of America.
<i>Nodal Contract</i>	- A Contract entered into by the Clearing House with a Nodal Service Clearing Member pursuant to the Nodal Regulations.
<i>Nodal Contract Terms</i>	- The terms of a Nodal Contract as set out in the Nodal contract specification provided in Nodal's Rules.
<i>Nodal Eligible Derivative Product</i>	- A derivative product prescribed from time to time by the Clearing House as eligible for the Nodal Service.
<i>Nodal Non-Clearing Participant</i>	- A person other than a Nodal Service Clearing Member who is party to an agreement with Nodal allowing such person to be a participant in the Nodal Trading Facility and subjecting such person to the provisions of Nodal's Rules.
<i>Nodal Participants</i>	- Nodal Service Clearing Members and Nodal Non-Clearing Participants.
<i>Nodal Reference Price</i>	- A Reference Price in respect of a Nodal Contract.
<i>Nodal Regulations</i>	- The Clearing House's Regulations applicable to Nodal Contracts from time to time in force.
<i>Nodal's Rules</i>	- The rules, practices, procedures, trading protocols and arrangements of the Nodal Trading Facility as the case may be and as may be prescribed from time to time relating to Nodal Eligible Derivative Products.
<i>Nodal Service</i>	- The service provided by the Clearing House under the Nodal Regulations.
<i>Nodal Service Clearing Member</i>	- A Member who is designated by the Clearing House as eligible to clear Nodal Contracts.
<i>Nodal Trading Facility</i>	- The facility, trading system or systems operated directly or indirectly by Nodal on which Nodal Eligible Derivative Products may be traded.
<i>Nodal Transaction</i>	- A contract in a Nodal Eligible Derivative Product between Nodal Service Clearing Members arising or registered on a Nodal Trading Facility meeting the requirements of the Regulations and the Procedures.
<i>Non-Deliverable FX Transaction</i>	- Has the meaning given to it in the 1998 FX and Currency Option Definitions published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association, and the Foreign Exchange Committee, or any successor organisations, as amended and updated from time

<u>SwapClear Tolerance</u>	= <u>Has the meaning assigned to it in Section 2C.3.3 of the Procedures.</u>
<i>SwapClear Transaction</i>	- Means any transaction the details of which are presented to the Clearing House via an Approved Trade Source System for the purpose of having such transaction registered at the Clearing House as two SwapClear Contracts or one SwapClear Contract and one FCM SwapClear Contract (as the case may be), regardless of whether such transaction (a) is an existing swap transaction, (b) was entered into in anticipation of clearing, or (c) is contingent on clearing.
<i>SWORD</i>	- The system operated by the Clearing House for, inter alia, facilitating the issue, recording and electronic transfer of London Metal Exchange warrants.
<i>tender</i>	- A notice in writing, given by or on behalf of a seller (or buyer where Exchange Rules so require) pursuant to Exchange Rules these Regulations and the Procedures, of an intention to make (or take) delivery of a commodity.
<i>The Clearing House Turquoise Derivatives Services -</i>	- The services provided by the Clearing House pursuant to the Turquoise Derivatives Regulations.
<i>TGHL.</i>	- Turquoise Global Holding London Limited whose registered office is at 10 Paternoster Square, London EC4M 7LS.
<i>Trade Allocation Agreement</i>	- An agreement in one or more forms and in the terms prescribed by an Exchange, the Clearing House and a Participating Exchange to which, amongst others, a Member is a party which has the function of facilitating, amongst other things, the transfer, in accordance with Regulation 41, of those Contracts on the terms of a Linked Exchange Contract which are permitted by the terms of such agreement to be transferred under such agreement.
<i>trade correction procedures</i>	- The procedures established for the purposes of a Link to facilitate the correction of errors contemplated by such procedures.
<i>Trading Platform Particulars</i>	- The orders or other trade particulars submitted in respect of the sale or purchase of EquityClear Eligible Equities or EquityClear Eligible ccCFD(s), to an ATP in accordance with the relevant ATP Market Rules by, or on behalf of, an EquityClear Clearing Member (including, where relevant, submission of such orders or other trade particulars by or on behalf of an EquityClear NCM on behalf of the relevant EquityClear Clearing Member pursuant to, and in accordance with, the relevant Approved EquityClear Clearing Agreement between them and the relevant ATP Market Rules) or, in the case of an EquityClear Mixed Member Match, by, or on behalf of a member of a relevant Co-operating Clearing House.
<i>Treasury Contract</i>	- Means any contract, including a contract of deposit, entered into by the Clearing House with that Member for purposes of, in connection with or otherwise in the course of its treasury management activities.

**Regulation 47** Registration of SwapClear Contracts

- (a) A SwapClear Transaction may be presented to the Clearing House for registration as two SwapClear Contracts or one SwapClear Contract, and one FCM SwapClear Contract (in accordance with the other provisions of the Rulebook).
- (b) Once a SwapClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (c) below and Section 2C3.2 of the Procedures) request the consent of each of the relevant SwapClear Clearing Members with whom a SwapClear Contract shall be registered as a result thereof to such registration. Upon each such SwapClear Clearing Member providing its consent, such SwapClear Transaction shall be deemed to have been submitted (as such term is defined in the Procedures) to the Clearing House for registration. Any such consent shall be provided in accordance with the Procedures.
- (c) A SwapClear Clearing Member which has been nominated to clear the SwapClear Contract arising from the registration of a SwapClear Transaction on behalf of a third party Executing Party other than a SwapClear Dealer will be notified by the Clearing House of the relevant SwapClear Transaction and shall choose whether to grant or refuse consent to the registration of such SwapClear Transaction and the SwapClear Contract(s) resulting from such SwapClear Transaction. In circumstances where a SwapClear Clearing Member is an Executing Party in relation to a SwapClear Transaction and shall clear one of the SwapClear Contracts resulting from such SwapClear Transaction, the consent of that SwapClear Clearing Member to the registration of the relevant SwapClear Transaction will occur automatically and without the need for any further action by such SwapClear Clearing Member.
- (d) The Clearing House shall register or reject the registration of a SwapClear Contract in respect of a SwapClear Transaction presented for registration ~~within a commercially reasonable time, as quickly as would be technologically practicable if fully automated systems were used (the standard required in Part 39 of the CFTC Regulations)~~, provided that:
- (i) both sides of the relevant SwapClear Transaction have been properly presented and submitted for clearing by (or on behalf of the) the Executing Parties;
  - (ii) the relevant SwapClear Transaction meets the eligibility criteria prescribed in the Rulebook at the time the particulars of the SwapClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;
  - (iii) such SwapClear Contract is consented to by the relevant SwapClear Clearing Member (to the extent such consent is required) in accordance with paragraph (c) above and Section 2C3.2 of the Procedures;
  - (iv) the applicable SwapClear Clearing Member has paid or transferred, upon request of the Clearing House and in accordance with Regulation 12 and such other applicable provisions of the Rulebook, all cover required in respect of such SwapClear Contract prior to registration; ~~and~~ (taking into account any available MER and/or SwapClear Tolerance, if any);
  - (v) all the conditions applicable (under the terms of the Rulebook or the FCM Rulebook, as the case may be) for the registration of the other SwapClear Contract or the FCM SwapClear Contract (as the case may be) deriving from the relevant SwapClear Transaction have been satisfied.

~~(vi) Notwithstanding the satisfaction of the conditions in Regulation 47(d) in respect of a SwapClear Contract, the Clearing House may decline at its discretion to register such SwapClear Contract where it has not received sufficient cover in respect of SwapClear Contracts which are “other SwapClear Contracts” in relation to that SwapClear Contract as described in section 2C.3.4 of the Procedures.~~

(vi) ~~(vii)~~ From the time of registration by the Clearing House of two SwapClear Contracts or one SwapClear Contract and one FCM SwapClear Contract (as the case may be) (the “Registration Time”) in respect of a SwapClear Transaction in accordance with the Procedures:

(A) ~~(viii)~~ where both of the Executing Parties in respect of such SwapClear Transaction are SwapClear Member(s) and/or SwapClear Dealer(s), those Executing Parties shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time and, in all other cases, the rights and obligations of the Executing Parties to the SwapClear Transaction shall be governed by the applicable Execution Terms, or as otherwise agreed by such Executing Parties; and

(B) ~~(ix)~~ the relevant SwapClear Clearing Member(s) will be deemed to be and will be bound by the SwapClear Contract(s) with the Clearing House automatically and without any further action on its part, on terms that, without limitation, incorporate all applicable terms of the Rulebook and the Schedule to these SwapClear Regulations (including the SwapClear Contract Terms applicable to the relevant SwapClear Contract).

(e) The Economic Terms shall be such that: (A) a SwapClear Clearing Member paying (or clearing on behalf of a person paying) Rate X and receiving (or clearing on behalf of a person receiving) Rate Y under a SwapClear Transaction shall have such rights against, and owe such obligations to, the Clearing House under the corresponding SwapClear Contract registered by it in respect of such SwapClear Transaction as further provided for in the final paragraph of this sub-paragraph ~~(ge)~~ and (B) a SwapClear Clearing Member paying (or clearing on behalf of a person paying) Rate Y and receiving (or clearing on behalf of a person receiving) Rate X under a SwapClear Transaction shall have such rights against, and owe such obligations to, the Clearing House under the corresponding SwapClear Contract registered by it in respect of such SwapClear Transaction as further provided for in the final paragraph of this sub-paragraph ~~(ge)~~.

In this sub-paragraph ~~(ge)~~, a reference to the “rights” and “obligations” is a reference to rights and obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations set out in the Economic Terms of the corresponding SwapClear Transaction (it being assumed, for this purpose, that such SwapClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms. In this sub-paragraph ~~(ge)~~, a reference to “paying” means either paying under a SwapClear Transaction that is an existing swap transaction or “agreeing to pay” under a SwapClear Transaction that is contingent on clearing.

- (f) If at any time after registration of a SwapClear Contract, the Clearing House determines that the corresponding SwapClear Transaction of which details were presented for registration did not, at the Registration Time, meet the eligibility criteria for registration as a SwapClear Contract pursuant to the Rulebook in existence at the Registration Time (an "Ineligible SwapClear Transaction"), the Clearing House shall, immediately ~~following the next margin run following such determination,~~ set aside both SwapClear Contracts (or, in the case of a SwapClear Transaction that resulted in a SwapClear Contract and an FCM SwapClear Contract, such SwapClear Contract) arising from such Ineligible SwapClear Transaction. Upon a SwapClear Contract (an "Ineligible SwapClear Contract") being set aside under this paragraph (h): (1) the Clearing House will notify the SwapClear Clearing Member party to such Ineligible SwapClear Contract via the Approved Trade Source System through which details of the relevant Ineligible SwapClear Transaction were originally presented to the Clearing House that such Ineligible SwapClear Contract has been set aside; and (2) the such Ineligible SwapClear Contract shall immediately be deemed to be terminated and shall thereafter have no force or effect. Where an Ineligible SwapClear Contract is set aside pursuant to this paragraph (h), all payments (including, without limitation, variation margin) (if any) paid by the Clearing House or by a SwapClear Clearing Member in respect of such Ineligible SwapClear Contract up to and including the ~~relevant margin runtime when such Ineligible SwapClear Contract was set aside~~ shall be retained by the receiving party upon termination as a termination payment. Any other payment obligations in respect of an Ineligible SwapClear Contract and/or the relevant Ineligible SwapClear Transaction shall be as agreed between the Executing Parties to such Ineligible SwapClear Transaction and shall not be paid by or to the Clearing House.
- (g) Notwithstanding anything to the contrary in this Rulebook, the Clearing House may decline to register a SwapClear Transaction as a SwapClear Contract or a SwapClear Contract and a FCM SwapClear Contract (as the case may be) where it considers such action advisable for its own protection or the protection of the relevant market; provided that the Clearing House shall (subject to the provisions of the Rulebook) register any SwapClear Contract which reduces the risk exposure of the Clearing House and the applicable SwapClear Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, subject to sub-paragraph (d) above and without assigning any reason, make the registration of any SwapClear Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of additional cover by any SwapClear Clearing Member in whose name any such SwapClear Transaction is to be registered.
- (h) Any SwapClear Transaction of which details have been presented for registration and which are not so registered will be governed by the applicable Execution Terms among the relevant parties, and the Clearing House shall have no obligations or liability in relation thereto.
- (i) If a SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration such revocation, avoidance or invalidity shall not affect any SwapClear Contract arising under this Regulation 47, Regulation 3(b) or Regulation 11.

In the case of a SwapClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this Regulation 47 shall take effect.

Exhibit C  
Section 2C Procedures (SwapClear)

**SECTION 2C****CONTENTS**

2C.	SWAPCLEAR.....	1
2C.1	THE CLEARING PROCESS .....	1
2C.2	OPERATING TIMES AND CALENDARS .....	2
2C.3	REGISTRATION .....	3
2C.4	POSITION ACCOUNTS.....	<del>68</del>
2C.5	FINANCIAL ACCOUNTS .....	<del>79</del>
2C.6	VARIATION MARGIN .....	<del>810</del>
2C.7	COUPON PAYMENTS.....	<del>1012</del>
2C.8	INITIAL MARGIN .....	<del>2325</del>
2C.9	INTRA-DAY MARGIN CALL: COLLATERAL MANAGEMENT .....	<del>2426</del>
2C.10	TRANSFER OF SWAPCLEAR CONTRACTS BETWEEN CLIENT ACCOUNTS AND PROPRIETARY ACCOUNTS .....	<del>2830</del>
2C.11	POSITION TRANSFERS .....	<del>2931</del>
2C.12	TERMINATION BY AUTOMATED SERVICE .....	<del>2932</del>
2C.13	AMENDMENT OF TRADE REFERENCES.....	<del>3032</del>
2C.14	TRADE REFERENCE AMENDMENT REQUEST FORM.....	<del>3032</del>
2C.15	SWAPCLEAR CLIENT CLEARING.....	<del>3234</del>
2C.16	EARLY TERMINATION EVENTS .....	<del>3740</del>
2C.17	TERMINATION OF SWAPCLEAR CLEARING MEMBER AND SWAPCLEAR DEALER STATUS .....	<del>3840</del>
2C.18	PAYMENT OF STAMP TAX .....	<del>3841</del>
2C.19	SECTION 168, FINANCE ACT 1994.....	<del>3941</del>
2C.20	DEFAULT MANAGEMENT .....	<del>3942</del>
APPENDIX 2C.A.....		<del>4447</del>
	SWAPCLEAR PROCESSING SCHEDULE .....	<del>4447</del>
APPENDIX 2C.B.....		<del>4548</del>
	INTRA-DAY COLLATERAL LODGEMENT FORM .....	<del>4548</del>
APPENDIX 2C.C.....		<del>4750</del>
	INTRA-DAY HOUSE NON-CASH EXCESS TRANSFER FORM .....	<del>4750</del>
APPENDIX 2C.D.....		<del>4851</del>
	INTRA-DAY HOUSE CASH EXCESS TRANSFER FORM .....	<del>4851</del>
APPENDIX 2C.E.....		<del>4952</del>
	ADDITIONAL COLLATERAL ACCOUNT LODGEMENT FORM.....	<del>4952</del>
APPENDIX 2C.F .....		<del>5154</del>
	INTRA-DAY ADDITIONAL COLLATERAL ACCOUNT NON-CASH TRANSFER FORM.....	<del>5154</del>

APPENDIX 2C.G .....	<del>53</del> <u>56</u>
INTRA-DAY ADDITIONAL COLLATERAL ACCOUNT CASH TRANSFER FORM .....	<del>53</del> <u>56</u>
APPENDIX 2C.H.....	<del>54</del> <u>57</u>
ADDITIONAL COLLATERAL ACCOUNT SPREADSHEET .....	<del>54</del> <u>57</u>
APPENDIX 2C.I .....	<del>55</del> <u>58</u>
CLEARING DEED OF ASSIGNMENT .....	<del>55</del> <u>58</u>
APPENDIX 2C.J .....	<del>65</del> <u>68</u>
CLEARING DEED OF ASSIGNMENT .....	<del>65</del> <u>68</u>
APPENDIX 2C.K1 .....	<del>80</del> <u>83</u>
SWAPCLEAR CLEARING CLIENT – PARTIAL TRANSFER FORM .....	<del>80</del> <u>83</u>
APPENDIX 2C.K2.....	<del>82</del> <u>85</u>
SWAPCLEAR CLEARING CLIENT – FULL TRANSFER FORM .....	<del>82</del> <u>85</u>
APPENDIX 2C.K3.....	<del>84</del> <u>87</u>
SWAPCLEAR CLEARING CLIENT TRANSFER – CARRYING CLEARING MEMBER REPOSE FORM .....	<del>84</del> <u>87</u>
APPENDIX 2C.L .....	<del>86</del> <u>89</u>
CLEARING HOUSE PRESCRIBED LANGUAGE.....	<del>86</del> <u>89</u>
APPENDIX 2C.M .....	<del>89</del> <u>92</u>
CLEARED TRADE REMOVAL AGREEMENT .....	<del>89</del> <u>92</u>
APPENDIX 2C.N.....	<del>94</del> <u>97</u>
CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN THE DEFAULT MANAGEMENT GROUP .....	<del>94</del> <u>97</u>

## 2C. SWAPCLEAR

### 2C.1 THE CLEARING PROCESS

The SwapClear Service is an interface that processes and stores all SwapClear Transactions received from an Approved Trade Source System.

Those authorised by the Clearing House to submit trades for clearing in the SwapClear Service fall into two categories – SwapClear Clearing Members (SCMs) and SwapClear Dealers (SDs). SCMs are clearing members who have applied and have been accepted by the Clearing House to clear in the SwapClear Service. SDs are not clearing members but have met the criteria for registration as a SwapClear Dealer and have entered into a SwapClear Dealer Clearing Agreement with an SCM and the Clearing House. Subject to obtaining approval from the Clearing House's Membership Department an SCM may offer certain SwapClear Clearing Services to its clients (SwapClear Clearing Clients). SwapClear Clearing Services are provided to SwapClear Clearing Clients through an Individual Segregated Account or Omnibus Net Segregated Account. SCMs should contact the Clearing House's Membership Department for further details of the SwapClear Client Clearing Service and the Clearing House's approval process (+44 (0)20 7426 7949; [membership@lchclearnet.com](mailto:membership@lchclearnet.com)).

Only SwapClear Clearing Members are authorised by the Clearing House to submit trades for clearing in the SwapClear Clearing System.

An SCM Branch must always be the same legal entity as the SCM and, subject to authorisation by the Clearing House, it may present SwapClear Transactions to the Clearing House, for registration as SwapClear Contracts in the name of the SCM, using its own BIC code.

Therefore, where a SwapClear Transaction is presented for clearing by an SCM Branch, it is deemed to have been presented by, and in the name of, the SCM of which it is part for registration.

#### 2C.1.1 SwapClear Service Functions

The following functions are performed within the SwapClear Service:

processing and settlement of coupon payments;

processing and settlement of consideration (fee) payments;

calculation of initial and variation margin requirements;

[calculation of MER requirements and SwapClear Tolerance Limits;](#)

calculation of Price Alignment Interest;

adjustment of cash payments to conform with Opening Days and the SwapClear Calendars;

allocation and designation of trades to a position-keeping account; and

reporting of registered trades.

SwapClear Transactions presented via an Approved Trade Source System (i.e. new trades presented for intra-day registration or existing trades presented for overnight registration—~~see sections 2C.3.2 and 2C.3.3.1~~) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the SwapClear clearing system. Information regarding SwapClear Contracts and margin reporting will be disseminated via the SwapClear ~~Clearing House's~~ Clearing Member reporting system (see section 2C.1.3).

## 2C.1.2 Clearing House System Requirements

A SwapClear Clearing Member must, in order to submit SwapClear Transactions to the Clearing House, be a user of an Approved Trade Source System.

## 2C.1.3 SwapClear Clearing Member Reporting System

The Clearing House has various arrangements for the notification to SCMs of SwapClear Contract registrations and other information. These make use of systems including the following:

Report 001

Approved Trade Source Systems.

The SwapClear API.

An end-user report generation and analytical capability is provided by the Clearing House to SCMs. All SwapClear reports will be disseminated via the Clearing House's secure password access Clearing Member-only website. These reports are the definitive record as to registration by the Clearing House.

The Clearing House is not liable for any corruption or alteration of messages or loss of data which may take place within any Approved Trade Source System.

SCMs will be able to customise and produce reports either to print locally or to download in machine-readable data-file format. Queries about the Clearing Member-only website should be directed to the Clearing House Service Desk on +44 (0)20 7426 7200.

## 2C.2 OPERATING TIMES AND CALENDARS

### 2C.2.1 Opening Days

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

### 2C.2.2 Opening Hours

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

07:30 to ~~22:00 London time~~24:00 London time

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 00.01. 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 \(including compression runs\).](#)

### 2C.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 2C.1.3).

## 2C.3 REGISTRATION

### 2C.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: (1) SwapClear Clearing Members (or the SCM Branches of one of any such SwapClear Clearing Members); (2) SwapClear Dealers; (3) SwapClear Clearing Clients; and (4) FCM SwapClear Members.

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 bi-laterally agreed by two Executing Parties 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.

### 2C.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 provide notification to such SwapClear Clearing Member of the relevant SwapClear Transaction ~~and that~~ [and that](#) ~~that~~ it has been so nominated, via member reports, the SwapClear API or otherwise (the "Notification"). Where a SwapClear Clearing Member is nominated to clear both SwapClear Contracts arising from the registration of a SwapClear Transaction (whether for itself or a third party Executing Party) 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. In all other cases, no Notification will be provided to any SwapClear Clearing Member.

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 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 the relevant SwapClear Transaction. The Clearing House has an automated system which it operates on each business day (currently at or around 8 pm (London time)) for the purposes of rejecting SwapClear Transactions which have been presented for clearing but in respect of which any ~~consent to a Notification (each a "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 time on the business day following the day when the relevant SwapClear Transaction was presented for clearing at which the reject system is operated by the Clearing House and the relevant SwapClear Transaction is itself rejected by such system. 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 ~~to~~<sup>by</sup> 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 such SwapClear Clearing Member (or its SCM Branch) or by 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 2C.3.4~~3.5~~ of these Procedures, it is a ~~condition~~<sup>precondition</sup> for the registration of a SwapClear Contract that the applicable SwapClear Clearing Member ~~provides~~<sup>has complied with all requirements to provide</sup> sufficient cover ~~to the Clearing House in respect of such SwapClear Contract prior to registration~~<sup>(taking into account MER 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. For the avoidance of doubt, in respect of the registration of a SwapClear Transaction, both SwapClear Clearing Members or the relevant SwapClear Clearing Member and FCM Clearing Member must have complied with all requirements to provide sufficient cover (taking into account MER and/or SwapClear Tolerance, if any) at the time when both SwapClear Contracts, or the SwapClear Contract and the FCM SwapClear Contract (as applicable), relating to the relevant SwapClear Transaction have been submitted or deemed to be submitted (as applicable).</sup>

### 2C.3.3 Trade Registration Facilitation: SwapClear Tolerance and MER (Minimum Excess Requirement)

In order to facilitate the registration of SwapClear Contracts by SwapClear Clearing Members, the Clearing House may require the delivery of additional cover from those SwapClear Clearing Members participating in the MER Arrangements (as defined below) at the relevant time and may provide SwapClear Tolerance on a daily basis, as further described below.

The Clearing House will set MER requirements (where applicable) and SwapClear Tolerance Limits (as defined below) based on a number of factors, including a SwapClear Clearing Member's credit rating, risk profile, an analysis of the

incremental risk registered by a SwapClear Clearing Member during a historic look-back period and, in the case of the overall value of the SwapClear Tolerance which may be made available to a SwapClear Clearing Member, whether the SwapClear Clearing Member is a participant in the MER Arrangements at the relevant time. However, the Clearing House sets MER requirements and SwapClear Tolerance Limits in its sole discretion, and may modify its methodologies at any time or may vary them across different SwapClear Clearing Members.

#### SwapClear Tolerance

If a SwapClear Clearing Member has not delivered sufficient cover (taking into account any delivered with respect to MER) 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 initial margin 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 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 the Clearing House or result in any use of default fund resources (except following a Default).

The Clearing House will determine, in its sole discretion, the maximum value of the SwapClear Tolerance (which may be zero) (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 Clearing House may adjust the value of a SwapClear Clearing Member's SwapClear Tolerance Limit, and/or require a SwapClear Clearing Member to provide initial margin 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 its SwapClear Tolerance Limit and will, as promptly as reasonably practicable, notify it following any adjustment to the amount of its SwapClear Tolerance Limit. Subject to the above, a SwapClear Clearing Member will typically be required to deliver initial margin in respect of any 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.

Any failure of a SwapClear Clearing Member to satisfy an initial margin call relating 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 type of initial margin call may give rise to a Default.

#### Minimum Excess Requirement ("MER")

The Clearing House has put in place arrangements (the "MER Arrangements") (which will be optional for SwapClear Clearing Members) under which it will be able to call from each relevant SwapClear Clearing Member an amount of cover (the "MER Cover") in respect of that SwapClear Clearing Member's potential cover

requirements (with respect to the registration of SwapClear Contracts) for the following day.

The Clearing House will calculate MER for each SwapClear Clearing Member using the same methodology and will publish such methodology to SwapClear Clearing Members. The Clearing House will provide 30 days notice before implementing any changes to the methodology used for calculating MER.

SwapClear Clearing Members are not required to participate in the MER Arrangements unless and until they elect to do so. In the event that a SwapClear Clearing Member wishes to change its participation status (the "Participation Status") from opting in to the MER Arrangements to opting out or vice versa it should contact the Clearing House to request applicable documentation ([swapclear.clientservices@lchclearnet.com](mailto:swapclear.clientservices@lchclearnet.com)). Changes in Participation Status are processed at the end of each month. All relevant documentation must be completed and returned to the Clearing House no later than 5 Business Days prior to the end of the month preceding the month to which the change in Participation Status applies. A SwapClear Clearing Member's Participation Status will remain unchanged until the Business Day following the day that the Clearing House confirms via email that the change in Participation Status has been processed. The Clearing House shall be entitled to treat the Participation Status of a SwapClear Clearing Member as continuing unchanged from month to month until such time as appropriate notice is received from such SwapClear Clearing Member and processed by the Clearing House in accordance with the provisions of this paragraph.

Any MER Cover delivered by a SwapClear Clearing Member will form part of the required initial margin of that SwapClear Clearing Member. SwapClear Clearing Members participating in the MER Arrangements will be called for MER Cover separately in respect of their Proprietary Account related to SwapClear Clearing House Business and/or their client account related to SwapClear Clearing Client Business. However, such MER Cover will not be regarded as Required Collateral, or form part of any Account Balance or be deemed to Account Assets of any SwapClear Clearing Client, of any Individual Segregated Account or Omnibus Net Segregated Account unless such MER Cover has been attributed to any such account by the Clearing House in accordance with this section.

For the avoidance of doubt, failure to deliver MER Cover when required by the Clearing House will constitute a breach of these Procedures and the Regulations.

In relation to the registration of a SwapClear Contract on behalf of a SwapClear Clearing Client, the Clearing House shall determine if there is sufficient cover to enable such registration. If the SwapClear Clearing Member does not have sufficient cover to enable the registration of such SwapClear Contract, the Clearing House will determine whether there is any unutilised MER Cover related to SwapClear Clearing Client Business and, if so, will attribute the relevant part of such MER Cover to the relevant Individual Segregated Account or Omnibus Net Segregated Account. In this context, the attribution of the MER Cover to the relevant Individual Segregated Account or Omnibus Net Segregated Account means that it will be recorded as initial margin held in relation to such account and shall be treated as part of the Account Balance of such account.

At each end of day margin run, the Clearing House will recalculate and call, on an account by account basis, required margin in respect of the MER requirements of

[each SwapClear Clearing Member currently participating in the MER Arrangements.](#)

#### [2C.3.4](#) ~~2C.3.3~~ **Approved Trade Source Systems**

Currently, the Approved Trade Source Systems designated by the Clearing House for SwapClear are MarkitWire, Bloomberg and Tradeweb. 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 other aspect of the services provided by any Approved Trade Source System or the timeliness or otherwise of the delivery of any SwapClear Transaction details by that Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the SwapClear Clearing Members and that Approved Trade Source System.

The Clearing House will process any SwapClear Transaction reported to it by an Approved Trade Source System on an "as is" basis and, subject to the General Regulations and these Procedures, will register any such SwapClear Transaction on the basis of the data provided to it by the Approved Trade Source System and approved by the relevant SwapClear Clearing Member. The Clearing House has no obligation to verify that the details received properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an Approved Trade Source System to the Clearing House or to a SwapClear Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any SwapClear Contract on the basis of incorrect or corrupted data sent to it by an Approved Trade Source System and consented to (where applicable) by a SwapClear Clearing Member, the SwapClear Clearing Member concerned shall be bound by the terms of such SwapClear Contract. The Clearing House shall use its reasonable endeavours to assist the relevant SwapClear Clearing Member(s) in re-registering the trade on the correct basis but the Clearing House shall not be liable to a SwapClear Clearing Member or to any other party with regard to the registration (or lack of registration or re-registration) of any such SwapClear Contract.

SwapClear Clearing Members shall ensure that Necessary Consents are provided by appropriately authorised personnel. Apart from in respect of Necessary Consents, the Clearing House is not able to, and will not, verify the authorisation of the source of any details of any transaction reported to it for registration by any Approved Trade Source System. The Clearing House shall have no liability in the event that any SwapClear Clearing Member suffers any loss through the unauthorised granting of a Necessary Consent.

#### [2C.3.5](#) ~~2C.3.4~~ **Registration of New Trades**

~~The Clearing House will perform regular, intra-day registration runs on each business day. SwapClear Transactions duly submitted to the Clearing House for registration will ordinarily be included in the next following registration run unless the Clearing House determines to register such SwapClear Transaction prior to such run.~~

Prior to it registering a SwapClear Contract, the Clearing House will require the SwapClear Clearing Member in whose name such SwapClear Contract is to be registered to provide it with cover for initial and variation margin in respect of such contract as a precondition to registration (taking into account any MER and/or SwapClear Tolerance, if any). In accordance with Regulation 47(d)(iv), a SwapClear Clearing Member becomes obligated to provide such cover (taking into account MER and/or SwapClear Tolerance, if any) to the Clearing House at the time when both SwapClear Contracts, or the SwapClear Contract and the FCM SwapClear Contract (as applicable), relating to the relevant SwapClear Transaction have been submitted or deemed to be submitted (as applicable) by the relevant SwapClear Clearing Member(s) or the relevant SwapClear Clearing Member and FCM Clearing Member (as the case may be) and such SwapClear Clearing Member(s) or such SwapClear Clearing Member and such FCM Clearing Member shall provide such cover prior to registration upon request of the Clearing House. Variation margin can be covered intra-day in non-cash collateral.

~~In order for registration of a SwapClear Contract (the "actual SwapClear Contract") to occur, where such actual SwapClear Contract is part of a registration run containing other SwapClear Contracts and/or FCM SwapClear Contracts (the "other SwapClear Contracts"), cover for margin from each SwapClear Clearing Member and each FCM Clearing Member which would be a party to such other SwapClear Contracts is required to be provided to the Clearing House in advance and, if any one or more of such SwapClear Clearing Members or such FCM Clearing Members does not provide such cover, the Clearing House will take such steps as it deems appropriate to seek to register the actual SwapClear Contract as soon as practically possible.~~

Upon a SwapClear Transaction being submitted to the Clearing House for registration and the conditions to registration specified in Regulation 47 having been satisfied in respect of the related SwapClear Contract(s), the SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear Clearing Member reporting system (see section 2C.1.3) on the SwapClear Clearing Member reporting account.

### 2C.3.6     ~~2C.3.5~~ Backloading of Existing Trades

A SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of submission is considered a backloaded trade by the Clearing House (a "backloaded trade"). Due to the nature of backloaded trades, SwapClear Clearing Members should note that a relatively large amount of cover is required to register such trades. The Clearing House provides the facility for SwapClear Clearing Members to load such eligible existing SwapClear Transactions, through an Approved Trade Source System (currently, MarkitWire, Bloomberg and Tradeweb). Where the Clearing House approves additional Approved Trade Source Systems for these purposes, it will notify SwapClear Clearing Members via a member circular. Backloading requires bilateral agreement between the relevant Executing Parties and ~~the granting of consent~~ acceptance by the SwapClear Clearing Member(s) or the SwapClear

[Clearing Member and the FCM Clearing Member \(as the case may be\)](#) of the full particulars required by the Clearing House for each such SwapClear Transaction.

Following ~~such consent~~[acceptance](#), the backloaded trade shall be deemed to have been submitted by the SwapClear Clearing Member(s) [or the SwapClear Clearing Member and the FCM Clearing Member \(as the case may be\)](#) for registration by the Clearing House. ~~The Clearing House will, in the case of SwapClear Transactions that have a Trade Date of greater than ten calendar days prior to the date of submission, hold the SwapClear Transaction overnight for registration the following day. For backloaded trades, the Clearing House will notify SwapClear Clearing Members of their submission and status as part of SwapClear Clearing Member reporting (see section 2C.1.3). In any backloading of a SwapClear Transaction where one leg is to be registered as an FCM SwapClear Contract, the FCM Regulations will apply with respect to such registration of an FCM SwapClear Contract.~~

It is a pre-condition ~~of~~[for](#) registration [of any backloaded trades](#) that sufficient cover [\(taking into account any MER and/or SwapClear Tolerance, if any\)](#) for initial and variation margin ~~is~~[be](#) provided.

#### [2C.3.7](#) ~~2C.3.6~~ **Notification**

The Clearing House will send to the originating Approved Trade Source System notification of registration or rejection, as the case may be, and the SwapClear Clearing Members will be notified by the Approved Trade Source System or the SwapClear API or otherwise of the registration or rejection of SwapClear Transactions, or contracts purported as such.

#### [2C.3.8](#) ~~2C.3.7~~ **Rejected Trades**

Trades submitted for registration that do not meet the product or other eligibility criteria prescribed from time to time by the Clearing House or which contain invalid or incomplete message data [or with respect to which the Clearing House has not received sufficient cover \(taking into account MER and/or SwapClear Tolerance, if any\)](#) will be rejected. If, at any time, the Clearing House does not register a trade presented for registration it will send to the originating Approved Trade Source System notification of the rejection.

### 2C.4 **POSITION ACCOUNTS**

#### 2C.4.1 **SCM Accounts**

For identification purposes each SCM is assigned a unique three-character mnemonic. An SCM's position and financial information are further identified by a single character code: C for segregated client business; and H for house business. The H account is obligatory, the C account is optional.

#### 2C.4.2 **Position-Keeping Accounts**

##### 2C.4.2.1 Clearing Member Accounts

These are identical to Clearing Member accounts as described in Regulation 5. The account types are: H for house business; and C for segregated client business. An SCM's SwapClear positions are also recorded within the SwapClear clearing system in SwapClear Accounts.

### 2C.4.2.2 SwapClear Accounts

The SwapClear clearing system will provide position-keeping accounts for SCMs. A SwapClear Account will be assigned a code identical to the Bank Identifier Code (BIC) of the SCM. Each SwapClear Account must map to a Member Account.

All registered SwapClear Contracts will be identifiable to SCMs via SwapClear Clearing Member reporting (see section 2C.1.3). Each SwapClear Contract will also be assigned a unique trade identifier. The SwapClear Clearing Member reporting functionality also allows SCMs to identify all SwapClear Contracts, registered in their name, and, if submitted by an SD, the submitting SD.

## 2C.5 FINANCIAL ACCOUNTS

Clearing Member accounts have financial accounts associated with them. These are, inter alia, used to record cash balances, and securities/ documentary credits. Information contained within position-keeping accounts is consolidated into financial accounts, as follows:

### 2C.5.1 Relationship with Position-Keeping Accounts

Trading Account	Financial Account	
H	House	H
C	Client	C

### 2C.5.2 Other Financial Accounts

At the Clearing House's discretion, further financial accounts, used only to record financial balances, may be opened as follows:

	Code
Buffer accounts (House), used for holding additional cash in relation to House business	B
Buffer account (Client), used for holding additional cash in relation to Client business	E
SwapClear Additional Collateral Account	A

### 2C.5.3 Default Fund (DF) Account

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

### 2C.5.4 SwapClear Additional Collateral Account

Upon request from an SCM the Clearing House will setup a new sub-account called the Additional Collateral Account.

Such requests should be submitted to the Clearing House's Treasury Operations team ([lchoperations-treasury@lchclearnet.com](mailto:lchoperations-treasury@lchclearnet.com); 020 7426 7505).

SCMs are able to lodge excess collateral on behalf of their clients (the amount is at the SCM's discretion), into the Additional Collateral Account.

In order to lodge collateral into the Additional Collateral Account, an SCM must adhere to the following procedure:

- (a) an SCM can lodge non-cash collateral or request that the Clearing House call cash directly from the SCM into the Additional Collateral Account. If an SCM intends to lodge non-cash collateral they must submit an Additional Collateral Account Lodgement Form to the Clearing House. (Appendix 2C.E);
- (b) an SCM can transfer non-cash or cash collateral from its Client Account to the Additional Collateral Account (see section 2C.9).

When an SCM lodges non-cash collateral at the Clearing House, the Clearing House will issue the SCM with a collateral lodgement number that must be provided to the Clearing House whenever that SCM wishes to transfer that non-cash collateral.

The SCM is responsible for maintaining a record of the collateral held against each SwapClear Clearing Client (see Additional Collateral Account Spreadsheet, Appendix 2C.H).

The Additional Collateral Account Spreadsheet submitted by an SCM to the Clearing House is the primary record of the contents of the Additional Collateral Account and an SCM must provide an updated version to the Clearing House whenever transfers are made from/to the Additional Collateral Account.

In the event of an SCM default, the Additional Collateral Account Spreadsheet provided by the defaulted SCM will be used to identify the SwapClear Clearing Clients' collateral lodged in the Additional Collateral Account.

## 2C.6 VARIATION MARGIN

All SwapClear Transactions will, on submission to the Clearing House, be marked-to-market, in accordance with Regulation 15 (b), using the Clearing House's zero coupon yield curves. The Clearing House will use these curves to calculate the Net Present Value of the SwapClear Transaction. This value must, subject to ~~Intra-day Registration (see section 2C.3.3)~~[intra-day registration](#), be paid by the SCM in cash in the currency of the SwapClear Transaction. Where a SwapClear Transaction is registered intra-day, and variation margin is covered with non-cash collateral, the Clearing House will, the following business day, require payment of the full cash amount.

All SwapClear Contracts will be marked-to-market daily, in accordance with Regulation 15 (b), using the Clearing House's zero coupon yield curves. The daily change in the Net Present Value will be credited to or debited from SCM's financial accounts.

For the avoidance of doubt, this Procedure shall not apply to contracts which are credited to a SwapClear Clearing Member's Client account or to such other contracts as the Clearing House may determine.

### 2C.6.1 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 the Clearing House Risk Management Department on +44 (0)20 7426 7549, but may be subject to change without prior notification.

### 2C.6.2 Official Quotations

Zero Coupon Yield curves will use prices and rates taken at:

All times quoted are London time

AUD	12:00
CAD	20:00
CHF LIBOR & OIS	16:30
CZK	16:30
DKK	16:30
EURO  LIBOR	16:30
GBP  LIBOR	16:30
HKD	12:00
HUF	16:30
JPY	12:00
NOK	16:30
NZD	12:00

PLN	16:30
SEK	16:30
SGD	12:00
USD LIBOR & OIS	20:00
ZAR	16:30
EURO OIS	18:00
GBP OIS	18:00

Zero coupon yield curves used for daily marking to market will be published on the Clearing House's member reporting website at intervals during the day as the prices and rates are captured.

### 2C.6.3 Net Present Value

The Clearing House will calculate the net present value (NPV) of each eligible SwapClear Contract using the Clearing House's zero coupon yield curves.

It is a condition of registration that sufficient cover, as determined by the Clearing House, is held with the Clearing House to cover both the NPV and Initial Margin of each SwapClear Transaction [\(taking into account, for these purposes, any MER and/or SwapClear Tolerance, if any\)](#).

### 2C.6.4 Price Alignment Interest

The payment of variation margin, or change in NPV, on a daily basis without adjustment would distort the pricing for SwapClear Transactions cleared through the Clearing House. In order to minimise the impact of variation margin, the Clearing House will for each SCM either charge interest on cumulative variation margin received, or pay interest on cumulative variation margin paid (see section 3.5.2).

**2C.7 COUPON PAYMENTS**

**2C.7.1 Calendars and Coupons**

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see section 2C.2.3). Changes to the calendar that affect SwapClear Contracts will be published and made available to SCMs by the Clearing House in a Clearing Member Report. The central control and publication of these calendars will assist the reconciliation of coupon payments between SCMs and the Clearing House. Coupon payments will be adjusted, in the event of a holiday amendment, in accordance with the Contract Terms.

**2C.7.2 Calculation of Fixed Amount**

The Clearing House will calculate the Fixed Amount payable by a party on a Payment Date as either:

- (a) if an amount is specified for the SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, such amount; or
- (b) if an amount is not specified for the SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, an amount calculated on a formula basis for that Payment date or for the related Calculation Period as follows:

$$\text{Fixed Amount} = \frac{\text{Calculation Amount}}{\text{Fixed Rate}} \times \text{Fixed Rate Day Count Fraction}$$

**2C.7.3 Calculation of Floating Amount**

The Clearing House will calculate the Floating Amount payable by a party on a Payment Date as an amount calculated on a formula basis for that Payment Date or for the related Calculation Period as follows:

$$\text{Floating Amount} = \frac{\text{Calculation Amount}}{\text{Floating Rate Day}}$$

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

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

## APPENDIX 2C.A

## SWAPCLEAR PROCESSING SCHEDULE

This table outlines the daily processes and timetable of the SwapClear operation. Clearing Members will be informed of changes to this timetable via member circular. All time shown is London time.

SWAPCLEAR PROCESSING SCHEDULE	
Time	
07:30	SwapClear Opens
by 09:30	Registration of Backloaded trades and confirmation of deleted trades from T-1 (see section 2C.3.43.6)
16:00	Deadline for PPS calls in London
22:00	SwapClear Closes

## APPENDIX 2C.L

## CLEARING HOUSE PRESCRIBED LANGUAGE

Capitalised terms used in this Annex and shall have the meaning specified in the LCH Rules.

[SwapClear Clearing Client] hereby acknowledges and agrees that:

- (a) the services provided by the Clearing House with regard to the SwapClear Clearing Services will be subject to and governed by the rules in the Clearing House's Rulebook ~~and the Default Management Process Amendment Agreement between the Clearing House and the relevant SwapClear Clearing Member (the "DMP Amendment Agreement")~~, and the SwapClear Clearing Client will not act so as to cause – whether directly or indirectly – any breach of such rules or agreement by any person. The provisions of the amended text of Regulation 39 (Exclusion of Liability) of the Clearing House's Rulebook set out below shall apply *mutatis mutandis* as though entered into by the SwapClear Clearing Client directly with the Clearing House;
- (b) in the event that the SwapClear Clearing Client has failed to appoint a Backup SwapClear Clearing Member or the Clearing House does not receive the necessary confirmation from the SwapClear Clearing Client of its wish to have its positions transferred (including by way of termination, close-out and establishment of new replacement transactions to replicate such positions) or the Backup SwapClear Clearing Member declines to act as such, on the default of the relevant SwapClear Clearing Member, the Clearing House will close out and terminate the SwapClear Contracts entered into by that SwapClear Clearing Member in respect of the SwapClear Clearing Client and will not transfer or otherwise re-establish such positions;
- (c) the SwapClear Clearing Client will not be entitled to instruct the Clearing House to act or omit to act in any manner at any time prior to the default of the relevant SwapClear Clearing Member but the Clearing House shall accept instructions from the SwapClear Clearing Client following a default of the relevant SwapClear Clearing Member, provided that such instructions are in accordance with the rules of the Clearing House's Rulebook ~~and/or the DMP Amendment Agreement~~;
- (d) the SwapClear Clearing Client will not be entitled to any information from the Clearing House as to any balance held by the Clearing House for any person at any time prior to the default of the relevant SwapClear Clearing Member but the Clearing House shall provide such information to the SwapClear Clearing Client following a default of the relevant SwapClear Clearing Member;
- (e) the Clearing House will not hold any assets transferred to it on trust for any person; and
- (f) where the SwapClear Clearing Member provides securities to the Clearing House as collateral (the "**Securities**"), the SwapClear Clearing Client will not be entitled to assert any equitable or other claim to any such Securities in circumstances where the assertion of such a claim would delay or inhibit the disposal by the Clearing House of such Securities and/or the application of the proceeds of sale of such Securities in accordance with the rules of the Clearing House's Rulebook ~~and/or the DMP Amendment Agreement~~.

**Regulation 39: Exclusion of Liability**

***(This has been extracted from the Clearing House's Rulebook)***

- (g) ~~(a)~~ Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member or to any other person (including, without limitation, any SwapClear Clearing Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a SwapClear Clearing Member or any other person, as the case may be, as a result of: any suspension, restriction or closure of any market, whether for a temporary period or otherwise or as a result of a decision taken on the occurrence of a market emergency; any failure by the Clearing House or a SwapClear Clearing Member to supply each other with data or information in accordance with arrangements from time to time established between such persons; the failure of any systems, communication facilities or technology supplied, operated or used by the Clearing House, a SwapClear Clearing Member or other relevant person; any event which is outside the control of the Clearing House; any act or omission of a SwapClear Clearing Member in connection with the provision of SwapClear Clearing Services or the entering into of SwapClear Contracts, including, without limitation, any error in the establishment of a price; any act or omission of the Clearing House; or any determination made in connection with SwapClear Clearing Services or SwapClear Contracts.
- (h) ~~(b)~~ Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to a SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) in respect of any dispute arising from or in relation to any SwapClear Contract including, but not limited to, any dispute as to the validity or otherwise of such transaction, the terms of such transaction, or whether any alleged agreement or arrangement constitutes a SwapClear Contract.
- (i) ~~(c)~~ Without prejudice to the provisions of Regulation 1 and Regulation 39(e), neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member or to any other person (including, without limitation, a SwapClear Clearing Client) in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of any suspension of any service, a step taken by the Clearing House under Regulations 26, 27, 47(f), 54(f) or 67, or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the Regulations, or any decision by the Clearing House not to exercise any such discretion.
- (j) ~~(d)~~ Without prejudice to Regulation 39(c) and 39(e), unless otherwise expressly provided in the Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability under any circumstances (including, without limitation, as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives), be liable to any SwapClear Clearing Member or any SwapClear Clearing Client for any indirect or consequential loss or damage, or loss of

anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such SwapClear Clearing Member or SwapClear Clearing Client and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.

- (k) ~~(e)~~ Nothing in this Regulation 39 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or wilful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or wilful default on the part of the Clearing House.
- (l) ~~(f)~~ Without prejudice to the provisions of Regulations 1 and 22 and 39(a) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member or to any other person (including, without limitation, any SwapClear Clearing Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a SwapClear Clearing Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology or as a result of any negligence, wrongdoing, or other act, error, failure or omission on the part of any technology supplier in supplying any services to the Clearing House with regard to the Clearing House services or as a result of or in connection with any inconsistency or conflict between any provision contained in any Default Management Process Amendment Agreement or other agreement related to SwapClear between the Clearing House and a SwapClear Clearing Member on the one hand and any provision of the Clearing House Regulations, Default Rules and Procedures and any other Clearing House documentation on the other hand.
- (m) ~~(g)~~ For the purposes of the Contracts (Rights of Third Parties) Act 1999, save: (i) as is expressly set out herein; and/or (ii) for rights conveyed to any SwapClear Clearing Client under a Deed of Assignment, these Regulations, Default Rules and Procedures do not create any rights in any persons who are not SwapClear Clearing Member.

Exhibit D  
Default Fund Rules

"**Minimum EquityClear Contribution Member**" means a Clearing Member in respect of which the Preliminary EquityClear Contribution calculated under Rule 19B is equal to or less than the Minimum EquityClear Contribution for the time being;

"**Minimum Exchange Contribution**" means, subject to Rule 32, £100,000;

"**Minimum Exchange Contribution Member**" means a Clearing Member in respect of which the Preliminary Exchange Contribution calculated under Rule 19 is equal to or less than the Minimum Exchange Contribution for the time being;

"**Minimum ForexClear Contribution**" means, subject to Rule F2 of the ForexClear Default Fund Supplement, USD 5,000,000;

"**Minimum Non-Tolerance SwapClear Contribution**" means £10,000,000 (which, for the avoidance of doubt, excludes the £3,000,000 minimum amount payable by an SCM in respect of the SwapClear Tolerance Contribution Amount);

"**Minimum RepoClear Contribution**" means, subject to Rule R2 of the RepoClear Default Fund Supplement, EUR 2,500,000;

"**Minimum RepoClear Contribution Member**" means an RCM in respect of which the Preliminary RepoClear Contribution calculated under Rule R2 of the RepoClear Default Fund Supplement, is equal to or less than the Minimum RepoClear Contribution for the time being;

~~"**Minimum SwapClear Contribution**" means, subject to Rule S2 of the SwapClear Default Fund Supplement, £10,000,000;~~

"**Minimum SwapClear Contribution Member**" means an SCM in respect of which the ~~Preliminary~~ SwapClear Non-Tolerance Contribution Amount calculated under paragraph (h) of Rule S2 of the SwapClear Default Fund Supplement is equal to or less than the Minimum Non-Tolerance SwapClear Contribution for the time being;

"**Net Recovery**" means any sum received by the Clearing House from or for the account of a defaulter after the issue by the Clearing House of a Rule 26 Certificate in respect of losses arising upon the defaulter's Default less any amount payable to any insurer or provider of analogous services in respect of any amount due from but not previously paid by the defaulter;

"**New Member**" means:

- (a) at the time of assessment of the amount of any General Contribution, any Clearing Member whose status as a General Clearing Member commenced or will commence after the Quarter Day immediately before such time and includes any General Clearing Member whose Clearing Membership Agreement commenced before the Quarter Day immediately before such time but who commenced or will commence clearing Cleared Exchange Contracts or EquityClear Contracts after the Quarter Day immediately before such time;
- (b) at the time of assessment of the amount of any ForexClear Contribution, any FXCCM whose Clearing Member status commenced or will commence after the ForexClear Determination Date immediately before such time and includes any FXCCM whose Clearing Membership Agreement commenced before the ForexClear Determination Date immediately before such time but who commenced or will commence clearing ForexClear Contracts after the ForexClear Determination Date immediately before such time;

"**RepoClear Default Management Process Completion Date**" has the meaning assigned to it in ~~the~~ the RepoClear DMP Annex;

"**RepoClear Default Period**" has the meaning ascribed to it in Rule R2 of the RepoClear Default Fund Supplement;

"**RepoClear Determination Date**" has the meaning assigned to it in Rule R2 of the RepoClear Default Fund Supplement;

"**RepoClear Excess Loss**" means the net sum or aggregate of net sums certified to be payable by a defaulter by a Rule 26 Certificate in respect of RepoClear Business less (a) the proportion of the Deductible applicable to RepoClear Business under Rule 16(c) and (b) any sums then immediately payable in respect of RepoClear Business Default Losses owed by such defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House;

"**RepoClear Loss Distribution Process**" has the meaning assigned to it in Rule R.9 of the RepoClear Default Fund Supplement;

"**RepoClear Segregated Fund Amount**" means the amount as determined in accordance with Rule R2 and R3 of the RepoClear Default Fund Supplement;

"**RepoClear Unfunded Contribution**" has the meaning assigned to it in Rule R8 of the RepoClear Default Fund Supplement;

"**RepoClear Unfunded Contribution Notice**" has the meaning assigned to it in Rule R8 of the RepoClear Default Fund Supplement;

"**Retiring Member**" means at any time any Clearing Member or, as the context may require, any former Clearing Member, who has given notice to terminate its Clearing Member status to the Clearing House or in respect of whom the Clearing House has terminated or given notice to terminate its Clearing Member status;

"**Rule 26 Certificate**" has the meaning assigned to it in Rule 26;

"**SONIA**", means in relation to a SwapClear Contribution or a RepoClear Contribution, the overnight rate as calculated by the Wholesale Market Broker's Association and appearing on the Reuters Screen SONIA Page;

"**Specified Exchange**" means Turquoise Global Holdings Limited, LIFFE Administration and Management Limited, The London Metal Exchange Limited, Nodal Exchange LLC, Hong Kong Mercantile Exchange Limited or any Exchange succeeding to any such person;

"**SwapClear Amendment**" has meaning assigned to it in Rule S12 of the SwapClear Default Fund Supplement;

"**SwapClear Business**" means any transaction, obligation or liability arising out of any SwapClear Contract;

"**SwapClear Clearing Member**" or "**SCM**" means, for the purposes of these Default Fund Rules and the SwapClear Default Fund Supplement, a Clearing Member participating in any part of the SwapClear Service.

"**SwapClear Contribution**" has the meaning assigned to it in Rule 17;

"**SwapClear Default Management Process**" has the meaning assigned to it in the SwapClear DMP Annex;

"**SwapClear Default Management Process Completion Date**" has the meaning assigned to it in the SwapClear DMP Annex;

"**SwapClear Default Period**" has the meaning ascribed to it in Rule S2 of the SwapClear Default Fund Supplement;

"**SwapClear Determination Date**" has the meaning assigned to it in Rule S2 of the SwapClear Default Fund Supplement;

"**SwapClear DMG**" has the meaning assigned to it in the SwapClear DMP Annex;

"**SwapClear Excess Loss**" means the net sum or aggregate of net sums certified to be payable by a defaulter by a Rule 26 Certificate in respect of SwapClear Business less (a) the proportion of the Deductible applicable to SwapClear Business under Rule 16(c) and (b) any sums then immediately payable in respect of SwapClear Business Default Losses owed by such defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House;

"**SwapClear Loss Distribution Process**" has the meaning assigned to it in Rule S8 of the SwapClear Default Fund Supplement;

"**SwapClear Segregated Fund Amount**" means the amount as determined in accordance with Rule S2(b) of the SwapClear Default Fund Supplement;

"**SwapClear Unfunded Contribution**" has the meaning assigned to it in Rule S8 of the SwapClear Default Fund Supplement;

"**SwapClear Unfunded Contribution Notice**" has the meaning assigned to it in Rule S8 of the SwapClear Default Fund Supplement;

"**SwapClear Voluntary Payment**" has the meaning assigned to it in Rule S10 of the SwapClear Default Fund Supplement;

"**SwapClear Voluntary Payment Notice**" has the meaning assigned to it in Rule S10 of the SwapClear Default Fund Supplement;

"**SwapClear Tolerance Utilisation**" means, in respect of each SCM, the value of the SwapClear Tolerance utilised by that SCM at any particular time, as determined by the Clearing House in its sole discretion; and

"**Volume Weight**" has the meaning assigned to it in Rule 19.

Words and expressions assigned meanings in the Clearing House Rulebook shall have the same meanings in these Default Fund Rules.

#### Reduction of Losses on Default

16. Subject to any contrary provision of the Rulebook, where a defaulter fails to pay any sum payable to the Clearing House, the Clearing House shall reduce or bear its loss in the manner provided by this Rule:-
  - (a) first, to the extent the Clearing House determines appropriate, in applying any cover for margin and any other sum owed to the defaulter other than any

extent that to do so would not result in the Clearing House being unable to meet all its other liabilities (taking into account for these purposes the obligation of the Clearing House to return initial margin provided in the form of cash and to repay the Contributions of all Clearing Members).

This Rule has effect without prejudice to any rights of the Clearing House or any other person against the defaulter. For the avoidance of doubt, (i) the effect of Rule F11 is that only stages (a) to (g) under this Rule 16 will apply in respect of any ForexClear Excess Loss, and any outstanding contracts retained by the Clearing House will be closed out in accordance with the procedure set out in Rule F11 without any recourse to Service Closure Payments referred to in paragraph (h) or the capital of the Clearing House under Rule 16(i); and (ii) the effect of Rule S11 is that only stages (a) to (g) under this Rule 16 will apply in respect of any SwapClear Excess Loss, and any outstanding contracts retained by the Clearing House will be closed out in accordance with the procedure set out in Rule S11 without any recourse Service Closure Payments referred to in paragraph (h) or to the capital of the Clearing House under Rule 16(i).

Where a defaulter is engaged in more than one of General Business, ForexClear Business, SwapClear Business and RepoClear Business (each a "**Relevant Business**" in respect of each the defaulter), the completion of the default management processes in respect of such Relevant Businesses may occur at different times. The Clearing House may be required to make a determination in respect of one Relevant Business (including certification of a Default Loss under Rule 23(b), certification of a net sum payable under Rule 26(a) or the value of a General Excess Loss, ForexClear Excess Loss, SwapClear Excess Loss and/or RepoClear Excess Loss) in order to manage the default at a time when (a) the determination is contingent on an outcome of the default management process in respect of some other Relevant Business, and (b) that outcome has not yet been reached. In the interests of efficient resolution, the Clearing House may at such point make assumptions about that outcome, and proceed with the relevant process on that basis. Where any such assumptions have been made, the Clearing House shall, on the completion of the default management processes in respect of all Relevant Businesses, make such credits to the default funds relating to the Relevant Businesses and such distributions to former Clearing Members as may be necessary to put the default funds and those firms which had contributed to such default funds at the time of the relevant default in the position that they would have been in if the correct outcomes had been used and the relevant assumptions had not been made.

### Contributions to Fund

17. Each Clearing Member shall deposit and maintain with the Clearing House one or more sums of cash (each a "**Contribution**") in an amount calculated by the Clearing House in accordance with these Rules. A Clearing Member's "**General Contribution**" shall be equal to the sum of its EquityClear Contribution (if any), and its Exchange Contribution (if any), denominated in sterling as cover. An FXCCM's "**ForexClear Contribution**" shall be the amount determined in accordance with the ForexClear Default Fund Supplement and shall include any ForexClear Unfunded Contributions deposited and made by the FXCCM with the Clearing House. An SCM's "**SwapClear Contribution**" shall be the ~~amount determined~~ amount determined in accordance with ~~specified in~~ the SwapClear Default Fund Supplement and shall include any SwapClear Unfunded Contributions deposited and made by the SCM with the Clearing House. An RCM's "**RepoClear Contribution**" shall be the amount determined in accordance with the RepoClear Default Fund Supplement and shall include any RepoClear Unfunded Contributions deposited and made by the RCM with the Clearing House.

Supplement and/or the RepoClear Default Fund Supplement does not fairly reflect the Continuing Member's share of clearing activity, the Clearing House may determine the Contribution of the Continuing Member as if the EquityClear Margin Weight, Margin Weight, Volume Weight, RepoClear Margin Weight, SwapClear MarginNon-Tolerance Weight and/or ForexClear Margin Weight (as applicable) of the Retiring Member were part of the EquityClear Margin Weight, Margin Weight, Volume Weight, RepoClear Margin Weight, SwapClear MarginNon-Tolerance Weight and/or ForexClear Margin Weight, respectively and as applicable of the Continuing Member. If the Clearing House determines the amount of a Continuing Member's Contribution under this Rule, the Clearing House shall give notice to the Continuing Member, and the provisions of Rule 33 shall not apply.

35. A Retiring Member and a Resigning Member in respect of a Relevant Service shall, until the completion of the process set out in Rule 8 in relation to any Default, continue to be liable under its Rule 28 indemnity in respect of Aggregate Excess Losses arising upon such Default, notwithstanding that the Clearing Member status of the Retiring Member has terminated or that the Resigning Member has resigned in respect of the Relevant Service before that time. While a Retiring Member or Resigning Member continues to be so liable, it shall provide such cover as the Clearing House shall require in respect of its liability in relation to any Aggregate Excess Losses not yet certified, subject to such cover not exceeding the Retiring Member's Contribution at the time of the termination of its clearing membership. or the Resigning Member's Contribution to the Relevant Service at the time of its resignation. In fulfilment of this requirement, the Clearing House may take any step which appears to the Clearing House to be appropriate, including postponement of the date for repayment of part or all of the Retiring Member's Contribution or Resigning Member's Contribution in respect of the Relevant Service (as the case may be). The Clearing House shall notify the Retiring Member or Resigning Member of any steps taken under this Rule.

#### **Recoveries from defaulters**

36. If all or part of the Contributions of any Clearing Member shall have been applied in accordance with Rule 28, the Clearing House shall account to each such Clearing Member (whether or not it remains at the relevant time a Clearing Member of the Clearing House) in respect of any Net Recovery, *pro rata* to the respective amounts applied in accordance with Rule 28 in relation to the relevant Default and in an amount not exceeding, in relation to each such Clearing Member, the amount of its Contributions so applied.

#### **Contracts on terms prescribed by new Exchanges**

37. Notwithstanding anything in the Procedures, and subject as follows, any Contract on terms prescribed by any Exchange other than a Specified Exchange shall be an Excluded Transaction. The Clearing House may direct that any such Contract as is referred to in this Rule shall not be an Excluded Transaction, provided that no such direction shall bind any Clearing Member which does not agree to it.

- (i) any amounts received from the Defaulting FXCCM as a result of the Clearing House being a creditor of the Defaulting FXCCM in respect of the ForexClear Business of such Defaulting FXCCM in the context of the occurrence of any of the events under Rule 5(i) to (p) in respect of the Defaulting FXCCM or otherwise, other than in respect of sums due to the Clearing House for its own account; or
- (ii) any other amounts howsoever obtained or recovered in the course of the Clearing House's operation of the ForexClear Default Management Process or which are otherwise referable to the Defaulting FXCCM,

in each case net of any related expenses incurred by the Clearing House or other sums owing to the Clearing House by the Defaulting FXCCM in connection with the ForexClear Service. For the avoidance of doubt, nothing in this paragraph (f) shall oblige the Clearing House to pursue any litigation or other action in order to recover the amounts contemplated above and if another default fund of the Clearing House has also been applied as a result of the FXCCM's Default, any amounts recovered shall be applied *pari passu* as between the relevant default funds

F10. Where, after the Default of one or more FXCCMs, the Clearing House determines that, notwithstanding the availability of any resources remaining under Rule 16(a) to (g) and the availability of the ForexClear Loss Distribution Process in accordance with the terms of Rule F9, it is clear that the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of those ForexClear Contracts to which it is party with Non-Defaulting FXCCMs, the Clearing House will by notice in writing (a "*ForexClear Voluntary Payment Notice*"): (i) inform all Non-Defaulting FXCCMs that it has insufficient resources and that it is likely to invoke Rule F11; and (ii) invite each Non-Defaulting FXCCM to make a payment of funds (a "*ForexClear Voluntary Payment*"), in accordance with Rule 16(g), to make up for the relevant shortfall.

ForexClear Voluntary Payments will be made on the following terms:

- (a) no FXCCM shall be obliged to make a ForexClear Voluntary Payment;
- (b) any ForexClear Voluntary Payment will be made by an FXCCM by the close of business on the business day after receipt of the relevant ForexClear Voluntary Payment Notice;
- (c) no ForexClear Voluntary Payment may be withdrawn once made; and
- (d) the Clearing House shall have full discretion whether or not to accept a particular ForexClear Voluntary Payment.

Any failure by the Clearing House to deliver a ForexClear Voluntary Payment Notice pursuant to this Rule F10 will not invalidate any action taken by the Clearing House pursuant to Rule F11 nor give rise to any liability whatsoever on the part of the Clearing House.

Any ForexClear Voluntary Payments remaining unused at the time of the expiry of the relevant ForexClear Default Period will be accounted for ~~ratably~~rateably by the Clearing House as if they were amounts paid in respect of the ForexClear Contributions by those FXCCMs from whom ForexClear Voluntary Payments were accepted.

### SwapClear Default Fund Supplement

- S1. On each business day, the Clearing House will determine a "**Combined Loss Value**" in respect of each of the 60 preceding business days. The Combined Loss Value in respect of a particular day will be the sum of the largest and the second largest stress-testing loss incurred on that day in relation to SwapClear Business (for a given scenario).
- S2. Each SCM's SwapClear Contribution (other than a SwapClear Unfunded Contribution) shall be determined by the Clearing House in accordance with the following provisions:
- (a) determinations will be made by the Clearing House ~~on the date that an SCM joins the SwapClear Service, and~~ at the close of business on the first business day of each ~~subsequent~~ month, and otherwise in accordance with paragraph (k) below (each a "**SwapClear Determination Date**") ~~provided, however, that, In addition, the amount payable in respect of the SwapClear Contribution of an SCM which is a New Member will determined on the date that the relevant New Member joins the SwapClear Service. Notwithstanding the foregoing,~~ following a Default, any ~~such~~ determinations on a SwapClear Determination Date and any such SwapClear Determination Date which might otherwise have occurred under this Rule S2 shall be suspended for the duration of the period (the "**SwapClear Default Period**") commencing on the date of such Default and terminating on the last to occur of the following dates:
- i the date which is the close of business on the day falling 30 calendar days after the SwapClear Default Management Process Completion Date in relation to such Default (or, if such day is not a business day, the next succeeding business day); and
- ii where, prior ~~to the~~ to the end of the period referred to in (i) above (or such period as has already been extended pursuant to this subparagraph (ii)) one or more subsequent Defaults (each a "**Relevant Default**") occur, the date which is the close of business on the day falling 30 calendar days after the SwapClear Default Management Process Completion Date in relation to a Relevant Default which falls latest in time (or, if such day is not a business day, the next succeeding business day);
- (b) the "**SwapClear Segregated Fund Amount**" shall be denominated in pounds sterling, and, for a given SwapClear Determination Date, shall be the largest of the 60 Combined Loss Values determined under Rule S1 plus 10%. The SwapClear Segregated Fund Amount shall not be less than £1 billion pounds (the "**SwapClear Fund Floor**") and shall not be more than £5 billion pounds (the "**SwapClear Fund Cap**"); ~~the SCM's "**SwapClear Margin Weight**" shall be calculated by dividing the average daily requirement for initial margin (as calculated under the Procedures or other arrangements applicable) which has applied to the SCM during the 20 business day period preceding the relevant SwapClear Determination Date in respect of all SwapClear Contracts to which such SCM is a party by the total of such average daily requirements applied to all Non-Defaulting SCMs;~~
- (c) the ~~SCM's "**SwapClear Margin Weight**" shall be calculated by dividing the average daily requirement for initial margin (as calculated under the Procedures or other arrangements applicable) which has applied to the SCM during the 20 business day period preceding the relevant SwapClear~~

- ~~Determination Date in respect of all SwapClear Contracts to which such SCM is a party by the total of such average daily requirements applied to all Non-Defaulting SCMs; "**SwapClear Tolerance Amount**" shall be the value of that portion of the SwapClear Segregated Fund Amount which relates to those SwapClear default fund resources which have been determined by the Clearing House as being required in relation to SwapClear Tolerance;~~
- (d) ~~the SCM's "**Preliminary SwapClear Contribution**" shall be calculated by multiplying the SwapClear Segregated Fund Amount by the SCM's SwapClear Margin Weight;~~ "**SwapClear Tolerance Weight**" of an SCM (other than an SCM which is a New Member) shall be calculated by dividing (i) the average SwapClear Tolerance Utilisation of the relevant SCM during the 20 business day period preceding the relevant SwapClear Determination Date in respect of all SwapClear Contracts to which such SCM is a party, which average shall be calculated by adding together the peak SwapClear Tolerance Utilisation of such SCM for each relevant business day and then dividing such sum by 20 provided that: (x) for SCMs where the peak SwapClear Tolerance Utilisation does not yet exist or is otherwise unavailable in respect of a business day, the Clearing House shall estimate the relevant peak SwapClear Tolerance Utilisation by reference to the actual or expected level of clearing activity of the relevant SCM in relation to SwapClear Contracts; by (ii) the total of such average SwapClear Tolerance Utilisations of all Non-Defaulting SCMs other than SCMs which are New Members;
- (e) the value of the "**SwapClear Tolerance Contribution Amount**" of: (x) an SCM (other than an SCM which is a New Member) shall be calculated by multiplying the SwapClear Tolerance Amount by the SCM's SwapClear Tolerance Weight, provided that (i) where that calculation results in a value which is less than or equal to £3 million pounds, or in the case of a New Member, the value of the relevant SCM's SwapClear Tolerance Contribution Amount shall be £3 million pounds; and (ii) where that calculation results in a value which is greater than or equal to £30 million pounds, the value of the relevant SCM's SwapClear Tolerance Contribution Amount shall be £30 million pounds; and (y) a New Member shall be £3 million pounds PROVIDED FURTHER that where, as a result of the adjustments in individual SCM SwapClear Tolerance Contribution Amounts as described in this paragraph, the aggregate of the SwapClear Tolerance Contribution Amounts is greater or less than the SwapClear Tolerance Amount the Clearing House will adjust SCMs individual SwapClear Tolerance Contribution Amounts such that the aggregate of the SwapClear Tolerance Contributions equals the SwapClear Tolerance Amount;
- (f) the "**SwapClear Non-Tolerance Amount**" shall be the value of that portion of the SwapClear Segregated Fund Amount which relates to SwapClear default fund resources other than those which have been determined by the Clearing House as being required in relation to SwapClear Tolerance;
- (g) the "**SwapClear Non-Tolerance Weight**" of an SCM (other than an SCM which is a New Member) shall be calculated by dividing (i) the average daily requirement for initial margin (as calculated under the Procedures or other arrangements applicable) which has applied to the SCM during the 20 business day period preceding the relevant SwapClear Determination Date in respect of all SwapClear Contracts to which such SCM is a party by (ii) the total of such average daily requirements applied to all Non-Defaulting SCMs other than SCMs which are New Members;

- (h) the "**SwapClear Non-Tolerance Contribution Amount**" of an SCM other than an SCM which is a New Member shall be calculated by multiplying that SCM's SwapClear Non-Tolerance Weight by the SwapClear Non-Tolerance Amount;
- (i) the "**SwapClear Contribution**" of: (x) an SCM (other than an SCM which is a New Member) shall be the sum of (i) that SCM's SwapClear Non-Tolerance Contribution Amount adjusted, where applicable, in accordance with paragraph (i) or (o) below; and (ii) that SCM's Tolerance Contribution Amount; and (y) an SCM which is a New Member shall be calculated in accordance with S4.
- (j) ~~(e)~~ if the Clearing Member's Preliminary an SCM's SwapClear Non-Tolerance Contribution Amount (calculated in accordance with paragraph (h) above) is below the Minimum Non-Tolerance SwapClear Contribution for the time being, the Clearing Member's SwapClear Non-Tolerance Contribution Amount shall be adjusted so as to the Minimum SwapClear Contribution Non-Tolerance SwapClear Contribution. Provided that where, as a result of the adjustments in individual SCM SwapClear Non-Tolerance Contributions Amounts as described in this paragraph, the aggregate of the SwapClear Non-Tolerance Contribution Amounts is greater than the SwapClear Non-Tolerance Amount the Clearing House will adjust individual SwapClear Non-Tolerance Contribution Amounts such that the aggregate of the SwapClear Non-Tolerance Contributions equals the SwapClear Non-Tolerance Amount;
- (k) ~~(f)~~ the "**SwapClear Actual Total**" shall be calculated by adding together (i) the amount which is the product of the Minimum Non-Tolerance SwapClear Contribution and the number of Minimum SwapClear Contribution Members; and (ii) the aggregate Preliminary SwapClear Contributions SwapClear Non-Tolerance Contribution Amounts (calculated in accordance with paragraph (h) above) of those SCMs which are not Minimum SwapClear Contribution Members; (iii) the aggregate SwapClear Tolerance Contribution Amounts of all SCMs other than SCMs which are New Members; and (iv) the aggregate SwapClear Contributions of all SCMs which are New Members;
- (l) ~~(g)~~ where the SwapClear Actual Total is greater than the SwapClear Fund Cap, the "**SwapClear Excess**" shall be the arithmetical difference between the SwapClear Actual Total and the SwapClear Fund Cap;
- (m) ~~(h)~~ where the SwapClear Actual Total is less than the SwapClear Fund Floor, the "**SwapClear Shortfall**" shall be the arithmetical difference between the SwapClear Fund Floor and the SwapClear Actual Total;
- (n) ~~(i)~~ for each SCM other than a Minimum SwapClear Contribution Member or a New Member: (i) the SCM's "**SwapClear Discount**" (if any) shall be such SCM's *pro rata* share of the SwapClear Excess calculated as the proportion of such SCM's Preliminary SwapClear Non-Tolerance Contribution Amount relative to the aggregate Preliminary SwapClear Contributions Non-Tolerance Contribution Amounts of all SCMs other than Minimum SwapClear Contribution Members and New Members; and (ii) the SCM's "**SwapClear Increase**" (if any) shall be such SCM's *pro rata* share of the SwapClear Shortfall calculated as the proportion of such SCM's Preliminary SwapClear Non-Tolerance Contribution Amount relative to the aggregate Preliminary SwapClear Contributions Non-Tolerance Contribution Amounts of all SCMs other than Minimum SwapClear Contribution Members and New Members;

- (o) ~~(j)~~ for each SCM other than a Minimum SwapClear Contribution Member or a New Member, the SCM's SwapClear Non-Tolerance Contribution Amount shall be ~~the Preliminary SwapClear Contribution (i) less adjusted by (i) the subtraction of~~ any SwapClear Discount applicable to the SCM; or (ii) plus the addition of any SwapClear Increase applicable to the SCM; provided that if the application of any SwapClear Discount would result in a SwapClear Non-Tolerance Contribution Amount of an SCM that is less than the Minimum Non-Tolerance SwapClear Contribution, such SCM shall pay the Minimum Non-Tolerance SwapClear Contribution in respect of the SwapClear Non-Tolerance Contribution Amount applicable to it, notwithstanding that the arithmetical sum of SwapClear Contributions paid by all SCMs may thereby exceed the SwapClear Fund Cap; and
- (p) ~~(k)~~ the Clearing House may recalculate the SwapClear Segregated Fund Amount and the SwapClear Contributions due from each SCM on any business day if the largest of the 60 Combined Loss Values determined under Rule S1 on that day differs by more than 25% from the Combined Loss Value on which the previous SwapClear Contribution determination was based and, on such business day, the Clearing House shall be entitled to require those SCMs whose portfolios have caused the increase in the Combined Loss Value to pay an additional amount in respect of their SwapClear Contributions.
- S3. For the purposes of the calculations under Rule S2:
- (a) references to "SwapClear Clearing Members" or "SCMs" do not include references to Defaulting SCMs (apart from any Defaulting SCM in respect of which the Clearing House permits the application of Rule S2) or persons which were formerly SCMs but are not SCMs at the SwapClear Determination Date at which the relevant determination is made;
  - (b) Contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand pounds, notwithstanding that the arithmetical sum of SwapClear Contributions paid by all SCMs may thereby exceed the SwapClear Fund Cap; and
  - (c) no account shall be taken, in calculating initial margin or SwapClear ~~Margin~~Non-Tolerance Weight under Rule S2 of any offsets in the initial margin required for SwapClear Contracts from an SCM, which may otherwise be permissible under the Procedures or other arrangements applicable.
- Provided that the SCM is not a defaulter, the amount of its SwapClear Contribution shall be calculated in accordance with and subject to Rule S2. The provisions of Rule S2 and this Rule do not apply to a Defaulting SCM, unless the Clearing House so permits in any particular case.
- S4. Without prejudice to any other requirements which the Clearing House may impose, the amount of the SwapClear Contribution of a New Member shall be the sum of (a) the Minimum Non-Tolerance SwapClear Contribution; (b) the SwapClear Tolerance Contribution Amount; and ~~(c)~~ any supplementary sum determined by the Clearing House in its discretion and notified to the New Member. The Clearing House shall determine the amount of such supplementary sum by reference to the actual or expected level of clearing activity of the New Member.
- S5. Upon determination of the amount of a SwapClear Contribution in accordance with Rule S2:

"**CHG**" means the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment;

"**DH**" means the Distribution Haircut; and ~~Default Fund Rules May 2012~~  
509

"**CAG**" means the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment and where "CAG" as at the Last Call Prior to Default shall be zero.

ii **Cash Loser**

On each Loss Distribution Day for each Margin Account of each Non-Defaulting SCM which is deemed to be a Cash Loser, the Clearing House shall be required to pay the absolute value of each amount (the "**Cash Loser Payment Currency Adjustment to Cash Payment**") determined as follows:

The Cash Loser Payment Currency Adjustment to Cash Payment is the value of the amount determined in accordance with the formula below (the "**Cash Loser Base Currency Adjustment to Cash Payment**") converted at the Rate of Exchange into the Cash Payment Currency in which the relevant Underlying Cash Payment is denominated

Where

Cash Loser Base Currency Adjustment to Cash Payment(t) = PHG(t) – (CHG(t) – CAG(t-1))

"**PHG**" Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment;

"**CHG**" means the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment; and

"**CAG**" means the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment and where "CAG" as at the Last Call Prior to Default shall be zero.

iii **Application of Payment Currency Adjustment to Cash Payment**

On each Loss Distribution Day, the Clearing House shall apply the payment or receipt of any Payment Currency Adjustment to Cash Payment as an offset against any payments denominated in the same Cash Payment Currency as the relevant Payment Currency Adjustment to Cash Payment due from or receivable by the relevant SCM.

iv **Adjustment for exchange of Notional Amounts on maturity**

an exchange of Notional Amounts is applicable to any SwapClear Contract on any business day during a Loss Distribution Period, the Clearing House may, following consultation with its risk committee or the SwapClear DMG, as appropriate, make such adjustments as are necessary to the calculation of a Payment Currency Adjustment to Cash Payment to reflect the payment flows arising from such exchange of Notional Amounts, keeping in mind the principle that the calculation of a Payment Currency Adjustment to Cash Payment is designed to capture all profits and/or losses on positions during the relevant Loss Distribution Period.

(c) **Application of Cash Gainer Payment Currency Adjustment to Cash Payment**

S11; and (ii) invite each Non-Defaulting SCM to make a payment of funds (a “**SwapClear Voluntary Payment**”), in accordance with Rule 16(g), to make up for the relevant shortfall.

- (a) SwapClear Voluntary Payments will be made on the following terms:
- (b) no SCM shall be obliged to make a SwapClear Voluntary Payment;
- (c) any SwapClear Voluntary Payment will be made by an SCM by the close of business on the business day after receipt of the relevant SwapClear Voluntary Payment Notice;
- (d) no SwapClear Voluntary Payment may be withdrawn once made; and
- (e) the Clearing House shall full discretion whether or not to accept a particular SwapClear Voluntary Payment.

Any failure by the Clearing House to deliver a SwapClear Voluntary Payment Notice pursuant to this Rule S10 will not invalidate any action taken by the Clearing House pursuant to Rule S11 nor give rise to any liability whatsoever on the part of the Clearing House.

Any SwapClear Voluntary Payments remaining unused at the time of the expiry of the relevant SwapClear Default Period will be accounted for ~~ratably~~rateably by the Clearing House as if they were amounts paid in respect of the SwapClear Contributions of those SCMs from whom SwapClear Voluntary Payments were accepted.

S11. Where, following the process for inviting SwapClear Voluntary Payments in accordance with Rule S10, the Clearing House makes a determination (an “**Insufficient Resources Determination**”) that it is clear that the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of those SwapClear Contracts to which it is party with Non-Defaulting SCMs, the following provisions shall have effect:

- (a) All outstanding SwapClear Contracts shall be closed out as of the clearing day following the date the Insufficient Resources Determination was made and any further obligations to make any payments under or in respect of such SwapClear Contracts shall cease. The closing prices used shall be mid prices calculated by the Clearing House in accordance with the methodology used by it to carry out end of day margin runs in respect of the outstanding SwapClear Contracts. Where such data is not available to the Clearing House, the closing price shall be the last price used by the Clearing House to calculate the variation margin requirement for the position to be closed out.
- (b) On the basis of the close out values established for each outstanding SwapClear Contract, an account shall be taken (as at the time of close out) of what is due in respect of each SCM, from that SCM to the Clearing House and from the Clearing House to that SCM, as well as all other amounts owing under or in respect of SwapClear Contracts and any other amounts that may be due in respect of the SwapClear Service (including for these purposes, a proportionate share of any amounts owed generally to or from the Clearing House), and the sums due from the SCM shall be set off against the sums due from the Clearing House and only the balance of the account shall be payable. For the avoidance of doubt, amounts in respect of SwapClear Contracts shall include, but not be limited to, returns of variation margin associated therewith and the repayment of any Net Cash Gainer Payment Currency Adjustment to

### RepoClear Default Fund Supplement

- R.1 On each business day, the Clearing House will determine the "**Combined Loss Value**" in respect of each of the 20 preceding business days. The Combined Loss Value in respect of a particular day will be the sum of the STLIEOMs for the RCMs which have the largest and the second largest STLIEOM on that day. For this purpose, the "**STLIEOM**" means, in respect of each RCM and any day, the stress-tested loss in excess of initial margin (determined for a given scenario determined by the Clearing House) which could be incurred by the Clearing House in respect of that RCM's RepoClear Business if that RCM became a Defaulting RCM on that day (but taking into account any additional margin called pursuant to R2(k) in respect of such RCM).
- R.2 Each RCM's RepoClear Contribution (other than a RepoClear Unfunded Contribution) shall be determined by the Clearing House in accordance with the following provisions:
- (a) determinations will be made by the Clearing House initially on a date determined by the Clearing House and thereafter on the date that an RCM joins the RepoClear Service, and at close of business on the first business day of each subsequent month (each a "**RepoClear Determination Date**") provided, however, that, following a Default, any such determinations and any such RepoClear Determination Date which might otherwise have occurred under this Rule R.2 shall be suspended for the duration of the period (the "**RepoClear Default Period**") commencing on the date of such Default and terminating on the last to occur of the following dates:
- i the date which is the close of business on the day falling 30 calendar days after the RepoClear Default Management Process Completion Date in relation to such Default (or, if such day is not a business day, the next succeeding business day); and
- ii where, prior to the to the end of the period referred to in (i) above (or such period as has already been extended pursuant to this subparagraph (ii)) one or more subsequent Defaults (each a "**Relevant Default**") occur, the date which is the close of business on the day falling 30 calendar days after the RepoClear Default Management Process Completion Date in relation to a Relevant Default which falls latest in time (or, if such day is not a business day, the next succeeding business day);
- (b) the "**RepoClear Segregated Fund Amount**" shall be denominated in euro, and, for a given RepoClear Determination Date, shall be the largest of the 20 Combined Loss Values determined under Rule R.1 plus 10%. The RepoClear Segregated Fund Amount shall not be less than EUR 500 million or such greater amount as shall be determined by the LCH Risk Committee (the "**RepoClear Fund Floor**") and shall not be more than EUR 620 million or such greater amount as shall be determined by the LCH Risk Committee from time to time on the basis of the stress tests applied to current positions of RCMs (the "**RepoClear Fund Current Maximum Amount**") except that the LCH Risk Committee may not ~~increase~~ increase the RepoClear Segregated Fund Amount above EUR 1,500 million (the "**RepoClear Fund Cap**") without a ballot of RCMs pursuant to Rule R12;

**"Cash Payment Currency"** means, in respect of each RCM, the Currency in which it paid its RepoClear Contribution.

**"Cumulative LCH Transfer Cost"** means, as determined on any business day during any Loss Distribution Period or Service Closure Period, the sum of any LCH Transfer Cost for each day from but excluding the relevant Last Call Prior to Default to and including such business day.

**"Final Determination Date"** means the business day subsequent to an Insufficient Resources Determination Date when a Shortfall Allocation (as defined in R11(c)(i)) is to be ~~determined~~determined;

**"Insufficient Resources Determination Date"** means the day on which an Insufficient Resources Determination (as defined in R11) is made by the Clearing House;

**"Last Call Prior to Default"** means the most recent business day on which payments of cover required to be made by RCMs were made in full.

**"LCH Transfer Cost"** means any cost (converted, where applicable, into EUR at a Rate of Exchange determined by the Clearing House in its sole discretion) to the Clearing House arising out of transferring the rights and obligations arising out of the Fixed Income Contracts of a Defaulting RCM to any other RCM or third parties

**"LCH Final Uncovered Loss"** means the aggregate of LCH Uncovered Losses arising on each day in a Service Closure Period.

**"LCH Uncovered Loss"** means, in respect of the Clearing House, as determined on any business day in any Loss Distribution Period or Service Closure Period, the amount greater than zero calculated in accordance with the following formula:

$$(TRCMCP + CLC) - (TAR + TLD)$$

where:

**"TRCMCP"** means the TRCM Cash Payment;

**"CLC"** means the Cumulative LCH Transfer Cost;

**"TAR"** means the Total Available Resources; and

**"TLD"** means Total Loss Distribution; and

the LCH Uncovered Loss as at the Last Call Prior to Default shall be zero.

**"Loss Distribution Cap Amount"** means, in respect of each Non-Defaulting RCM and any Loss Distribution Period, an amount equal to the product of (i) 100 per cent. and (ii) the RepoClear Contribution of such Non-Defaulting RCM as at the last RepoClear Determination Date prior to the date when the Default occurred at the beginning of that Loss Distribution Period;

**"Loss Distribution Day"** means any business day in a Loss Distribution Period on which the Clearing House, prior to calling for: (i) cover in respect of margin in accordance with the provisions of the Procedures; and (ii) Required Collateral, on such business day, determines that the LCH Uncovered Loss for that business day is greater than zero.

**"Loss Distribution Period"** means the period from, but excluding, the day on which a Default occurs with respect to an RCM to the business day on which all Loss Distribution Charges in respect of such Default have been paid in full.

**"Rate of Exchange"** means, for any day, the applicable rate of exchange for converting one currency into another as determined by the Clearing House by reference to Reuters;

**"RCM Cash Payment"** means, in respect of any Cash Payment (converted, where applicable into EUR at a Rate of Exchange determined by the Clearing House in its sole discretion) and any business day (a) the amount of any such Cash Payment which would be paid by the Clearing House to a Non-Defaulting RCM in respect of the Fixed Income Contracts of a Defaulting RCM on such business day (expressed as a positive number) excluding any cash payments made by the Clearing House to such Non-Defaulting RCM in respect (i) of delivery versus payment transfers and (ii) all margin payments other than Variation Margin; and (b) the amount of any Cash Payments made by the relevant Non-Defaulting RCM to the Clearing House in respect of the Fixed Income Contracts of a Defaulting RCM on such business day (expressed as a negative number) excluding any cash payments made by the relevant Non-Defaulting RCM to the Clearing House in respect (i) of delivery versus payment transfers and (ii) all margin payments other than Variation Margin.

**"Service Closure Period"** means the period from and including an Insufficient Resources Determination Date to, but including, a Final Determination Date;

**"Total Available Resources"** means, during a Loss Distribution Period or Service ~~Closure~~Closure Period the sum of (i) the Available Resources and (ii) any Unfunded Contributions.

**"Total Loss Distribution"** means, as determined on the day an LCH Uncovered Loss is being determined, the sum of any Loss Distribution Charges paid by Non-Defaulting RCMs from but the excluding relevant Last Call Prior to Default to and excluding such day.

**"TRCM Cash Payment"** means the total of all cumulative RCM Cash Payments for each business day from but excluding the relevant Last Call Prior to Default up to and including the business day upon which LCH Uncovered Losses are being determined.

(b) Loss Distribution Charges

On each Loss Distribution Day, each Non-Defaulting RCM shall be required to pay to the Clearing House a **"Loss Distribution Charge"** which is equal to the product of (x) the LCH Uncovered Loss in respect of that Loss Distribution Day and (y) the proportion which that Non-Defaulting RCM's RepoClear Contribution bears to the aggregate of the RepoClear Contributions of all Non-Defaulting RCMs, *provided that*, the aggregate of all such Loss Distribution Charges shall not be greater than the Loss Distribution Cap Amount in respect of that Non-Defaulting RCM.

Any Loss Distribution Charge shall be paid by the RCM to the Clearing House in accordance with the Procedures.

(c) Application of Loss Distribution Charges to Cash Payment

The Clearing House shall apply all payments it receives in respect of Loss Distribution Charges to Cash Payments solely for the purposes of meeting any loss incurred by the Clearing House following, and in relation to, each Default, as contemplated in accordance with Rule 16(a) to (g).

## (d) No Rebate

The payment to the Clearing House by any RCM of any Loss Distribution Charge shall be final and shall not give rise to any obligation of the Clearing House to repay any such amount or to pay any interest thereon.

## (e) Application of any Recoveries

If the RepoClear Loss Distribution Process has been invoked by the Clearing House in accordance with this Rule R.9, the Clearing House shall reimburse the RCMs (irrespective of whether they remain RCMs at the time of the recovery) and the Clearing House on a *pro rata* basis by reference to the resources which have been applied pursuant to Rule 16(a) to (g) (including any RepoClear Unfunded Contributions) and including the net amount of any one or more paid by the relevant RCMs:

- i any amounts received from the Defaulting RCM as a result of the Clearing House being a creditor of the Defaulting RCM in respect of the RepoClear Business of such Defaulting RCM in the context of the occurrence of any of the events under Rule 5(i) to (p) in respect of the Defaulting RCM or otherwise, other than in respect of sums due to the Clearing House for its own account; or
- ii any other amounts howsoever obtained or recovered in the course of the Clearing House's operation of the RepoClear Default Management Process or which are otherwise referable to the Defaulting RCM,

in each case net of any related expenses incurred by the Clearing House or other sums owing to the Clearing House by the Defaulting RCM in connection with the RepoClear clearing service. For the avoidance of doubt, nothing in this paragraph (f) shall oblige the Clearing House to pursue any litigation or other action in order to recover the amounts contemplated above and if another default fund of the Clearing House has also been applied as a result of the RCM's Default, any amounts recovered shall be applied *pari passu* as between the relevant default funds.

R.10 Where, after the Default of one or more RCMs, the Clearing House determines that, notwithstanding the availability of any resources remaining under Rule 16(a) to (g) and the availability of the RepoClear Loss Distribution Process in accordance with the terms of Rule R.9, it is clear that the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of those Fixed Income Contracts to which it is party with Non-Defaulting RCMs, the Clearing House shall conduct a ballot of Non-Defaulting RCMs to determine whether or not to repeat the RepoClear Loss Distribution Process in Rule R.9. The quorum for such a ballot shall be 95% of all Non-Defaulting RCMs, and any such ballot shall only be carried if it all those RCMs who vote have voted in favour of repeating the procedures in Rule R.9. For the avoidance of doubt, where the Loss Distribution Process in Rule R.9 is repeated following a vote in favour of such under this Rule R.10, no Loss Distribution Charges paid by Non-Defaulting RCMs under previous applications of the Loss Distribution Process shall be included in determining whether the Loss Distribution Cap Amount for such current application of the ~~RepoClear Loss~~ RepoClear Loss Distribution Process has been reached.

R.11 Where, following the conclusion of the Loss Distribution Process (including any repeat of the RepoClear Loss Distribution Process following a ballot pursuant to Rule R.10), the Clearing House makes a determination (an "**Insufficient Resources Determination**") that the Clearing House would not in future have sufficient

Exhibit E  
FCM Regulations

## CONTENTS

FCM REGULATIONS OF THE CLEARING HOUSE.....	1
Definitions.....	2
<b>PART I – REGULATIONS OF GENERAL APPLICABILITY.....</b>	<b>16</b>
<i>Regulation 1</i> Obligations of the Clearing House to each FCM Clearing Member.....	16
<i>Regulation 2</i> Performance by the Clearing House of its Obligations under the Terms of an Open Contract.....	17
<i>Regulation 3</i> FCM Clearing Member Status of the Clearing House and Application of LCH Regulations .....	18
<i>Regulation 4</i> FCM Client Business and Proprietary Account Trading .....	21
<i>Regulation 5</i> Treatment of Accounts at LCH .....	25
<i>Regulation 6</i> Designation.....	27
<i>Regulation 7</i> Trading Information .....	28
<i>Regulation 8</i> Transfer .....	29
<i>Regulation 9</i> Margin and Cover for Margin; Other Obligations.....	33
<i>Regulation 10</i> Official Quotations and Reference Price.....	41
<i>Regulation 11</i> Market Disorders, Impossibility of Performance, Trade Emergency .....	42
<i>Regulation 12</i> Force Majeure .....	43
<i>Regulation 13</i> Invoicing Back .....	44
<i>Regulation 14</i> Currency Conversion .....	45
<i>Regulation 15</i> Disclosure .....	46
<i>Regulation 16</i> Fees and Other Charges.....	47
<i>Regulation 17</i> Records.....	48
<i>Regulation 18</i> FCM Procedures.....	49
<i>Regulation 19</i> Alteration of FCM Regulations and the FCM Procedures .....	50
<i>Regulation 20</i> Interpretation of these FCM Regulations .....	51
<i>Regulation 21</i> Waiver .....	52
<i>Regulation 22</i> Validity of FCM Regulations and Action.....	53
<i>Regulation 23</i> Governing Law and Jurisdiction .....	54
<i>Regulation 24</i> Exclusion of Liability.....	55
<i>Regulation 24A</i> Netting .....	<del>57</del> <u>56</u>
<i>Regulation 24B</i> Distribution of Assets .....	<del>59</del> <u>58</u>
<i>Regulation 25</i> Rules Relating to FCM Client Segregated Accounts .....	<del>60</del> <u>59</u>
<i>Regulation 26</i> Acknowledgements and Agreements of FCM Clients and Affiliates ...	<del>68</del> <u>67</u>
<b>PART II – REGULATIONS APPLICABLE TO FCM SWAPCLEAR CONTRACTS.....</b>	<b><del>74</del><u>70</u></b>
<i>Regulation 30</i> Registration of FCM SwapClear Contracts; Novation and Post- Novation Compression; SwapClear Accounts .....	<del>74</del> <u>70</u>
<i>Regulation 31</i> Daily Marking to Market.....	<del>78</del> <u>77</u>

<i>Regulation 32</i>	The reset rate for, and the net present value of, an FCM SwapClear Contract.....	<del>80</del> <u>79</u>
<i>Regulation 33</i>	Withdrawal of the FCM SwapClear Service by the Clearing House.....	<del>81</del> <u>80</u>
PART III – REGULATIONS APPLICABLE TO FCM FOREXCLEAR CONTRACTS .....		<del>83</del> <u>82</u>
<i>Regulation 40</i>	Registration of FCM ForexClear Contracts; ForexClear Accounts .....	<del>83</del> <u>82</u>
<i>Regulation 41</i>	Cancellation of FCM ForexClear Contracts.....	<del>88</del> <u>87</u>
<i>Regulation 42</i>	Variation Margin.....	<del>89</del> <u>88</u>
<i>Regulation 43</i>	Withdrawal of the FCM ForexClear Service by the Clearing House.....	<del>90</del> <u>89</u>
PART IV – REGULATIONS APPLICABLE TO FCM ENCLEAR CONTRACTS .....		<del>92</del> <u>91</u>
<i>Regulation 50</i>	Registration of FCM EnClear Contracts.....	<del>92</del> <u>91</u>
<i>Regulation 51</i>	FCM EnClear Contracts.....	<del>94</del> <u>93</u>
<i>Regulation 52</i>	Daily Settlement.....	<del>97</del> <u>95</u>
<i>Regulation 53</i>	Withdrawal of the FCM EnClear Service by the Clearing House .....	<del>98</del> <u>96</u>
PART V – [RESERVED] .....		<del>100</del> <u>98</u>
SCHEDULE A – FCM SWAPCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA.....		A-1
SCHEDULE B – FCM FOREXCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA.....		B-1
SCHEDULE C – FCM ENCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA.....		C-1

## **LCH.CLEARNET LIMITED**

### **FCM REGULATIONS OF THE CLEARING HOUSE**

#### **Scope**

Save where expressly stated to the contrary in these FCM Regulations or the FCM Procedures, these FCM Regulations govern the clearing of FCM Contracts by FCM Clearing Members through LCH.Clearnet Limited. They do **not** govern any other clearing services provided by LCH.Clearnet Limited, LCH.Clearnet SA or any other affiliates of LCH.Clearnet Group, Ltd, all of which are governed by separate sets of rules.

DRAFT

## Definitions

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

- Account Assets* - Means all cover, cash, margin, securities, receivables, rights, intangibles and any other collateral or assets deposited with or transferred to an FCM Clearing Member by its FCM Clients and deposited with or transferred to the Clearing House by such FCM Clearing Member, in connection with the accounts carried by such FCM Clearing Member on behalf of its FCM Clients, as margin and security for and in respect of the clearing of FCM Contracts for such FCM Clients. For the avoidance of doubt, any Applied FCM Buffer or Buffer applied by the Clearing House in respect of an FCM Client's FCM Client Segregated Sub-Account does not constitute "Account Assets" of such FCM Client, provided, that Applied FCM Buffer may be transformed into Account Assets as provided in FCM Regulation 9(h)(iv)(C).
- Account Manager Executing Party* - Means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated FCM SwapClear Transactions.
- Affiliate* - Means, with respect to an FCM Clearing Member, any entity that controls, is controlled by or is under common control with such FCM Clearing Member, and the account of which, when carried by the FCM Clearing Member, would be considered a Cleared Swaps Proprietary Account pursuant to CFTC Regulation 22.1 (~~or any~~ any such successor or replacement regulation).
- Allocating SwapClear Transaction* - Has the meaning assigned to such term in FCM Regulation 30(~~ep~~)(iii).
- Applied FCM Buffer* - Has the meaning assigned to such term in FCM Regulation 9(h)(iv)(A).
- Approved Broker* - A person authorized by the Clearing House to participate as a broker in the LCH EnClear OTC Services (as such term is used in the UK General Regulations), including the FCM EnClear Clearing Services as the context may require.
- Auction Portfolio* - Has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
- Base Currency* - Has the meaning assigned to such term in FCM Regulation 24A(d)(ii).
- Business Category of FCM Contract* - Means a category of one or more Products which the Clearing House treats as separate from other Products for purposes of calculating the amount of cover owed by an FCM Clearing Member (as set forth in the FCM

Procedures) in respect of the FCM Contracts in each such category and, except to the extent otherwise set forth in the FCM Procedures, such separate margin categories consist of: (1) FCM SwapClear Contracts (referred to in the FCM Rulebook as the “*SwapClear Business Category*”), (2) FCM ForexClear Contracts (referred to in the FCM Rulebook as the “*ForexClear Business Category*”), and (3) FCM EnClear Contract (referred to in the FCM Rulebook as the “*EnClear Business Category*”).

- Business Day* - Means, in respect of an FCM Contract (except where specified otherwise in the relevant FCM SwapClear Contract Terms, FCM ForexClear Contract Terms or FCM EnClear Contract Terms, as applicable), a day on which the Clearing House is open for business as set forth in the FCM Procedures.
- Carrying FCM Clearing Member* - Means an FCM Clearing Member carrying an account for an FCM Client, and in respect of which the FCM Contracts and Account Assets held in such account may be transferred to a Receiving FCM Clearing Member pursuant to FCM Regulation 8 and in accordance with the FCM Procedures.
- CEA* - Means the U.S. Commodity Exchange Act.
- CFTC* - Means the U.S. Commodity Futures Trading Commission.
- CFTC Regulations* - Means the rules and regulations promulgated by the CFTC.
- Cleared Swap* - Means “Cleared Swap” as such term is defined in CFTC Regulation 22.1.
- Cleared Swap Product* - Means a Product which constitutes a Cleared Swap. Such Products are: (1) FCM SwapClear Contracts, (2) FCM ForexClear Contracts and (3) FCM EnClear Contracts.
- Cleared Swaps Account Class* - Means the account class for cleared swaps accounts (as defined in CFTC Regulations 190.01(a)(i) and 190.01(pp)) for purposes of Part 190 of the CFTC Regulations and Section 4d(f) of the CEA.
- Clearing House* - Means LCH.Clearnet Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom.
- Closing-out Contract* - Means, for the purposes of these FCM Regulations, an FCM Contract effected by or on behalf of the Clearing House and registered in an FCM Clearing Member’s name, being an FCM Contract on the same terms (except as to price) as an Open Contract in the FCM Clearing Member’s name, save that where the Clearing House has position “X” under the terms of such open

- FCM Contract (where such FCM Contract consists of positions “X” and “Y”), the Clearing House shall have position “Y” under the terms of such closing-out FCM Contract, and vice-versa.
- Contribution* - Means, in relation to the Default Fund Rules, the meaning assigned to it in rule 17 of the Default Fund Rules.
- cover* - Means an amount determined by the Clearing House of cash or, with the approval of the Clearing House, security in a currency and a form acceptable to the Clearing House as prescribed by the FCM Procedures.
- defaulter* - Has the meaning assigned to it in rule 4 of the Default Rules.
- Default Fund Rules* - Means the Clearing House’s Default Fund Rules from time to time in force.
- Default Rules* - Means the Clearing House’s Default Rules from time to time in force pursuant to part II of schedule 21 to the UK Companies Act 1989.
- Economic Terms* - Means that part of the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms, or the FCM EnClear Contract Terms designated as Economic Terms by the Clearing House from time to time.
- Exchange* - Means an organization (whether an exchange, association, company or otherwise) responsible for administering a futures, options, stock or other market, to which the Clearing House provides FCM Clearing Services.
- exchange contract* - Means a class of contract (1) on the terms published from time to time by an Exchange and permitted to be made by a member of such Exchange on the market administered by that Exchange or otherwise in accordance with Exchange Rules, or (2) eligible for submission to the Clearing House for registration pursuant to the Exchange Rules. For the purposes of these Regulations “exchange contract” shall not include any class of contract capable of being made on the London Stock Exchange.
- Exchange Rules* - Means the rules, regulations, administrative procedures, Memorandum and Articles of Association or by-laws (or similar constituent documents) which regulate an Exchange and the market administered by it as notified from time to time to the Clearing House and, without prejudice to the generality of the foregoing, any regulations or directions made by its Board and any procedures, practices and administrative requirements of the Exchange.

- Excess Margin* - Means, ~~(i)~~ in respect of an FCM Client's FCM Client Segregated Sub-Account with respect to any Product or in respect of an FCM Clearing Member's Proprietary Account, cover (excluding FCM Buffer or Applied FCM Buffer) held by the Clearing House in respect of FCM Contracts corresponding to any such account, which is in excess of the Required Margin in respect of such corresponding FCM Contracts as determined by the Clearing House in accordance with the FCM Rulebook.
- Executing Party* - Means each person described as a party to an FCM Transaction in the details submitted to the Clearing House via the relevant FCM Clearing Member and/or via the relevant FCM Approved Trade Source System.
- FCM* - Means a futures commission merchant, as defined under the CEA that is registered in such capacity with the CFTC.
- FCM Approved Trade Source System* - Means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market or other similar venue, approved by the Clearing House for executing FCM Transactions and/or submitting or presenting such FCM Transactions to the Clearing House. For the avoidance of doubt, the "SwapClear API" is not an FCM Approved Trade Source System.
- FCM Buffer* - Has the meaning assigned to such term in FCM Regulation 9(h)(iv)(A).
- FCM Clearing Member* - Means an FCM that has been approved by the Clearing House for the clearing of one or more categories of FCM Contracts on behalf of FCM Clients, in accordance with an FCM Clearing Membership Agreement and the FCM Procedures, and pursuant to these FCM Regulations, and as such is a "Clearing Member" for all purposes under the Default Rules, the Default Fund Rules and the FCM Default Fund Agreement, unless otherwise specified in these FCM Regulations.
- FCM Clearing Membership Agreement* - Means the agreement so designated under which, inter alia, the Clearing House agrees to make available clearing services to an FCM Clearing Member in respect of FCM Contracts together with any ancillary agreements.
- FCM Clearing Services* - Means the FCM SwapClear Clearing Services, the FCM ForexClear Clearing Services and the FCM EnClear Clearing Services, collectively.
- FCM Client* - Means a client of an FCM Clearing Member (but not including Affiliates of such FCM Clearing Member) with positions in FCM Contracts on behalf of which the FCM Clearing Member provides FCM Clearing Services and clears FCM Contracts; provided, that any such client is only an FCM Client with respect to its positions in

- Ineligible FCM ForexClear Transaction* - Has the meaning assigned to it in FCM Regulation 40(f)(i).
- [\*Ineligible FCM SwapClear Contract\*](#) - [Has the meaning assigned to it in FCM Regulation 30\(f\).](#)
- [\*Ineligible FCM SwapClear Transaction\*](#) - [Has the meaning assigned to it in FCM Regulation 30\(f\).](#)
- Initial Margin* - Means an amount determined and published from time to time by the Clearing House with regard to each Business Category of FCM Contract, in respect of which FCM Clearing Members may be required to provide cover in such amount to the Clearing House in accordance with these FCM Regulations and the FCM Procedures as a condition of registration of an FCM Contract by the Clearing House and otherwise in respect of all FCM Contracts registered with the Clearing House, as prescribed by these FCM Regulations and the FCM Procedures.
- LCH.Clearnet Group* - Means the group of undertakings consisting of LCH.Clearnet Limited, LCH.Clearnet Group Limited and Banque Centrale de Compensation S.A. trading as LCH.Clearnet SA. (Reference to a “member” of LCH.Clearnet Group within these FCM Regulations is to be construed accordingly).
- LCH Approved Outsourcing Agent* - Means a person, designated as such by the Clearing House, as may be provided for in the FCM Procedures.
- LCH EnClear OTC Clearing Member* - Means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
- LCH Clearing Product Client Segregated Depository Account* - Means either the LCH ForexClear Client Segregated Depository Account, the LCH SwapClear Client Segregated Depository Account or the LCH EnClear Client Segregated Depository Account.
- LCH EnClear Client Segregated Depository Account* - Means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) located in the United States and maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and CFTC Regulations, is part of the Cleared Swaps Account Class and contains the Account Assets and related collateral (including FCM Buffer and Unallocated Excess) deposited by such FCM Clearing Members on behalf of their FCM Clients in connection solely with FCM EnClear Contracts cleared for such FCM Clients by such FCM Clearing Members; provided, however, that the Clearing House may physically commingle the Account Assets held in such account with

the Account Assets held in all other LCH Clearing Product Client Segregated Depository Accounts in a single physical depository account with a Permitted Depository.

*LCH ForexClear Client Segregated Depository Account*

- Means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) located in the United States and maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and CFTC Regulations, is part of the Cleared Swaps Account Class and contains the Account Assets and related collateral (including FCM Buffer and Unallocated Excess) deposited by such FCM Clearing Members on behalf of their FCM Clients in connection solely with FCM ForexClear Contracts cleared for such FCM Clients by such FCM Clearing Members; provided, however, that the Clearing House may physically commingle the Account Assets held in such account with the Account Assets held in all other LCH Clearing Product Client Segregated Depository Accounts in a single physical depository account with a Permitted Depository.

*LCH SwapClear Client Segregated Depository Account*

- Means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) located in the United States and maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and CFTC Regulations, is part of the Cleared Swaps Account Class and contains the Account Assets and related collateral (including FCM Buffer and Unallocated Excess) deposited by such FCM Clearing Members on behalf of their FCM Clients solely in connection with FCM SwapClear Contracts cleared for such FCM Clients by such FCM Clearing Members; provided, however, that the Clearing House may physically commingle the Account Assets held in such account with the Account Assets held in all other LCH Clearing Product Client Segregated Depository Accounts in a single physical depository account with a Permitted Depository.

MER

- = Has the meaning assigned to it in Section 2A.3.3 of the FCM Procedures.

*Non-FCM Clearing Member*

- Means either a SwapClear Clearing Member, a ForexClear Clearing Member or an LCH EnClear OTC Clearing Member, as applicable.

	ForexClear DMP Annex of the Default Rules, as applicable.
<i>Second EnClear Clearing Member</i>	- Has the meaning assigned to it in FCM Regulation 51(a).
<i>Settlement Finality Regulations</i>	- Means the Clearing House's Settlement Finality Regulations from time to time in force.
<i>Settlement Price</i>	- Means, in relation to an FCM Contract, one or more prices determined in accordance with the FCM Regulations or the FCM Procedures.
<i>Standard Terms</i>	- Means those parts of the FCM Contract Terms designated as Standard Terms by the Clearing House from time to time.
<i>SwapClear Contribution</i>	- Means, in relation to the Default Fund Rules, the meaning assigned to it in rule 17 of the Default Fund Rules.
<i>SwapClear DMP</i>	- Has the meaning assigned to it in the SwapClear DMP Annex of the Default Rules.
<i>SwapClear Clearing Member</i>	- Means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
<i>SwapClear Suspension Sub-Account</i>	- Has the meaning assigned to such term in FCM Regulation 30( <del>ep</del> )(ii).
<u><a href="#">SwapClear Tolerance</a></u>	<u><a href="#">= Has the meaning assigned to it in Section 2A.3.3 of the FCM Procedures.</a></u>
<i>Termination Amount</i>	- Has the meaning assigned to such term in FCM Regulation 24A(d)(iii).
<i>UK General Regulations</i>	- Means the Default Rules, the Default Fund Rules and the Settlement Finality Regulations, and the Clearing House's General Regulations from time to time in force.
<i>UK General Procedures</i>	- Means the Clearing House's "Procedures" as such term is defined in the UK General Regulations, which are applicable to the UK General Regulations.
<i>Unallocated Excess</i>	- Has the meaning assigned to such term in FCM Regulation 9(h)(i)(A).
<i>Unallocated Excess Sub-Account</i>	- Has the meaning assigned to such term in FCM Regulation 9(h)(iii).
<i>Unallocated FCM SwapClear Contract</i>	- Has the meaning assigned to such term in FCM Regulation 30( <del>ep</del> )(ii).
<i>Unallocated FCM SwapClear Transaction</i>	- Has the meaning assigned to such term in FCM Regulation 30( <del>ep</del> )(i).

**Regulation 11 Market Disorders, Impossibility of Performance, Trade Emergency**

- (a) If the Clearing House, in relation to FCM Contracts, determines that one of the following conditions exists, namely:
- (i) a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under an FCM Contract; or
  - (ii) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under an FCM Contract; or
  - (iii) the EU or any international ~~organisation~~[organization](#), or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under an FCM Contract; or has given notice of its intention to do so or appears to be about to do so;
- then:
- (iv) in respect of such Open Contracts which are FCM Contracts as specified by the Clearing House, and notified to the affected FCM Clearing Members, the Clearing House shall be entitled to invoice back such FCM Contracts in accordance with FCM Regulation 13 and the FCM Procedures at a price determined by the Clearing House or to require such FCM Clearing Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such FCM Contracts. Accounts shall be made up by the Clearing House in accordance with the FCM Procedures for each FCM Clearing Member who is a party to Open Contracts invoiced back pursuant to this paragraph. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such contracts invoiced back notwithstanding any further change of circumstances.

**Regulation 12 Force Majeure**

- (a) Neither the Clearing House (nor any other member of the LCH.Clearnet Group) nor an FCM Clearing Member shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the terms of these FCM Regulations or of any FCM Contract if such failure, hindrance or delay arises out of events or circumstances beyond its control. Such events or circumstances may include, but are not limited to, acts of God or the public enemy, acts of a civil or military authority other than the acts referred in FCM Regulation 11(a)(i), (ii) or (iii) above, terrorist or other criminal action, sabotage, civil unrest, embargoes, blockades, fire, flood, earthquake, tornado, tsunami, other natural disasters, explosion, epidemics or plagues, ~~labour~~labor dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, failures of software or communications systems, and any other causes beyond the parties reasonable control.
- (b) On the happening of any one or more of the events or circumstances referred to in paragraph (a) above, which shall immediately be notified by the party prevented, hindered or delayed from performing any of the obligations referred to in paragraph (a) above to the other in respect of affected FCM Contracts, the Clearing House shall be entitled to require any of the affected FCM Contracts to be performed in accordance with directions issued by the Clearing House, or shall be entitled to require the FCM Clearing Member to take such action as the Clearing House may direct in respect of such FCM Contracts.

**PART II – REGULATIONS APPLICABLE TO FCM SWAPCLEAR CONTRACTS****Regulation 30 Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts**

- (a) In order for an FCM to register an FCM SwapClear Contract in respect of the registration of an FCM SwapClear Transaction, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM SwapClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must submit the particulars of an FCM SwapClear Transaction for registration as two FCM SwapClear Contracts or one FCM SwapClear Contract and one Non-FCM SwapClear Contract (as the case may be) in accordance with these FCM Regulations. Each FCM SwapClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member.
- (b) Where an Executing Party enters into an FCM SwapClear Transaction on an FCM Approved Trade Source and such FCM SwapClear Transaction is to be cleared through an FCM Clearing Member, the Clearing House shall notify the FCM Clearing Member of such FCM SwapClear Transaction and request acceptance for registration in accordance with the FCM Procedures. Upon receipt of acceptance for registration by the Clearing House from the FCM Clearing Member, ~~(i) the FCM Clearing Member shall be deemed to have presented the FCM SwapClear Transaction to the Clearing House (and such presentation may not be withdrawn by the FCM Clearing Member unless otherwise provided in the FCM Rulebook) and the Clearing House shall register the FCM SwapClear Transaction subject to, and in accordance, with these FCM Regulations and the FCM Procedures and (ii) such FCM Clearing Member shall be obligated to pay, upon request of the Clearing House, all cover required by the Clearing House in connection with the registration of the FCM SwapClear Transaction.~~
- (c) Without prejudice to the Clearing House's rights under paragraph (g) of this FCM Regulation 30, an FCM Clearing Member shall be bound by an FCM SwapClear Contract registered in its name on behalf of an FCM Client or an Affiliate pursuant to the presentation of particulars of an FCM SwapClear Transaction by it, and by the other FCM Clearing Member or Non-FCM Clearing Member, as applicable.
- (d) The Clearing House shall register or reject the registration of an FCM SwapClear Contract in respect of an FCM SwapClear Transaction presented for registration ~~within a commercially reasonable time~~ as quickly as would be technologically practicable if fully automated systems were used (the standard required in Part 39 of the CFTC Regulations), provided that:
- (i) both sides of the relevant FCM SwapClear Transaction have been properly presented and submitted for clearing by (or on behalf of) the Executing Parties;

- (ii) the relevant FCM SwapClear Transaction meets the eligibility criteria prescribed in the FCM Rulebook at the time the particulars of the FCM SwapClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;
- (iii) each FCM SwapClear Contract is consented to by the relevant FCM Clearing Member (automatically or otherwise) in accordance with paragraph (b) above and Section 2A.3.2 of the FCM Procedures;
- (iv) the applicable FCM Clearing Member has paid or transferred, upon request of the Clearing House and in accordance with FCM Regulation 9 and such other applicable provisions of the FCM Rulebook, all required cover in respect of such FCM SwapClear Contract prior to registration (taking into account any available SwapClear Tolerance, if any); and
- (v) all the conditions applicable (under the terms of the FCM Rulebook or the UK General Regulations, as the case may be) for the registration of the Non-FCM SwapClear Contract or the other FCM SwapClear Contract (as the case may be) deriving from the relevant FCM SwapClear Transaction. have been satisfied.

If for any reason in respect of an FCM SwapClear Contract the other corresponding FCM SwapClear Contract or Non-FCM SwapClear Contract (as the case may be) is not registered by the Clearing House, the Clearing House shall de-register such FCM SwapClear Contract and shall not have any liability whatsoever to any FCM Clearing Member or to any other person (including, without limitation, any SwapClear Dealer (as such term is defined in the UK General Regulations)) in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of such de-registration.

~~(e) Notwithstanding the satisfaction of the conditions in paragraph (d) of this FCM Regulation 30 in respect of an FCM SwapClear Contract, the Clearing House may decline at its discretion to register such FCM SwapClear Contract where it has not received sufficient cover in respect of FCM SwapClear Contracts and/or Non-FCM SwapClear Contracts which are "other SwapClear Contracts" in relation to that FCM SwapClear Contract as described in Section 2A.3.4 of the Procedures.~~

(e) ~~(f)~~ The Clearing House shall be deemed to register an FCM SwapClear Contract, in accordance with this FCM Regulation 30 in the name of an FCM Clearing Member on behalf of an FCM Client or an Affiliate (or, if applicable, on the FCM Clearing Member's own behalf), at the time prescribed in the FCM Procedures ("*Registration Time*"). At the Registration Time, the FCM Clearing Member, and the FCM Client or Affiliate if applicable, will be deemed to be bound by the relevant FCM SwapClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client or Affiliate, which such terms

shall, without limitation, incorporate all applicable terms of these FCM Regulations and Schedule A hereto.

- (f) ~~(g)~~ If at any time after registration of an FCM SwapClear Contract, the Clearing House determines that the corresponding FCM SwapClear Transaction of which details were ~~submitted~~ presented for registration did not, at the Registration Time, meet the eligibility criteria for registration as an FCM SwapClear Contract pursuant to the FCM Rulebook in existence at the Registration Time (an "Ineligible FCM SwapClear Transaction"), the Clearing House shall, ~~as soon as practicable thereafter, set aside such FCM SwapClear Contract. Upon the~~ immediately following the next margin run following such determination, set aside both FCM SwapClear Contracts (or, the FCM SwapClear Contract and the Non-FCM SwapClear Contract, if applicable) arising from such Ineligible FCM SwapClear Transaction. Upon an FCM SwapClear Contract being set aside under this ~~FCM Regulation 30, the particulars of the corresponding~~ paragraph (any such FCM SwapClear Contract, an "Ineligible FCM SwapClear Contract"): (i) the Clearing House will notify the FCM Clearing Member party to such Ineligible FCM SwapClear Contract via the FCM Approved Trade Source System through which details of the relevant Ineligible FCM SwapClear Transaction ~~in question shall be deemed never to have been submitted to the Clearing House. Any payment made under, or in respect of, an FCM SwapClear Contract set aside under this paragraph shall be repayable to the person who made the~~ were originally presented to the Clearing House that such Ineligible FCM SwapClear Contract has been set aside; and (ii) such Ineligible FCM SwapClear Contract shall immediately be deemed to be terminated and shall thereafter have no force or effect. Where an Ineligible FCM SwapClear Contract is set aside pursuant to this paragraph, all payments (including, without limitation, Variation Margin) (if any) paid by the Clearing House or by an FCM Clearing Member (or SwapClear Clearing Member, if applicable) in respect of such Ineligible FCM SwapClear Contract up to and including the relevant margin run shall be retained by the receiving party upon termination as a termination payment. Without prejudice to FCM Regulation 24 and its obligations under this FCM Regulation 30, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an ~~FCM SwapClear Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an~~ Ineligible FCM SwapClear Contract.
- (g) ~~(h)~~ Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM SwapClear Contracts are to be registered to furnish it with cover as a condition of registration of such FCM SwapClear Contract(s), and such cover shall be furnished to the Clearing House in accordance with FCM Regulation 10 and such other applicable provisions in the FCM Rulebook.
- (h) ~~(i)~~ The Clearing House may decline to register an FCM SwapClear Transaction in the name of an FCM Clearing Member where it considers such action advisable

for its own protection or the protection of the relevant market, provided that the Clearing House shall (subject to the provisions of the FCM Rulebook) register any FCM SwapClear Contract which reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM SwapClear Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of additional cover by any FCM Clearing Member in whose name any such FCM SwapClear Transaction is to be registered.

(i) ~~(j)~~ An FCM SwapClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:

- (i) in the case where one Executing Party clears its side of such FCM SwapClear Transaction, either through a SwapClear Clearing Member or directly with the Clearing House in its capacity as a SwapClear Clearing Member, and the other Executing Party clears its side of such FCM SwapClear Transaction as or through an FCM Clearing Member, as one Non-FCM SwapClear Contract pursuant to the UK General Regulations applicable to SwapClear Clearing Members and one FCM SwapClear Contract pursuant to these FCM Regulations, where the FCM SwapClear Contract shall be registered between the FCM Clearing Member, as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the Non-FCM SwapClear Contract shall be registered between the Clearing House, as the party paying Rate X, and the SwapClear Clearing Member, as the party paying Rate Y; or
- (ii) in the case where each Executing Party will clear its respective side of such FCM SwapClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM SwapClear Contracts pursuant to these FCM Regulations where each relevant FCM SwapClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the other FCM Clearing Member as the party paying Rate Y and the Clearing House as the party paying Rate X.

In each of the foregoing cases, to the extent the FCM SwapClear Contract has been entered into by an FCM Clearing Member on behalf of an FCM Client or Affiliate, each FCM Clearing Member will be the agent of its FCM Client or Affiliate, but will nevertheless remain fully liable to the Clearing House for any and all amounts due to the Clearing House in connection with any FCM SwapClear Contract cleared on behalf of its FCM Client or Affiliate.

(i) ~~(k)~~ With effect from the registration of an FCM SwapClear Transaction in accordance with FCM Regulation 30~~(j)~~ above:

- (i) such FCM SwapClear Transaction shall be extinguished and replaced by the corresponding FCM SwapClear Contracts (or if applicable, the corresponding FCM SwapClear Contract and Non-FCM SwapClear Contract), and the parties to such FCM SwapClear Transaction shall be released and discharged from all rights and obligations under such FCM SwapClear Transaction which fall due for performance on or after the Registration Time;
- (ii) each FCM SwapClear Contract registered under FCM Regulation 30~~(j)~~ above shall be governed by the FCM SwapClear Contract Terms as applicable to that FCM SwapClear Contract;
- (iii) subject to sub-paragraph (ii) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract as the party paying Rate X had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction; and
- (iv) subject to sub-paragraph (ii) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract to which it is party as the party paying Rate Y had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction.

In subparagraphs (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM SwapClear Transaction (it being assumed, for this purpose, that such FCM SwapClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

- (k) ~~(j)~~ If an FCM SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM SwapClear Contract arising under this FCM Regulation 30 or any other applicable provision of the FCM Rulebook.
- (l) ~~(m)~~ In the case of an FCM SwapClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 30 shall take effect.
- (m) ~~(n)~~ An FCM Clearing Member approved to provide FCM SwapClear Clearing Services may provide FCM SwapClear Clearing Services in connection with FCM

SwapClear Contracts or FCM SwapClear Transactions to any of its Affiliates. Such FCM SwapClear Clearing Services shall be provided in the same manner as set forth under these FCM Regulations with respect to FCM Clients, as applicable, except that all transactions for Affiliates shall be cleared through the Proprietary Account of the applicable FCM Clearing Member.

(n) ~~(e)~~-Compression. Notwithstanding any other provision of these FCM Regulations, if one or more FCM SwapClear Contracts registered by an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures has substantially the same Economic Terms as one or more other FCM SwapClear Contracts previously registered for the account of such FCM Clearing Member, and all such FCM SwapClear Contracts are either (i) registered on the FCM Clearing Member's own behalf, (ii) registered on behalf of the same FCM Client or (iii) registered on behalf of the same Affiliate, the FCM Clearing Member may request that the Clearing House compress and combine all such FCM SwapClear Contracts by terminating the relevant existing FCM SwapClear Contracts and compressing them into one FCM SwapClear Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of the original FCM SwapClear Contracts. For purposes of this FCM Regulation 30(o), two or more FCM SwapClear Contracts may be deemed by the Clearing House to have "substantially the same Economic Terms" if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same fundamental economic attributes which influence the amount, value date and direction of all coupon cash flows. Two or more FCM SwapClear Contracts that are compressed under the terms of this FCM Regulation 30(~~e~~n) shall be aggregated if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client or Affiliate is in the same direction on each such FCM SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated), such that the FCM SwapClear Contract that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the total notional amount of the compressed FCM SwapClear Contracts. Two or more FCM SwapClear Contracts that are compressed under the terms of this Regulation 30(~~e~~n) shall be netted if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client or Affiliate is in the opposite direction on two or more of each such FCM SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment), such that the FCM SwapClear Contract (if any) that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the net notional amount of the compressed FCM SwapClear Contracts, and provided that in the event that the net notional amount is equal to zero such compression shall result in no replacement FCM SwapClear Contracts. The Clearing House shall determine (in its sole discretion) whether FCM SwapClear Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such FCM SwapClear Contracts are compressed, the Clearing House shall determine the resulting notional amount of the FCM SwapClear Contract(s) (if any) that replaces the compressed FCM SwapClear Contracts, and such determination shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of FCM

SwapClear Contracts that the amount of cover that the Clearing House requires in respect of the original FCM SwapClear Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM SwapClear Contract(s).

- (o) ~~(p)~~ SwapClear Accounts. All FCM Omnibus SwapClear Client Accounts with LCH shall not be permitted to contain any FCM Contracts other than FCM SwapClear Contracts or associated cover and other payments and deliveries other than in connection with FCM SwapClear Contracts. Furthermore, the LCH SwapClear Client Segregated Depository Account shall not contain any FCM Contracts other than FCM SwapClear Contracts or associated cover and other payments and deliveries other than in connection with FCM SwapClear Contracts.
- (p) ~~(q)~~ Unallocated FCM SwapClear Transactions. In accordance with all other applicable provisions of the FCM Rulebook, an FCM Clearing Member may register an FCM SwapClear Contract subject to post-registration allocation on behalf of an Account Manager Executing Party in accordance with the following provisions:
- (i) An FCM SwapClear Transaction executed by or on behalf of an Account Manager Executing Party and subject to post-registration allocation (such transaction, an “*Unallocated FCM SwapClear Transaction*”) shall be notified to the Clearing House as such at the time it is submitted or presented to the Clearing House.
  - (ii) The FCM SwapClear Contract registered on behalf of an Account Manager Executing Party that results from an Unallocated FCM SwapClear Transaction (an “*Unallocated FCM SwapClear Contract*”) shall be registered in a suspense sub-account of the applicable FCM Clearing Member’s FCM Omnibus SwapClear Client Account with LCH (such sub-account, the “*SwapClear Suspension Sub-Account*”).
  - (iii) The allocation of a portion of an Unallocated FCM SwapClear Contract to an FCM Client is effected by the entering into of an FCM SwapClear Transaction between the applicable Account Manager Executing Party and the relevant FCM Client (such transaction, an “*Allocating SwapClear Transaction*”) which results in: (A) an FCM SwapClear Contract being registered in the name of the FCM Clearing Member (on behalf of the Account Manager Executing Party) having substantially the same Economic Terms (but a lower notional value) as the Unallocated FCM SwapClear Contract such that the Unallocated FCM SwapClear Contract and that FCM SwapClear Contract can be compressed in accordance with FCM Regulation 30([en](#)); and (B) the corresponding FCM SwapClear Contract being registered in the name of the applicable FCM Client.

An FCM Clearing Member must notify the Clearing House when it submits or accepts an FCM SwapClear Transaction which is an Allocating SwapClear Transaction.

**Regulation 53    Withdrawal of the FCM EnClear Service by the Clearing House**

- (a) If at any time the Clearing House decides to withdraw its FCM EnClear Service (or any part of it) it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members (approved to clear FCM EnClear Contracts) of the applicable Withdrawal Date. The accidental omission by the Clearing House to give notice under this FCM Regulation 52 to, or the non-receipt of notice under this FCM Regulation 52 by one or more FCM Clearing Members shall not invalidate the Withdrawal Date. Where only a part of the FCM EnClear Service is being withdrawn, notice shall only be given to those FCM Clearing Members ~~authorised~~authorized or approved to participate in that part of the FCM EnClear Service.
- (b) Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register an FCM EnClear Contract, other than a Closing-out Contract after notice to withdraw the service has been given under FCM Regulation 52(a).
- (c) If, at the Withdrawal Date, an FCM Clearing Member has not closed out all open FCM EnClear Contracts registered in its name, the Clearing House shall, at its sole discretion, be entitled to:
  - (i) liquidate any or all of such FCM EnClear Contracts and require such contracts to be cash settled at a price determined by the Clearing House; and
  - (ii) postpone the Withdrawal Date until such time as the Clearing House determines.

Template conflict with the ISDA Definitions, the terms of the EMTA Template shall prevail.

#### **4. General Standard Terms (“General Standard Terms”)**

The following terms are designated as General Standard Terms of a registered FCM ForexClear Contract:

##### **4.1 Business Days**

For the purposes of determining the Settlement Date only, in addition to the Business Days for the Principal Financial Centers for the Currency Pair specified in the relevant Economic Terms, the Business Days specified in the SwapsMonitor Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the FCM Procedures) from time to time, will apply to an FCM ForexClear Contract.

##### **4.2 Withholding Tax Provisions**

4.2.1 All payments due under an FCM ForexClear Contract shall be made by the FCM ForexClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the FCM ForexClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

4.2.2 All payments due under an FCM ForexClear Contract shall be made by the Clearing House free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing House, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the FCM ForexClear Clearing Member receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

##### **4.3 Payment of Stamp Tax**

Each FCM ForexClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any FCM ForexClear Contract to which it is a party by a jurisdiction in which it is incorporated, ~~organised~~[organized](#), managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction, and will indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM ForexClear Contract registered by the Clearing House and to which that FCM ForexClear Clearing Member is a party.

##### **4.4 Payments under an FCM ForexClear Contract**

Payments under, and in respect of, an FCM ForexClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM ForexClear Clearing Member in accordance with the provisions of the FCM Procedures.

#### 4.5 FCM Regulations

An FCM ForexClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM ForexClear Contract Terms and the FCM Regulations and/or the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.

#### 4.6 Governing Law

Each FCM ForexClear Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of laws and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of Americas, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the ~~exclusive~~exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the ~~Untied~~United States of Americas, the United states District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

#### 4.7 Third Party Rights

A person who is not a party to this FCM ForexClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this FCM ForexClear Contract are expressly excluded.

**Part B**

**Registration of an FCM ForexClear Contract - Product Eligibility Criteria**

**1. Registration of an FCM ForexClear Contract**

Without prejudice to the FCM Regulations and the FCM Procedures, the Clearing House will only register an FCM ForexClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the Product Eligibility Criteria set out in paragraph 2 below for an FCM ForexClear Transaction;
- (b) each party to the transaction is an Executing Party; and
- (c) the FCM ForexClear Clearing Member in whose name the FCM ForexClear Contract is to be registered has not been declared a defaulter by the Clearing House.

and the requirements of Paragraph 1(a), (b) and (c) above continue to be satisfied at the Registration Time.

**2. Product Eligibility Criteria for an FCM ForexClear Contract**

<b>Instrument</b>	Non-Deliverable FX Transaction
<b>Economic Terms</b>	The transaction particulars submitted to the Clearing House specify all the Economic Terms.
<b>Reference Currency</b>	One of
	1. BRL – Brazilian Real,
	2. RUB – Russian Rouble,
	3. INR – Indian Rupee,
	4. CLP – Chilean Peso,
	5. CNY – Chinese Yuan,
	6. KRW – South Korean Won,
	7. COP – Colombian Peso,
	8. IDR – Indonesian Rupiah,
	9. MYR – Malaysian Ringgit,
	10. PHP – Philippine Peso, or
	11. TWD – Taiwan Dollar.
<b>Valuation Date</b>	A valid Business Day for the Currency Pair to which the FCM ForexClear Transaction relates and determined as set out in the relevant EMTA Template for the Currency Pair.
<b>Settlement Date</b>	A date falling:
	A. not earlier than the date falling three business days

	immediately following the Submission Date; and
	B. not later than the date falling two calendar years plus two business days immediately following the Submission Date, provided that in each case such date shall be, with respect to the Currency Pair to which the FCM ForexClear Transaction relates: (i) a valid Business Day, (ii) a date falling the Number of Business Days (as defined in the FCM Procedures) following the Valuation Date and (iii) determined as set out in the relevant EMTA Template
<b>Settlement Type</b>	Non-Deliverable
<b>Settlement Currency</b>	USD
<b>Calculation Agent</b>	The Clearing House

## **SCHEDULE C – FCM ENCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA**

### **Part A**

#### **FCM EnClear Contract Terms**

Where an FCM EnClear Contract arises between the Clearing House and an FCM Clearing Member pursuant to the FCM Rulebook and the terms of any agreement between them, the terms of a registered FCM EnClear Contract shall include these FCM EnClear Contract Terms (these “Contract Terms”) which shall comprise:

- (1) Interpretation and Definitions;
- (2) Economic Terms;
- (3) Specific Standard Terms\*; and
- (4) General Standard Terms

#### **Section 1 Interpretation and Definitions: General**

- 1.1 [This section has been removed.]
- 1.2 Words and expressions used in these FCM EnClear Contract Terms shall have the same meaning as in the “FCM Rulebook” of the Clearing House (as defined in the Clearing House’s “FCM Regulations”).
- 1.3 The accidental omission to give any notice which may be required under the FCM Rulebook for the amendment of these Contract Terms, or the non-receipt of any such notice by any FCM Clearing Member shall not invalidate the amendment with which such notice is concerned.
- 1.4 In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.
- 1.5 Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.
- 1.6 Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.
- 1.7 “US Business Day” means a day upon which banks in the United States of America are generally open to settle payments and for general business. “UK Business Day” means a day upon which banks in England and Wales are generally open to settle payments and for general business.

#### **Section 2 Economic Terms**

- 2.1 The Economic Terms of an FCM EnClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM EnClear Transaction in respect of the terms designated as Economic Terms in this Schedule.

- 2.2 It is part of the eligibility criteria for registration as an FCM EnClear Contract that the particulars of an FCM EnClear Transaction presented to the Clearing House must include matched information in respect of all such designated Economic Terms with the exception of 2.3(viii) which will be determined in accordance with the FCM Procedures.
- 2.3 The Economic Terms comprise:
- (a) Fixed Rate Payer or seller;
  - (b) Floating Rate Payer or buyer;
  - (c) Contract;
  - (d) Contract Series;
  - (e) Quantity;
  - (f) Delivery Period (where applicable);
  - (g) Fixed Price or Traded Price (as the case may be);
  - (h) Floating Price (where applicable).

PROVIDED, however, that, as set out in FCM Regulation 50 where the FCM EnClear Transaction specifies an FCM Clearing Member as the party paying the Fixed Price or being the seller (“the First EnClear Clearing Member”) with the other FCM Clearing Member (or LCH EnClear OTC Clearing Member, as the case may be) as the party paying the Floating Price or being the buyer (“the Second EnClear Clearing Member”) the Clearing House, in respect of each FCM EnClear Contract it is party to pursuant to the corresponding FCM EnClear Transaction, shall be (i) the party paying the Floating Price or the buyer to the First EnClear Clearing Member under the FCM EnClear Contract; and (ii) the party paying the Fixed Price or seller to the Second EnClear Clearing Member under the FCM EnClear Contract.

### **Section 3 Specific Standard Terms For FCM EnClear Contracts**

[Sections 3.1 and 3.2 no longer in force]

#### **3.3 LCH EnClear OTC Services: Energy Division**

[Section 3.3 not applicable to the FCM EnClear Service]

#### **3.4 LCH EnClear OTC Services: Freight Division**

Section 3.4 of Part A of the Schedule to the LCH EnClear OTC Regulations in the UK General Regulations is incorporated herein by reference; provided, that for purposes of the FCM Regulations, (i) references therein to LCH EnClear OTC Contracts shall instead be to FCM EnClear Contracts and (ii) references therein to an Eligible OTC Trade shall instead be to an FCM EnClear Transaction.

#### **3.5 LCH EnClear OTC Services: Precious Metals Division**

[Section 3.5 not applicable to the FCM EnClear Service]

## **Section 4 General Standard Terms**

4A. The following General Standard Terms apply to all FCM EnClear Contracts:

### **4.A.1 Payment of Stamp Tax and Other Taxes**

- (a) All payments due under an FCM EnClear Contract shall be made by the FCM Clearing Member free and clear and without deduction or withholding for or on account of any tax.
- (b) The Clearing House shall make any payments due to an FCM Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.
- (c) The FCM Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty or tax levied or imposed upon the Clearing House in whatsoever jurisdiction in respect of the Clearing House's execution or performance of this FCM EnClear Contract.

### **4.A.2 Payment of Stamp Tax**

The FCM Clearing Member will pay any Stamp Tax or other similar duty levied or imposed upon it in respect of any FCM EnClear Contract to which it is a party by a jurisdiction in which it is incorporated, ~~organised~~organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction.

The FCM Clearing Member shall indemnify the Clearing House against any stamp tax or other duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM EnClear Contract registered by the Clearing House and to which that FCM Clearing Member is a party.

### **4.A.3 Payments under an FCM EnClear Contract**

The Clearing House shall, unless specified otherwise in the FCM Procedures, effect daily settlement to market of open FCM EnClear Contracts in accordance with the FCM Regulations. Any Reference Price shall be determined in accordance with the FCM Regulations and the FCM Procedures.

Payments under, and in respect of, an FCM EnClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM Clearing Member in accordance with the provisions of the FCM Regulations and the FCM Procedures.

### **4.A.4 FCM Regulations**

This FCM EnClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM EnClear Contract Terms and the FCM Regulations and/or the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.

#### 4.A.5 **Governing Law**

This FCM EnClear Contract shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of laws and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of Americas, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM Clearing Member party to this FCM EnClear Contract irrevocably submits to such jurisdiction and to waive any objection it might otherwise have to such jurisdiction, save that this submission to the ~~exclusive~~exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the ~~United~~United States of Americas, the United states District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

#### 4.A.6 **Third Party Rights**

A person who is not a party to this FCM EnClear Contract shall have no rights under or in respect of this FCM EnClear Contract. Rights of third parties to enforce any terms of this FCM EnClear Contract are expressly excluded.

4B. [Section 4B not applicable to the FCM EnClear Service]

4C. The following Standard Terms apply only in respect of FCM EnClear Contracts arising from FCM EnClear Transactions (Freight Division):

##### 4C.1 **Unavailability of any Reference Price**

In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided by a panel formed by the Forward Freight Agreement Brokers Association or other applicable provider designated by the Clearing House.

##### 4.C.2 **Calculation Agent**

The Calculation Agent is the Clearing House.

##### 4.C.3 **Change in Route**

In the event of a change in a route, the successor reference price as published by the Baltic Exchange or other applicable provider designated by the Clearing House shall be applicable.

Exhibit F  
FCM Procedures

## CONTENTS

FCM PROCEDURES .....	1
1. FCM CLEARING MEMBER STATUS .....	1
1.1 FCM Clearing Member Application Procedure .....	1
1.2 Net Capital .....	4
1.3 Calculation Of Net Capital .....	4
1.4 Reporting.....	4
1.5 Additional Requirements .....	6
1.6 Other Conditions .....	6
2. PRODUCT-SPECIFIC PROCEDURES .....	8
2A SWAPCLEAR.....	9
2A.1 The Clearing Process .....	9
2A.2 Operating Times And Calendars.....	10
2A.3 Registration .....	10
2A.4 Position Accounts .....	16
2A.5 Financial Accounts .....	17
2A.6 FCM SwapClear Contract Valuation .....	17
2A.7 Coupon Payments.....	19
2A.8 Initial Margin.....	30
2A.9 Intra-Day Margin Call: Collateral Management .....	31
2A.10 Declearing and Compression .....	32
2A.11 Affiliate Clearing .....	32
2A.12 Transfer of FCM Clients .....	33
2A.13 Proprietary Account Position Transfers.....	36
2A.14 Amendment of Trade References.....	37
2A.15 Default Management .....	39
2A.16 Payment of Stamp Tax.....	44
2A.17 Section 168, Finance Act 1994.....	45
APPENDIX 2A.A .....	46
SWAPCLEAR PROCESSING SCHEDULE.....	46
APPENDIX 2A.B .....	47
FCM CLIENT – PARTIAL TRANSFER FORM .....	47
APPENDIX 2A.C .....	49
FCM CLIENT – FULL TRANSFER FORM .....	49
APPENDIX 2A.D .....	52
FCM CLIENT TRANSFER – CARRY FCM CLEARING MEMBER REPOSSES FORM.....	52
APPENDIX 2A.E .....	54
CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN THE DEFAULT MANAGEMENT GROUP .....	54
2B FOREXCLEAR.....	59
2B.1 Introduction and Interpretation.....	59
2B.2 Users of FCM ForexClear.....	59

2B.3	Termination of FX FCM Status .....	59
2B.4	Service Scope .....	59
2B.5	Position Accounts .....	60
2B.6	Financial Accounts .....	61
2B.7	Novation and Registration .....	62
2B.8	Trade Validation and Registration.....	65
2B.9	Market Data.....	71
2B.10	FCM ForexClear Contract Valuation .....	74
2B.11	Initial Margin (“IM”) .....	76
2B.12	Additional Margin.....	78
2B.13	Initial Margin Management Events Service (“IMMES”).....	79
2B.14	Intra-Day Margin Call: Collateral Management .....	80
2B.15	General Margining Process .....	80
2B.16.	Types of Margin Runs .....	81
2B.17	Margin Run Process .....	81
2B.18	Transfer of FCM Clients .....	82
2B.19	Proprietary Account Position Transfers.....	86
2B.20	FCM Clearing Member’s Client Fund Transfer.....	86
2B.21	ForexClear Reporting .....	87
2B.22	Treasury Operations & Collateral Management.....	88
2B.23	Default Management .....	89
2B.24	Payment of Stamp Tax.....	95
2B.25	Section 168, Finance Act 1994.....	95
2C	ENCLEAR .....	108
2C.1	General Matters.....	108
2C.2	Freight Division.....	124
2C.3	Option Exercise and Expiry .....	127
2D.	[RESERVED].....	128
3.	FINANCIAL TRANSACTIONS.....	129
3.1	Accounts .....	129
3.2	Protected Payments System (PPS).....	130
3.3	Acceptable Forms Of Cover .....	134
3.4	Distribution Of Cover .....	134
3.5	Interest And Accommodation Charge Structure.....	135
3.6	Fees .....	139
3.7	Default Fund; SwapClear Contributions.....	139
3.8	Quantifying SwapClear Contributions .....	139
3.9	Default Fund; ForexClear Contributions.....	140
3.10	Quantifying ForexClear Contributions.....	140
3.11	Default Fund Contributions: EnClear Service.....	140
	APPENDIX 3A.....	141
	BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM.....	141

APPENDIX 3B.....	142
BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM.....	142
APPENDIX 3C.....	144
BANK PARTICIPANTS IN THE US PROTECTED PAYMENTS SYSTEM.....	144
APPENDIX 3D.....	145
MANDATE FOR LCH.CLEARNET LIMITED: CLEARING OPERATIONS .....	145
4. COLLATERAL.....	146
4.1 General Information.....	146
4.2 Securities .....	149
4.3 Instructions via the Collateral Management System .....	149
4.4 Withholding Taxes.....	151
4.5 References.....	153
4.6 Contingency arrangements.....	154
4.7 Return of Unallocated Excess and FCM Buffer.....	154
APPENDIX 4A.....	155
FCM Client Account Lodgment Form .....	155
APPENDIX 4B.....	156
Contingency FCM House Account Lodgment Form.....	156
APPENDIX 4C.....	157
Contingency Collateral Release Form.....	157
Appendix 4D.....	158
Settlement Accounts.....	158
5. BUSINESS RECOVERY .....	159
5.1 Recovery Situations.....	159
5.2 Recovery Situations Affecting Members' Offices .....	159
5.3 Aldgate House Evacuation .....	159
5.4 Clearing House Data Centre.....	162
6. APPEAL PROCEDURES .....	163
6.1 Introduction .....	163
6.2 Decisions In Respect Of Which An Appeal May Be Lodged .....	163
6.3 Initiating An Appeal.....	163
6.4 The First Tier Appeal.....	164
6.5 The Second Tier Appeal.....	165
6.6 Requests For Review .....	167
6.7 Market Disorders etc. and Default .....	167
APPENDIX 6A.....	168
APPEAL FORM .....	168
APPENDIX 6B.....	170
NOTICE OF FURTHER APPEAL.....	170

---

7.	COMPLAINTS .....	172
7.1	Introduction .....	172
7.2	How To Make A Complaint .....	172
7.3	Internal Investigation And Review By The Clearing House .....	173
7.4	Referral To An Independent Investigator .....	173
7.5	Procedure For Dealing With The Complaint .....	174
7.6	Outcomes.....	175
8.	DISCIPLINARY PROCEEDINGS .....	176
8.1	SCOPE OF THIS PROCEDURE .....	176
8.2	INVESTIGATION PROCEDURE .....	176
8.3	IMMEDIATE MEASURE .....	181
8.4	SANCTIONS .....	182
8.5	DISPUTING A DECISION .....	182
8.6	REPORTING AND PUBLICATION .....	183
8.7	INFRINGEMENT OF APPLICABLE LAW .....	183

## FCM SWAPCLEAR

### 2A SWAPCLEAR

#### 2A.1 The Clearing Process

The FCM SwapClear Service is an interface that processes and stores all FCM SwapClear Transactions received from an FCM Approved Trade Source System.

Only FCM Clearing Members are authorized by the Clearing House to submit trades for clearing in the FCM SwapClear Service.

##### 2A.1.1 FCM SwapClear Service Functions

The following functions are performed within the FCM SwapClear Service:

- (a) processing and settlement of coupon payments;
- (b) processing and settlement of consideration (fee) payments;
- (c) calculation of initial and variation margin requirements;
- (d) calculation of ~~Price Alignment Interest~~ [MER amounts and SwapClear Tolerance Limits](#);
- ~~(e)~~ [\(e\) calculation of Price Alignment Interest](#);
- [\(f\)](#) adjustment of cash payments to conform with Opening Days and the SwapClear Calendars;
- [\(fg\)](#) allocation and designation of trades to a position-keeping account; and
- [\(gh\)](#) reporting of registered trades.

FCM SwapClear Transactions submitted via an FCM Approved Trade Source System (i.e., new trades submitted for intra-day registration or existing trades submitted for overnight registration – see [Sections 2A.3.4 and Section 2A.3.5](#)) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the FCM SwapClear clearing system. Information regarding FCM SwapClear Contracts and margin reporting will be disseminated via the Clearing House's FCM Clearing Member Reporting (see Section 2A.1.3).

##### 2A.1.2 Clearing House System Requirements

An FCM Clearing Member must, in order to submit FCM SwapClear Transactions to the Clearing House, be a user of an FCM Approved Trade Source System.

##### 2A.1.3 SwapClear FCM Clearing Member Reporting

There are three methods of notification to FCM Clearing Members of FCM SwapClear Contract registrations and other information:

- Report 001;
- Via the FCM Approved Trade Source System; and

- Via SwapClear API.

An end-user report generation and analytical capability is provided by the Clearing House to FCM Clearing Members. All FCM SwapClear reports will be disseminated via the Clearing House's secure password access FCM Clearing Member-only website. These reports are the definitive record as to registration by the Clearing House.

The Clearing House is not liable for any corruption or alteration of messages or loss of data which may take place within any FCM Approved Trade Source System.

FCM Clearing Members will be able to customize and produce reports either to print locally or to download in machine-readable data-file format. Queries about the FCM Clearing Member-only website should be directed to the Clearing House's Service Desk at +44 (0)20 7426 7200.

## **2A.2 Operating Times And Calendars**

### **2A.2.1 Opening Days**

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

### **2A.2.2 Opening Hours**

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

07:30 to 24:00 hours, London time (a "**Business Day**").

However, FCM Clearing Members should note that FCM Acceptances of an FCM Notification submitted during a Business Day shall be accepted by the Clearing House until 00:01 on the following day. The Clearing House will notify FCM Clearing Members in the event that the FCM SwapClear clearing system is scheduled for closure for operational or other reasons (including compression runs).

### **2A.2.3 FCM SwapClear Clearing System Calendars**

The FCM SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. This will require all FCM Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM SwapClear clearing system, will be available online for inspection and for file download from FCM Clearing Member Reporting (see Section 2A.1.3).

## **2A.3 Registration**

### **2A.3.1 Submission for Registration**

The Clearing House receives details of a new eligible FCM SwapClear Transaction using agreed format messages via an FCM Approved Trade Source System. The FCM Approved Trade Source System will send these trades to the Clearing House once they have been bi-laterally agreed by two Executing Parties and will confirm

which FCM Clearing Member(s) has been elected to register the FCM SwapClear Transaction.

### 2A.3.2 Clearing House Notification

Following receipt of information from the FCM Approved Trade Source System, the Clearing House will notify the relevant FCM Clearing Member(s), via member reports, the SwapClear API or otherwise, that an Executing Party has elected it to register the FCM SwapClear Transaction with the Clearing House (the “**FCM Notification**”).

Following receipt of the FCM Notification, an FCM Clearing Member may choose to accept or refuse to register the FCM SwapClear Transaction on behalf of the Executing Party.

Where an FCM Clearing Member accepts registration of the FCM SwapClear Transaction and notifies the Clearing House of such acceptance, (such acceptance, the “FCM Acceptance”). ~~the FCM~~ Clearing Member shall, pursuant to FCM Regulation 30(b), ~~(i) be deemed to have presented the FCM SwapClear Transaction for clearing and (ii) become obligated to pay all cover required by the Clearing House in connection with the registration of the FCM SwapClear Transaction upon request of the Clearing House.~~

It is a condition for registration of an FCM SwapClear Transaction that, where both Executing Parties intend to register the FCM SwapClear Transaction through an FCM Clearing Member, both FCM Clearing Members accept the FCM Notification (or where such Executing Parties nominate the same FCM Clearing Member and such FCM Clearing Member accepts both acceptances) and therefore submit the FCM SwapClear Transaction to the Clearing House. In accordance with Section 2A.3.45 of these FCM Procedures, it is a ~~condition~~ precondition for registration of an FCM SwapClear Contract that, no later than the Clearing House’s receipt of an FCM Acceptance, the applicable FCM Clearing Member has complied with all requirements to provide sufficient cover ~~to the Clearing House~~ (taking into account available SwapClear Tolerance, if any) in respect of such FCM SwapClear Contract ~~prior.~~ For the avoidance of doubt, in respect of the registration of an FCM SwapClear Transaction, both FCM Clearing Members must have complied with all requirements to registration provide sufficient cover (taking into account available SwapClear Tolerance, if any) at the time of the Clearing House’s receipt of the second FCM Acceptance in accordance with the foregoing.

### 2A.3.3 Trade Registration Facilitation: SwapClear Tolerance and MER (Minimum Excess Requirement)

In order to facilitate the registration of new FCM SwapClear Transactions by FCM Clearing Members, the Clearing House may require the delivery of additional cover from those FCM Clearing Members participating in the MER Arrangements (as defined below) at the relevant time and may offer SwapClear Tolerance on a daily basis, as further described below.

The Clearing House will set MER requirements (where applicable) and SwapClear Tolerance Limits (as defined below) based on a number of factors, including an FCM Clearing Member’s credit rating, risk profile, an analysis of the incremental risk registered by an FCM Clearing Member during an historic look-back period and, in the case of the overall value of the SwapClear Tolerance which may be made available to an FCM Clearing Member, whether the FCM Clearing Member

is a participant in the MER Arrangements at the relevant time. However, the Clearing House sets MER requirements and SwapClear Tolerance Limits in its sole discretion, and may modify its methodologies at any time or may vary it across different FCM Clearing Members.

#### SwapClear Tolerance:

If an FCM Clearing Member has not delivered sufficient cover to enable the registration of an FCM SwapClear Contract, then the Clearing House may provide such FCM Clearing Member with temporary “tolerance” in the form of Initial Margin forbearance (“**SwapClear Tolerance**”) to enable such registration. An FCM Clearing Member may utilize SwapClear Tolerance in between margin runs on a one-to-one basis to the value of the initial margin that would have been required to cover that FCM Clearing Member’s Initial Margin requirements for newly registered FCM SwapClear Contracts registered in between margin runs. For the avoidance of doubt, SwapClear Tolerance is provided in the form of temporary Initial Margin forbearance and an FCM Clearing Member’s utilization of SwapClear Tolerance does not give rise to any payment or transfer of collateral by the Clearing House or result in any use of Default Fund resources (except following a default).

The Clearing House will determine, in its sole discretion, the maximum value of the SwapClear Tolerance (which may be zero) (the “**SwapClear Tolerance Limit**”) which it will make available to an FCM Clearing Member at any particular time. SwapClear Tolerance is made available by the Clearing House to an FCM Clearing Member at the Clearing House’s sole discretion. The Clearing House may adjust the value of an FCM Clearing Member’s SwapClear Tolerance Limit, and/or require an FCM Clearing Member to provide Initial Margin in respect of any utilized SwapClear Tolerance, at any time and without prior notice to the relevant FCM Clearing Member. The Clearing House will provide each FCM Clearing Member with information regarding its SwapClear Tolerance Limit and will, as promptly as reasonably practicable, notify it following any adjustment to the amount of its SwapClear Tolerance Limit. Subject to the above, an FCM Clearing Member will typically be required to deliver Initial Margin in respect of any SwapClear Tolerance utilized by it in the margin run immediately following the time of the relevant registration of an FCM SwapClear Contract where SwapClear Tolerance was utilized.

Any failure of an FCM Clearing Member to satisfy an Initial Margin call relating to utilized SwapClear Tolerance may give rise to a default by such FCM Clearing Member — just as any failure by an FCM Clearing Member to satisfy any other type of Initial Margin call may give rise to a default.

#### Minimum Excess Requirement (“MER”):

The Clearing House has put in place arrangements (the “**MER Arrangements**”) (which will be optional for FCM Clearing Members) under which it will be able to call from each relevant FCM Clearing Member an amount of cover (the “**MER Cover**”), in respect of that FCM Clearing Member’s potential cover requirements (with respect to the registration of FCM SwapClear Contracts) for the following day.

The Clearing House will calculate MER for each participating FCM Clearing Member using the same methodology and will publish such methodology to FCM Clearing Members. The Clearing House will provide 30 days’ notice before implementing any changes to the methodology used for calculating MER.

FCM SwapClear Clearing Members are not required to participate in the MER Arrangements unless and until they elect to do so. In the event that an FCM Clearing Member wishes to change its participation status (the "Participation Status") from opting in to the MER Arrangements to opting out, or vice versa, it should contact the Clearing House to request applicable documentation (swapclear.clientservices@lchclearnet.com). Changes in Participation Status are processed at the end of each month. All relevant documentation must be completed and returned to the Clearing House no later than 5 Business Days prior to the end of the month preceding the month to which the change in Participation Status applies. An FCM Clearing Member's Participation Status will remain unchanged until the Business Day following the day that the Clearing House confirms via email that the change in Participation Status has been processed. The Clearing House shall be entitled to treat the Participation Status of an FCM Clearing Member as continuing unchanged from month to month until such time as appropriate notice is received from such FCM Clearing Member and processed by the Clearing House in accordance with the provisions of this paragraph.

Each FCM Clearing Member participating in the MER Arrangements will be called for MER Cover separately in respect of its Proprietary Account and/or its FCM Omnibus SwapClear Client Account with LCH. MER Cover is part of an FCM Clearing Member's required Initial Margin. Hence, for the avoidance of doubt, failure to deliver MER Cover when required by the Clearing House will constitute a breach of these FCM Procedures and the FCM Regulations. MER Cover deposited to an FCM Omnibus SwapClear Client Account with LCH is credited to its FCM Buffer sub-account, and treated as FCM Buffer. Any FCM Buffer (but not including Applied FCM Buffer) maintained in an FCM Omnibus SwapClear Client Account with LCH at End of Day is credited towards the satisfaction of any MER requirements applicable to such account during the End of Day margin run.

As FCM SwapClear Contracts are registered to an FCM Clearing Member's relevant accounts, the Clearing House will apply any available MER Cover (which is treated as FCM Buffer when held in an FCM Omnibus SwapClear Client Account with LCH) as Initial Margin in respect of such newly registered FCM SwapClear Contracts prior to utilizing any available SwapClear Tolerance (if any).

At each End of Day margin run, the Clearing House will recalculate and call, on an account by account basis, Required Margin in respect of the MER requirements applicable to each FCM Clearing Member participating in the MER Arrangements on such day.

#### 2A.3.4 **SwapClear FCM Approved Trade Source Systems**

Currently the FCM Approved Trade Source Systems designated by the Clearing House for SwapClear are MarkitWire, Bloomberg and Tradeweb. Where the Clearing House approves additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.

FCM SwapClear Transactions submitted through an FCM 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 FCM Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or

the timeliness or otherwise of the delivery of any FCM SwapClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System.

The Clearing House will process any FCM SwapClear Transaction reported to it by an FCM Approved Trade Source System on an "as is" basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM SwapClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM SwapClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM SwapClear Contract. The Clearing House shall use its reasonable endeavors to assist the relevant FCM Clearing Members in re-registering the trade on the correct basis but the Clearing House shall not be liable to the FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Contract.

FCM Clearing Members shall ensure that transaction details accepted for registration are accepted by appropriately authorized personnel. Apart from the foregoing acceptance, the Clearing House is not able to, and will not, verify the authorization of the source of any details of any transaction reported to it for registration by any FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorized acceptance of an FCM Notification.

#### 2A.3.4<sup>5</sup> Registration of New Trades and Backloaded Trades

~~The Clearing House will perform regular, intra-day registration runs on each business day. FCM SwapClear Transactions duly submitted to the Clearing House for registration will ordinarily be included in the next following registration run unless the Clearing House determines to register such an FCM SwapClear Transaction prior to such run.~~

Prior to it New Trades:

As a precondition of registering an FCM SwapClear Contract, the Clearing House will require the FCM Clearing Member in whose name such FCM SwapClear Contract is to be registered to provide it with no later than the Clearing House's receipt of the relevant FCM Acceptance (and thereafter maintain) sufficient cover for initial and variation margin in respect of such contract ~~as a precondition to. In determining whether sufficient cover for~~ registration. ~~In accordance with FCM Regulation 30(d)(iv), an FCM Clearing Member becomes obligated to provide such cover to~~ is available, the Clearing House at the time when both FCM will take into account any available FCM Buffer, MER and SwapClear Contracts, Tolerance Available FCM Buffer or ~~the FCM SwapClear Contract and the Non-FCM SwapClear Contract (as applicable), relating to the relevant FCM~~

~~SwapClear Transaction have been submitted or deemed to~~MER will always be submitted (as applicable) by the relevant FCM Clearing Member(s) or the relevant SwapClear Clearing Member and FCM Clearing Member (as the case may be) and such FCM Clearing Member(s) or such FCM Clearing Member and such SwapClear Clearing Member shall provide such coverapplied prior to registration upon request of the Clearing House. ~~Variation margin can be covered intra-day in non-cash collateral~~taking into account any available SwapClear Tolerance.

~~In order for registration of an FCM SwapClear Contract (the "actual FCM SwapClear Contract") to occur, where such actual FCM SwapClear Contract is part of a registration run containing other FCM SwapClear Contracts and/or Non-FCM SwapClear Contracts (the "other SwapClear Contracts"), cover for margin from each SwapClear Clearing Member and each FCM Clearing Member which would be a party to such other SwapClear Contracts is required to be provided to the Clearing House in advance and, if any one or more of such SwapClear Clearing Members or such FCM Clearing Members does not provide such cover, the Clearing House will take such steps as it deems appropriate to seek to register the actual FCM SwapClear Contract as soon as practically possible.~~

Upon an FCM SwapClear Transaction being submitted to the Clearing House for registration and the conditions to registration specified in FCM Regulation 30 having been satisfied in respect of the related FCM SwapClear Contract(s), the SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear Clearing Member reporting system (see Section 2A.1.3) on the SwapClear Clearing Member reporting account.

### ~~2A.3.5~~ Backloading Backloaded Trades

An FCM SwapClear Transaction that has a Trade Date of **Existing Trades**

greater than ten calendar days prior to the date of submission is considered a backloaded trade by the Clearing House (a "backloaded trade"). Due to the nature of backloaded trades, FCM Clearing Members should note that a relatively large amount of cover is required in order to register such trades. The Clearing House provides the facility for FCM Clearing Members to load such eligible existing FCM SwapClear Transactions, through an FCM Approved Trade Source System (currently only MarkitWire). Where the Clearing House approves additional FCM Approved Trade Source Systems for ~~this~~these purposes, it will notify FCM Clearing Members via member circular. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, of the full particulars required by the Clearing House for each such FCM SwapClear Transactions. Following acceptance, the backloaded trade shall be deemed to have been presented by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, for registration by the Clearing House. In any backloading of transactions where one leg is to be registered as ~~an~~a Non-FCM SwapClear Contract, the UK General Regulations will apply with respect to such registration of a Non-FCM SwapClear Contract.

~~The Clearing House will, in the case of FCM SwapClear Transactions that have a Trade Date of greater than ten calendar days prior to the date of submission, hold~~

~~the FCM SwapClear Transaction overnight. It is a pre-condition~~ for registration ~~the following day. For of any~~ backloaded trades ~~the Clearing House will notify FCM Clearing Members of their submission and status via FCM Clearing Member Reporting (see Section 2A.1.3).~~ ~~It is a pre-condition of registration~~ that sufficient cover for initial and variation margin is provided. In determining whether sufficient cover for registration is available, the Clearing House will take into account any available FCM Buffer, MER and SwapClear Tolerance. Available FCM Buffer or MER will always be applied prior to taking into account any available SwapClear Tolerance.

#### 2A.3.6 **Notification**

The Clearing House will notify FCM Clearing Members of the registration or rejection of FCM SwapClear Transactions, or contracts purported as such, via the SwapClear FCM Clearing Member Reporting System (see Section 2A.1.3) and the originating FCM Approved Trade Source System messaging service for onward transmission to the submitting FCM Clearing Member.

#### 2A.3.7 **Rejected Trades**

Trades submitted for registration that do not meet the product or other eligibility criteria prescribed from time to time by the Clearing House or which contain invalid or incomplete message data ~~will be rejected, or with respect to which the Clearing House has not received sufficient cover (taking into account available SwapClear Tolerance, if any), will be rejected.~~ If, at any time, the Clearing House does not register a trade presented for registration it will notify the contracting parties of the reasons for rejection.

### 2A.4 **Position Accounts**

#### 2A.4.1 **FCM Accounts**

For identification purposes each FCM Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to FCM SwapClear Contracts. An FCM Clearing Member's position and financial information are further identified by a single character code: C for client business; and H for house business.

#### 2A.4.2 **Position-Keeping Accounts**

FCM Clearing Member Accounts

The account types are: H for house business (Proprietary Account); and C for segregated client business (an FCM Omnibus SwapClear Client Account with LCH). An FCM Clearing Member's FCM SwapClear Contract positions are also recorded within the FCM SwapClear clearing system in SwapClear accounts.

All registered FCM SwapClear Contracts will be identifiable to FCM Clearing Members via SwapClear FCM Clearing Member Reporting (see Section 2A.1.3). All registered FCM SwapClear Contracts will be maintained only in SwapClear accounts (identified as such by a unique three letter mnemonic). Each FCM SwapClear Contract will also be assigned a unique trade identifier. The SwapClear FCM Clearing Member Reporting functionality also allows each FCM Clearing Member to identify all FCM SwapClear Contracts registered in its name.

## 2A.5 Financial Accounts

FCM Clearing Member accounts have financial accounts associated with them. These are, inter alia, used to record cash balances and securities/ documentary credits. Information contained within position-keeping accounts is consolidated into financial accounts, as follows:

### 2A.5.1 Relationship with Position-Keeping Accounts

Trading Account	Financial Account		
H	House	H	Proprietary Account
C	Client	C	LCH SwapClear Client Segregated Depository Account used for Initial Margin Flows

### 2A.5.2 Other Financial Accounts

At the Clearing House's discretion, further financial accounts, used only to record financial balances, may be opened as follows:

	Code
Additional Margin accounts (House), used for holding additional cash in relation to Proprietary business	B
Additional Margin account (Client), used for holding additional cash in relation to FCM Client Business	E

### 2A.5.3 Default Fund (DF) Account

Each FCM Clearing Member's Contribution is held in a separate financial account. The DF account code is "F".

## 2A.6 FCM SwapClear Contract Valuation

### 2A.6.1 Net Present Value

The Clearing House will calculate the Net Present Value (NPV) of each eligible FCM SwapClear Contract using the Clearing House's zero coupon yield curves.

It is a condition of registration that sufficient cover, as determined by the Clearing House, is held with the Clearing House to cover both the NPV and Initial Margin of each FCM SwapClear Transaction. [\(taking into account, for these purposes, available SwapClear Tolerance, if any\).](#)

All FCM SwapClear Contracts credited to an FCM Clearing Member will, on submission to the Clearing House, be marked-to-market, in accordance with FCM Regulation 12(d). The Net Present Value so determined must, subject to Intra-day Registration (see Section 2A.3.45), be paid by the FCM Clearing Member in cash in the currency of the FCM SwapClear Contract. Where an FCM SwapClear Transaction is registered intra-day, and the NPV is covered with non-cash collateral, the Clearing House will, the following Business Day, require payment of the full cash amount.

the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Swiss interbank money market).

- (z) “GBP-WMBA-SONIA-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in Section 2A.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the Sterling daily overnight reference rate).
- (aa) “USD-Federal Funds-H.15-OIS-Compound” means that the rate for a Reset Date, calculated in accordance with the formula set forth in Section 2A.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the daily effective federal funds rate determined by the Federal Reserve as the weighted average of the rates on brokered trades).
- (bb) “EUR-EONIA-OIS-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in Section 2A.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Euro-zone interbank euro money market).

In the event of no rate being available the Clearing House will, at its sole discretion, determine an applicable rate.

#### 2A.7.13 Applying Reset Rate

The Clearing House will identify the reset dates of floating legs that require the application of a Reset Rate. The Reset Rate will be applied to the appropriate floating legs and the coupon payments calculated.

The coupon payments will be adjusted to fall on actual ~~business days~~[Business Days](#) according to the Calendar(s) and Business Day Convention specified.

#### 2A.7.14 Negative Interest Rate Method

FCM Clearing Member should note the provisions of Section 3.3 of Part A of Schedule A to the FCM Regulations regarding the applicability of the Negative Interest Rate Method, to an FCM SwapClear Contract. FCM Clearing Members may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative interest Rate Method.

### 2A.8 Initial Margin

The Clearing House will require FCM Clearing Members to post Initial Margin. 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 FCM SwapClear Contracts.

Separate Initial Margin calculations are performed for an FCM Clearing Member's house “H” and client “C” accounts.

The Clearing House reserves the right to require additional amounts of cover from a specific FCM Clearing Member or from all FCM Clearing Members in accordance with FCM Regulation 9.

#### 2A.8.1 Liquidity Multiplier

Risk Management applies a liquidity multiplier based on Worst Case Loss (WCL) exceeding certain thresholds on the FCM Clearing Member's whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an on-going basis.

#### 2A.8.2 Intra-day Margin Calls

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls can be called at any time throughout the ~~business day (08:30 to 21:00 hours, London time)~~ Business Day. Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section 2A.9).

In certain circumstances the Clearing House may wish to make a call for additional funds after the closure of London PPS facilities at 16:00 hours, London time. In this event the Clearing House will require payment of additional funds through PPS facilities in the USA (see Section 3.2.1). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

#### 2A.8.3 Calculation of Initial Margin

##### (a) Portfolio Approach to Interest Rate Scenarios (PAIRS)

The PAIRS calculation is a VAR based approach based on filtered historical simulations. All positions in each currency are re-valued under a series of cross portfolio yield curve scenarios to estimate the highest forecast loss and therefore the Initial Margin requirement. Further details of this method are available upon request and are detailed in the PAIRS TIP document. The PAIRS document and further information relating to Initial Margin calculations can be obtained from the Rates team at +44 (020) 7426 6325 or +44 (020) 7426 7428.

#### 2A.9 Intra-Day Margin Call: Collateral Management

##### 2A.9.1 General – Intra-day Margining

Following an intra-day margin call and unless notified otherwise by an FCM 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 FCM Clearing Member's PPS account to cover that intra-day margin call.

Cash payments in respect of intra-day cover are accepted only in USD by the Clearing House.

It is the responsibility of the FCM to ensure that they have sufficient cash funds in place with their PPS Bank(s) in order to avoid any intra-day liquidity issues.

## 2C.1.8.2 **EnClear Market User Systems**

### 2C.1.8.2.1 **ClearWay**

ClearWay is an application used by ECFCMs, Approved Brokers and OTPs to enter FCM EnClear Transactions, which once confirmed by both ECFCM's, will be registered for clearing in ECS.

ClearWay contains a Lot Limit Credit Filter which enables ECFCMs to set limits for their position accounts. If a ticket is entered which falls within an ECFCM's set parameters, its side of the trade will be automatically confirmed.

Transactions which breach the parameters set, or where no credit limit has been set by the ECFCMs, will remain in ClearWay as pending transactions, for ECFCMs to accept manually.

In the event that a trade is submitted to the Clearing House for registration by an OTP, Broker or ECFCM and such trade is accepted for registration by the ECFCM, the ECFCM shall be bound by the terms set in FCM EnClear Contract.

### 2C.1.8.2.2 **ECS**

ECS is the clearing system which registers trades within the FCM EnClear Clearing Services: Freight Division. The following functionality is available to ECFCMs:

- position keeping
- position adjustments
- position transfers (LCH.Clearnet will perform the transfers on the request of ECFCMs)
- manual exercise/abandonment of Coal Options

### 2C.1.8.3 **Clearing House System Requirements**

ECFCMs and Approved Brokers must maintain an acceptable network connection from a location acceptable to the Clearing House for connecting to the ECS system and/or ClearWay in order to carry out their Clearing Member responsibilities within the clearing systems and to review their trades and positions as necessary.

## 2C.1.9 **Submission and Acceptance of FCM EnClear Transactions for Registration in the Freight Division**

For registration of FCM EnClear Transactions, ECFCMs must comply with all the requirements of the Clearing House as set out in the FCM Rulebook and other relevant documentation issued by the Clearing House in this regard.

An FCM EnClear Transaction submitted to the Clearing House, which complies with the Clearing House requirements for registration, will be deemed to be registered [or rejected](#) by the Clearing House immediately upon receipt by ECS, after the acceptance by both ECFCMs, whether the acceptance is explicit or is given via the parameters of a credit filter.

**2C.1.10 Novation**

Once a trade has been registered in ECS, novation replaces each FCM EnClear Transaction submitted through the FCM EnClear Clearing Services with either:

- two separate FCM EnClear Contracts: one between the selling ECFCM and the Clearing House and the other between the buying ECFCM and the Clearing House; or
- (where only one Clearing Member is an ECFCM) one FCM EnClear Contract between the Clearing House and the ECFCM, and the other between the Clearing House and the non-ECFCM Clearing Member, with the latter being governed by the General Regulations.

**2C.1.11 [Notification of Rejection](#)**

If the Clearing House does not register a trade presented for registration it will notify the relevant ECFCMs concerned within a reasonable time, indicating the reasons for rejection.

**2C.1.12 Notification**

For the Freight Division, all FCM EnClear Contracts arising from registered FCM EnClear Transactions are listed on ECS and in the daily Trade report available through the Clearing House's Member reporting extranet site.

**2C.1.13 Position Keeping Accounts****2C.1.13.1 Types of Accounts for the Freight Division**

Positions with regard to LCH.Clearnet Freight Contracts are recorded within the ECS system in position-keeping accounts. For the avoidance of doubt, these position-keeping accounts in ECS are not "Member Accounts" as described in Regulation 5 of the General Regulations.

ECFCMs may open and utilize position accounts at their discretion. For example, an ECFCM may wish to have a separate account for each customer, several accounts for one customer or one account for several customers.

There is no restriction on the number of individual position accounts an ECFCM may open. The account reference for each position account within the Clearing House systems will be a free format alphanumeric code, as prescribed by the ECFCM.

**2C.1.13.2 Basis of Position Keeping for the Freight Division**

Position Accounts can be held net or gross, as required by the ECFCM. ECFCMs must notify the Clearing House of their requirements in this regard.

**2C.1.13.3 Position Settlement (Gross Accounts) for Freight Division**

Where a position account is held gross, the ECFCM may, if it so wishes, carry out a closeout by the manual settlement of open positions, using the position adjustment facility in the ECS system.

Exhibit G  
Section 2G Procedures (Nodal)

**SECTION 2G****CONTENTS**

2G.	THE NODAL SERVICE .....	2
2G.1	INTRODUCTION.....	2
2G.2	MEMBERSHIP .....	2
2G.3	GENERAL.....	3
2G.4	NODAL TRANSACTIONS.....	3
2G.5	CLEARING FOR NODAL NON-CLEARING PARTICIPANTS .....	4
2G.6	REGISTRATION OF NODAL TRANSACTIONS.....	5
2G.7	POSITION AND FINANCIAL ACCOUNTS .....	5
2G.8	FEES .....	7
2G.9	MARGIN.....	8
2G.10	TAX.....	9
2G.11	SETTLEMENT OF NODAL CONTRACTS .....	9
2G.12	POSITION TRANSFERS .....	9

The Clearing House contracts with the NODAL Service CM alone and, to the fullest extent permitted by law, disclaims any duties or obligations to a NODAL NCP.

Further details regarding clearing for NODAL NCPs can be obtained from the Clearing House Membership Department on +44 (0) 207426 7627 / 7063.

### 2G.5.2 Termination

The NODAL Service CM may terminate its agreement with a NODAL NCP at any time by giving 21 days written notice to NODAL and the Clearing House. For the avoidance of doubt, the Clearing House need not receive any notice of or any confirmation of such termination from the NODAL NCP.

For the avoidance of doubt, termination by the NODAL Service CM of its agreement with a NODAL NCP will be without prejudice to the NODAL Service CM's obligations arising from or in relation to any NODAL Transaction or NODAL Contracts arising prior to such termination.

## 2G.6 REGISTRATION OF NODAL TRANSACTIONS

### 2G.6.1 General

The Clearing House may require a NODAL Service CM in whose name a NODAL Transaction is to be registered to provide it with cover for initial and variation margin as a condition of registration as a NODAL Contract.

### 2G.6.2 Registration

All matched transactions which have been presented for registration and comply with the Clearing House requirements for registration of a NODAL Transaction, ~~are deemed to have been~~ shall be registered or rejected immediately by the Clearing House ~~immediately~~ upon receipt by TRS/CPS.

### 2G.6.3 Novation

With effect from registration, novation operates to replace each NODAL Transaction with two separate NODAL Contracts, one between the selling NODAL Service CM and the Clearing House and the other between the buying NODAL Service CM and the Clearing House. Novation is described in more detail in the NODAL Regulations.

### 2G.6.4 Notification

All NODAL Contracts arising from registered NODAL Transactions are listed on the NODAL Service CM Report available through TRS.

## 2G.7 POSITION AND FINANCIAL ACCOUNTS

### 2G.7.1 Position-Keeping Accounts

#### 2G.7.1.1 Types of Account

Positions with regard to NODAL Contracts are recorded within CPS in position-keeping accounts at Individual Trader Mnemonic (ITM) level, which are not CM accounts as described in Regulation 5. The account types are as follows:

Exhibit H  
Section 2E Procedures (Enclear)

**SECTION 2E****CONTENTS**

2E.	LCH ENCLEAR OTC SERVICES.....	2
2E.1	GENERAL MATTERS.....	2
2E.2	FREIGHT DIVISION.....	18
2E.3	ENERGY DIVISION .....	21
2E.4	PRECIOUS METALS DIVISION .....	23
2E.5	Option Exercise and Expiry.....	26
2E.6	EMISSIONS DELIVERY PROCEDURES.....	28
2E.7	PRECIOUS METALS: DELIVERY PROCEDURES.....	48
APPENDICES 2E.A	.....	56
	Emissions deliveries .....	56
APPENDICES 2E.B	.....	57
	Seller's EUA Forward Contracts Delivery Confirmation Form .....	57
APPENDICES 2E.C	.....	58
	Seller's CER Forward Contracts Delivery Confirmation Form .....	58
APPENDICES 2E.D	.....	59
	BUYER'S EUA Forward Contracts Delivery Confirmation Form.....	59
APPENDICES 2E.E	.....	60
	BUYER'S CER Forward Contracts Delivery Confirmation Form.....	60

ECS is the clearing system which registers trades within the LCH EnClear OTC Services: Freight and Energy Divisions. The following functionality is available to GCMs:

- position keeping
- position adjustments
- position transfers (LCH.Clearnet will perform the transfers on the request of GCMs)
- manual exercise/abandonment of Coal Options

#### 2E.1.8.2.3 **Synapse**

The Synapse system will be used to process Eligible OTC Precious Metals Trades submitted for clearing via LMESmart.

Clearing Members should refer to the “Synapse Member User Guide” for operating instructions, full details of enquiries and report facilities and the Synapse Licence Agreement and Terms of Use.

Details of registered LCH EnClear OTC Precious Metal Contracts will be disseminated to GCMs via Synapse GUI and the Clearing House Member Reporting site (private member-only site).

#### 2E.1.8.3 **Clearing House System Requirements**

GCMs and Approved Brokers must maintain an acceptable network connection from a location acceptable to the Clearing House for connecting to the ECS system, ClearWay and/or Synapse in order to carry out their Clearing Member responsibilities within the clearing systems and to review their trades and positions as necessary.

#### 2E.1.9 **Submission and Acceptance of Eligible OTC Trades for Registration in the Freight and Energy Divisions**

For registration of Eligible OTC Trades, GCMs must comply with all the requirements of the Clearing House as set out in the Rulebook and other relevant documentation issued by the Clearing House in this regard.

An Eligible OTC Trade submitted to the Clearing House, which complies with the Clearing House requirements for registration, will be deemed to be registered or rejected by the Clearing House immediately upon receipt by ECS, after the acceptance by both GCMs, whether the acceptance is explicit or is given via the parameters of a credit filter.

#### 2E.1.10 **Submission and Acceptance of Eligible OTC Trades for Registration in the Precious Metals Division**

Matched trading data is presented for registration to the Clearing House in the name of the Clearing Member submitting them to the LMESmart Matching System (evidenced by the use of the system security password). Trades that exceed pre-set trade limits are held within Synapse, pending confirmation of acceptance for registration by the Clearing House.

It is the responsibility of each Clearing Member to ensure that any trades likely to require acceptance are input and matched as early as possible in the day; and that either sufficient surplus cover is maintained with the Clearing House (to meet debit variation margin arising from pending trades) or arrangements are in place to meet additional calls for cover. Matched trades not accepted by the Clearing House will not be registered. In order to achieve registration the trade must be re-submitted the next business day, when the same process will apply.

#### 2E.1.11 **Novation**

Once a trade has been registered in ECS, novation replaces each Eligible OTC Trade submitted through the LCH EnClear OTC Services with two separate LCH EnClear OTC Contracts: one between the selling GCM and the Clearing House and the other between the buying GCM and the Clearing House.

#### 2E.1.12 **Notification of Rejection**

If the Clearing House does not register a trade presented for registration it will notify the relevant GCMs concerned within a reasonable time, indicating the reasons for rejection.

#### 2E.1.13 **Notification**

For the Freight and Energy Divisions, all LCH EnClear OTC Contracts arising from registered Eligible OTC Trades are listed on ECS and in the daily Trade report available through the Clearing House's Member reporting extranet site.

For the Precious Metals Division, all LCH EnClear OTC Contracts arising from registered Eligible OTC Trades are listed on the Clearing Member Registration Statement available on Synapse.

#### 2E.1.14 **Position Keeping Accounts**

##### 2E.1.14.1 **Types of Accounts for the Freight and Energy Divisions**

Positions with regard to LCH.Clearent Freight and Energy Contracts are recorded within the ECS system in position-keeping accounts. For the avoidance of doubt, these position-keeping accounts in ECS are not "Member accounts" as described in Regulation 5 of the General Regulations.

GCMs may open and utilise position accounts at their discretion. For example, a GCM may wish to have a separate account for each customer, several accounts for one customer or one account for several customers.

There is no restriction on the number of individual position accounts a GCM may open. The account reference for each position account within the Clearing House systems will be a free format alphanumeric code, as prescribed by the GCM.

##### 2E.1.14.2 **Types of Accounts for the Precious Metals Divisions**

Positions with regard to LCH Precious Metals OTC Contracts are recorded within the GCM's House account within Synapse.