VIA CFTC PORTAL SUBMISSION

07 April 2017

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

Dear Mr. Kirkpatrick:

LCH Limited ("LCH"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification, pursuant to CFTC regulation §40.6(a), Rulebook changes to implement its Bunched Orders proposal for Future Commission Merchants ("FCMs"). LCH intends these changes to take effect on or after April 27, 2017.

Part I: Explanation and Analysis
LCH’s ForexClear service proposes to accept for clearing Bunched Orders pursuant to CFTC §1.35.

Prior to presenting a Bunched Order to the CCP for clearing, a FCM must request the CCP open a sub-account which is a suspense account. A suspense account must be opened to hold the unallocated positions for each Asset Manager that will submit Bunched Orders under the FCM.

Upon submission to the Central Counterparty ("CCP"), LCH will register such Bunched Orders as one trade and place into a suspense account previously opened by the requesting FCM, pending receipt of allocation instructions to be provided by the trade source (through which the Bunched Order trade is submitted). The allocations will be booked to the relevant underlying client account, which may be a client account of the same or a different FCM.

Each Bunched Order trade will have a unique ForexClear ID and USI/UTI and accordingly will be reported in LCH’s regulatory trade reporting, as will the allocated trades.

The registration of a Bunched Order trade will depend on the FCM financial resources held at the CCP (i.e. a suspense account is funded purely from FCM Buffer), and ForexClear will include the any unallocated positions in a suspense account in any IM and VM calculations for the FCM. This is the key difference between this ForexClear proposal and the current SwapClear solution, in that SwapClear monitor the suspense accounts to ensure that there are no unallocated trades overnight, and thus do not include suspense account positions in IM and VM calculations. Whereas ForexClear will not monitor the suspense accounts for unallocated trades, but will include the liabilities for such positions with the Legally Segregated Operationally Commingled ("LSOC") account for that FCM and calculate the margin requirement on a gross omnibus basis. Hence FCMs will be responsible for ensuring that suspense accounts are flat. Accordingly, FCMs will see a legally segregated value ("LSV") assigned to a suspense account intraday and at end-of-day, as done with other client accounts, although this will be defined in the LCH Rulebook as FCM Buffer.

The bunched orders will not attract client fees, however fees will be charged for the allocated trades.
Part II: Description of Rule Changes
Consequently LCH is making changes its Rulebook sections – FCM Regulations and FCM Procedures. Black-line versions of the applicable sections reflecting the changes are attached as appendices.

Part III: Core Principle Compliance
LCH has concluded that compliance with the Core Principles will not be adversely impacted by this change, and in particular complies with Core Principles C and D.

Part IV: Public Information
LCH has posted a notice of pending certification with the CFTC and a copy of this submission on the LCH website at http://www.lch.com/rules-regulations/proposed-rules-changes

Part V: Opposing Views
There were no opposing views expressed to LCH by governing board or committee members, members of LCH or market participants that were not incorporated into this change.

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

Should you have any questions regarding this submission please contact me at julian.oliver@lch.com

Yours sincerely,

[Signature]

Julian Oliver, Chief Compliance Officer
LCH Rule Submission

Appendix A

FCM Regulations
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REGULATION 1 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:

“ACSP Compression Cycle” means a Multilateral Compression Cycle established by the Clearing House and facilitated by an ACSP nominated by the Clearing House, which shall be open to participation by FCM Clearing Members and FCM Clients in accordance with the provisions of Regulations 46(m) and relevant Compression Documentation.

“Account Manager Executing Party” means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated FCM SwapClear Transactions and/or Unallocated FCM ForexClear Transactions.

“Affected Client” means a client of an FCM Clearing Member (or potential client of an FCM Clearing Member) in respect of which the application of laws or regulations in the client’s jurisdiction of establishment or applicable in the context of activity on a relevant trading platform do not prevent or prohibit EMIR Client Clearing being provided to such client.

“Aggregate Excess Loss” has the meaning assigned to it in the Clearing House’s General Regulations.

“Allocation Notice” means a message delivered to the Clearing House which contains the following information: (i) details of the Client Account, FCM Client Sub-Account or the Proprietary Account of the Post-Allocation Clearing Member to which an Unallocated FCM SwapClear Contract should be allocated; (ii) the amount of notional value of the Unallocated FCM SwapClear Contract to be allocated to each such Client Account, FCM Client Sub-Account or Proprietary Account of the Post-Allocation Clearing Member; and (iii) confirmation of the Unallocated FCM SwapClear Contract to which the Allocation Notice relates. Any additional information contained in the Allocation Notice (including any economic details) shall be disregarded by the Clearing House.

“Approved Compression Services Provider” or “ACSP” means an entity other than the Clearing House which is approved by the Clearing House for the facilitation of Multilateral Compression in relation to eligible FCM SwapClear Contracts in accordance with Regulation 46 and relevant Compression Documentation.
(ii) as applicable, as either (A) a second such FCM Exchange Contract or (B) a “Cleared Exchange Contract” with a Non-FCM Clearing Member governed by the UK General Regulations.

“FCM ForexClear Clearing Member” means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM ForexClear Transactions and register FCM ForexClear Contracts.

“FCM ForexClear Clearing Services” means the services provided by an FCM Clearing Member in connection with FCM ForexClear Contracts cleared on behalf of its FCM Clients.

“FCM ForexClear Contract” means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM ForexClear Contract Terms, and which is governed by these FCM Regulations.

“FCM ForexClear Contract Terms” means the terms applicable to each FCM ForexClear Contract as set out from time to time in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

“FCM ForexClear Product Eligibility Criteria” means the product criteria set out in paragraph 2 of Part B of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

“FCM ForexClear Suspension Sub-Account” means the sub-account of a Pre-Allocation FCM Clearing Member’s FCM Omnibus ForexClear Client Account with LCH that has been established by the FCM ForexClear Clearing Member to register Unallocated FCM ForexClear Contracts.

“FCM ForexClear Transaction” means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM ForexClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM ForexClear Contract or a Non-FCM ForexClear Contract.

“FCM Futures Client Funds” means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member (i.e., not furnished to the Clearing House) on behalf of its FCM Clients with respect to Futures Products or other Futures/Options Contracts.

“FCM Futures Client Segregated Depository Account” means an omnibus account maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository (including any applicable “(pps Accounts”, which are described in the FCM Procedures), which is segregated in accordance with Section 4d(a) of the CEA and the CFTC.
“Other Specific Regulations” means the Clearing House’s Default Rules, Default Fund Rules, Settlement Finality Regulations and related Definitions and provisions relating to construction as published and amended by the Clearing House from time to time.

“Permitted Depository” means (i) with respect to FCM Swaps Client Funds or Collateral held in connection with Swap Products, “Permitted Depository” as such term is defined in CFTC Regulations 22.1 and 22.4, and (ii) with respect to FCM Futures Client Funds or Collateral held in connection with Futures Products, a depository qualified to hold customer funds in accordance with CFTC Regulation 1.49.

“Physically-Settled FCM Exchange Contract” means an FCM Exchange Contract between the Clearing House and an FCM Clearing Member: (i) for the sale and purchase of a commodity that is the result of the exercise of an Option pursuant to these FCM Regulations; or (ii) for the sale and purchase of a commodity for delivery on the date specified in the FCM Exchange Contract or on the date agreed between the parties.

“Portfolios” 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.

“Porting Collateral” has the meaning assigned to it in FCM Regulation 13(a).

“Porting Contracts” has the meaning assigned to it in FCM Regulation 13(a).

“Post-Allocation Clearing Member” means the FCM Clearing Member or Clearing Member associated with a Client Account, FCM Client Sub-Account or Proprietary Account to which part or all of an Unallocated FCM SwapClear Contract or Unallocated FCM ForexClear Contract, as the case may be, is to be allocated pursuant to an Allocation Notice or FCM Regulation 49(n), as the case may be.

“Pre-Allocation FCM Clearing Member” has the meaning assigned to it in FCM Regulation 46(o)(i) or FCM Regulation 49(n)(i), as the case may be.

“Post-Multilateral Compression Contracts” means, in relation to a Compression Proposal, the FCM SwapClear Contracts or Non-FCM SwapClear Contracts, as applicable, registered as a result of Multilateral Compression in accordance with such Compression Proposal.

“Pre-Allocation Executing Party” or “Account Manager Executing Party” means an Executing Party, including an Account Manager Executing Party, which is not an FCM Clearing Member and which is authorized to present or submit Unallocated FCM SwapClear Transactions and/or Unallocated FCM ForexClear Transactions on its own behalf or on behalf of
Account” 15(b).

“Unallocated FCM ForexClear Contract” has the meaning assigned to such term in FCM Regulation 49(n)(ii).

“Unallocated FCM ForexClear Transaction” has the meaning assigned to such term in FCM Regulation 49(n)(i).

“Unallocated FCM SwapClear Contract” has the meaning assigned to such term in FCM Regulation 46(o)(ii).

“Unallocated FCM SwapClear Transaction” has the meaning assigned to such term in FCM Regulation 46(o)(i).

“Variation Margin” means the amount payable by an FCM Clearing Member to the Clearing House or by the Clearing House to an FCM Clearing Member, as applicable, in respect of, and in the amount of, the Clearing House’s variation margin requirements (as published from time to time by the Clearing House) in respect of an FCM Contract and with reference to the change in the NPV of such FCM Contract over a particular period of time.

“Withdrawal Date” means the date upon which the Clearing House determines to withdraw the FCM SwapClear Service or the FCM ForexClear Service, as applicable, in accordance with these FCM Regulations and the FCM Procedures.

“With Client Excess Model” has the meaning assigned to it in FCM Regulation 15(d).

“Without Client Excess Model” has the meaning assigned to it in FCM Regulation 15(c).

Any reference in these FCM Regulations or the FCM Procedures to statutes, laws or regulations (or to specific provisions within them) thereof shall be to such statutes, laws or regulations (or to specific provisions within them) as amended, modified, supplemented or replaced from time to time.

Any reference to a Regulatory Body includes any successor or replacement Regulatory Body.

Reference to writing contained in these FCM Regulations or the FCM Procedures shall include typing, printing, photography, email, or any other mode of representing or reproducing words in a visible form.

Words importing the singular shall, where the context permits, include the plural and vice-versa.

The words “include”, “includes” or “including” are to be deemed followed by the words “without limitation”.

Any reference to time contained in these FCM Regulations or the FCM Procedures shall, unless otherwise stated, be to London time. Times are shown using the twenty four hour clock.
CHAPTER XIII - FCM FOREXCLEAR REGULATIONS

REGULATION 49 REGISTRATION OF FCM FOREXCLEAR CONTRACTS; COMPRESSION; FOREXCLEAR ACCOUNTS

(a) In order for an FCM to submit an FCM ForexClear Transaction for registration as an FCM ForexClear Contract, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM ForexClear 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 ForexClear Transaction for registration as an FCM ForexClear Contract in accordance with the FCM Rulebook. Each FCM ForexClear 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. It is a condition for registration as an FCM ForexClear Contract that both sides of the underlying FCM ForexClear Transaction be presented for clearing (as one FCM ForexClear Contract and one Non-FCM ForexClear Contract, or as two FCM ForexClear Contracts, as the case may be).

(b) Without prejudice to the Clearing House's rights under paragraph (e) of this FCM Regulation 49, an FCM Clearing Member shall be bound by an FCM ForexClear Contract registered in its name on behalf of an FCM Client pursuant to the presentation of particulars of an FCM ForexClear Transaction by it, and by the other FCM Clearing Member or Non-FCM Clearing Member, as applicable.

(c) Without prejudice to the Clearing House's rights under paragraph (e) of this FCM Regulation 49, an FCM ForexClear Transaction, particulars of which are submitted for registration as an FCM ForexClear Contract, must meet the FCM ForexClear Product Eligibility Criteria at the time the particulars of the FCM ForexClear Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as an FCM ForexClear Contract, at which time the FCM ForexClear Contracts (or the FCM ForexClear Contract and the Non-FCM ForexClear Contract, as the case may be) shall replace and supersede such corresponding FCM ForexClear Transaction.

(d) The Clearing House shall be deemed to register an FCM ForexClear Contract, in accordance with this FCM Regulation 49 in the name of an FCM Clearing Member on behalf of an FCM Client at the Registration Time. At the Registration Time, the FCM Clearing Member, and the FCM Client if applicable, will be deemed to be bound by the relevant FCM ForexClear 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, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

(e) Ineligible Registered FCM ForexClear Transactions

(i) If at any time after registration of an FCM ForexClear Contract, the Clearing House determines that the corresponding FCM ForexClear Transaction of which details were submitted for registration did not, at the Registration Time,
(k) In the case of an FCM ForexClear 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 49 shall take effect.

(l) **Compression.** Notwithstanding any other provision of these FCM Regulations, if one or more FCM ForexClear 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 ForexClear Contracts previously registered for the account of such FCM Clearing Member, and all such FCM ForexClear Contracts are either (i) registered on the FCM Clearing Member's own behalf, or (ii) registered on behalf of the same FCM Client and in the same FCM Client Sub-Account, then the FCM Clearing Member may request that the Clearing House compress and combine all such FCM ForexClear Contracts by terminating the relevant existing FCM ForexClear Contracts and compressing them so that there results in either (1) no replacement FCM ForexClear Contract, or (2) one or more FCM ForexClear Contracts having a net future cash flow equal to the net future cash flow of the original FCM ForexClear Contracts. For the purposes of this FCM Regulation 49(l), two or more FCM ForexClear 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 Valuation Date (as defined in schedule 3 of the FCM Product Specific Contract Terms and Eligibility Criteria Manual) and Settlement Date (as defined in schedule 3 of the FCM Product Specific Contract Terms and Eligibility Criteria Manual). For the avoidance of doubt, the Clearing House may determine that two or more FCM ForexClear Contracts have “substantially the same Economic Terms” even if they have differing Forward Rates (as defined in schedule 3 of the FCM Product Specific Contract Terms and Eligibility Criteria Manual). The Clearing House shall determine (in its sole discretion) whether FCM ForexClear Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such FCM ForexClear Contracts are compressed, the Clearing House shall determine (in its sole discretion) whether any replacement ForexClear Contract(s) shall replace the compressed ForexClear Contracts and, if so, the resulting terms of such ForexClear Contract(s), and such determinations shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of FCM ForexClear Contracts that the amount of Margin that the Clearing House requires in respect of the original FCM ForexClear Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM ForexClear Contract(s).

(m) **ForexClear Accounts.** All FCM Omnibus ForexClear Client Accounts with LCH shall not be permitted to contain any FCM Contracts other than FCM ForexClear Contracts or to reflect any Margin other than in connection with FCM ForexClear Contracts.

(n) **Unallocated FCM ForexClear Transactions.** In accordance with all other applicable provisions of the FCM Rulebook, an FCM Clearing Member may register an FCM ForexClear Contract subject to post-registration allocation on behalf of a Pre-Allocation Executing Party in accordance with the following provisions:

(i) In order for an FCM ForexClear Transaction executed by a Pre-Allocation Executing Party to be subject to post-registration allocation (such transaction, an “Unallocated FCM ForexClear Transaction”), the FCM Clearing Member that will be registering the Unallocated FCM ForexClear Transaction (such FCM Clearing Member, a “Pre-Allocation FCM Clearing Member”)
must have provided the Clearing House with prior notice that it wishes to establish an FCM ForexClear Suspension Sub-Account with respect to that Pre-Allocation Executing Party, and the Clearing House must have opened such FCM ForexClear Suspension Sub-Account for the FCM Clearing Member.

(ii) The FCM ForexClear Contract registered on behalf of a Pre-Allocation Executing Party that results from an Unallocated FCM ForexClear Transaction (such contract, an “Unallocated FCM ForexClear Contract”) shall be registered in the relevant FCM ForexClear Suspension Sub-Account. The beneficial owner of the Unallocated FCM ForexClear Contract shall be the unidentified FCM Client on whose behalf the Unallocated FCM ForexClear Transaction was executed.

(iii) To effect the allocation of an Unallocated FCM ForexClear Contract, a Pre-Allocation Executing Party or Pre-Allocation FCM Clearing Member must present to the Clearing House an FCM ForexClear Transaction through an Approved Trade Source System that identifies (i) the Client Account, FCM Client Sub-Account or Proprietary Account, as applicable, of the Post-Allocation Clearing Member to which such Unallocated FCM ForexClear Contract will be allocated and (ii) the FCM ForexClear Suspension Sub-Account to which the relevant FCM ForexClear Transaction relates. For the avoidance of doubt, such FCM ForexClear Transaction must be accepted as a new FCM ForexClear Transaction in accordance with the FCM Regulations and Procedures.

(iv) Following the presentation and acceptance of an FCM ForexClear Transaction pursuant to paragraph (iii) above, the Clearing House shall (A) register one or more (as applicable) offsetting FCM ForexClear Contracts to the same FCM ForexClear Suspension Sub-Account and (B) register one or more (as applicable) corresponding FCM ForexClear Contracts to the relevant Client Account, FCM Client Sub-Account or Proprietary Account, as applicable, of the relevant Post-Allocation Clearing Member; each such newly registered FCM ForexClear Contract shall have the same Economic Terms as the corresponding Unallocated FCM ForexClear Contract, provided that the aggregate notional value of such newly registered FCM ForexClear Contract(s) (in respect of (B) above) shall equal the notional value of the relevant FCM ForexClear Transaction. For the avoidance of doubt, in the event the notional value of the FCM ForexClear Transaction accepted pursuant to paragraph (iii) exceeds the notional value of the relevant Unallocated FCM ForexClear Contract, the Clearing House shall register the applicable FCM ForexClear Contracts in accordance with this paragraph.

(v) The registration and allocation of Unallocated FCM ForexClear Contracts as set forth above is subject to all other applicable provisions of the FCM Rulebook including, where applicable, and to the same extent as if an Unallocated FCM ForexClear Transaction were a new FCM ForexClear Transaction with respect to the relevant account: (A) the provision by the Pre-Allocation FCM Clearing Member of adequate Margin in its FCM ForexClear Suspension Sub-Account at the time of registration of the Unallocated FCM ForexClear Contract; and (B) the provision by the applicable Post-Allocation
FCM Clearing Member(s) of adequate Margin, at the time of the registration of the relevant FCM ForexClear Contract(s) pursuant to paragraph (iv)(B) above, in respect of each Client Account, FCM Client Sub-Account or Proprietary Account to which each such FCM ForexClear Contract is to be registered. If adequate Margin is not so provided in respect of each Client Account, FCM Client Sub-Account or Proprietary Account, as applicable, the Clearing House may, in its sole discretion, reject the transfer of the given FCM ForexClear Contract(s), and may take any other actions permitted under the FCM Rulebook.

(vi) In order to meet the obligations of an FCM Clearing Member set out under paragraph (v) above, the Clearing House will solely look to the FCM Buffer held by the relevant FCM Clearing Member and such FCM Buffer shall only be available to margin an Unallocated FCM ForexClear Transaction or FCM ForexClear Contract, as applicable, to the extent that it is Available FCM Buffer. For such time as any Available FCM Buffer is, and remains, applied to margin an Unallocated FCM ForexClear Transaction or relevant FCM ForexClear Contract, as applicable, such FCM Buffer shall no longer be Available FCM Buffer and shall be Encumbered Buffer.

(vii) Where an Unallocated FCM ForexClear Contract has been registered to an FCM ForexClear Suspension Sub-Account and is not allocated by the relevant Pre-Allocation Executing Party, or in such other circumstances that the Clearing House considers appropriate, the Pre-Allocation FCM Clearing Member may submit a request to the Clearing House, in such form and manner as determined by the Clearing House in its sole discretion, requesting the transfer of the relevant Unallocated FCM ForexClear Contract to that FCM Clearing Member’s Proprietary Account. The processing of a request submitted under this paragraph (vii) may take the Clearing House up to five (5) Business Days. An FCM Clearing Member, through requesting such transfer, shall be deemed to represent that such transfer is in accordance with Applicable Law and the FCM Clearing Member’s contractual rights against the Pre-Allocation Executing Party or, if applicable, the Pre-Allocation Executing Party's underlying customer(s).

(viii) Where applicable, an FCM Clearing Member may request that all FCM ForexClear Contracts entered into in respect of a given FCM ForexClear Suspension Sub-Account be considered for compression by the Clearing House in accordance with the FCM Procedures.

(ix) Each Pre-Allocation FCM Clearing Member and Post-Allocation FCM Clearing Member must comply with all Applicable Law, and shall be responsible for ensuring that Pre-Allocation Executing Parties clearing through it are in compliance with CFTC Regulation 1.35(b)(5), where applicable.
LCH Rule Submission

Appendix B

FCM Procedures
FCM PROCEDURES OF
THE CLEARING HOUSE
LCH.CLEARNET LIMITED
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The Clearing House calculates and applies LRMM as part of each Margin Run, based on the IM for each Currency Pair in the FX FCM's house position-keeping account.

(c) **Sovereign Risk multiplier ("SRM")**

An SRM is applied when there is a perceived risk of sovereign default or a change in a country's currency regime which would impact FCM ForexClear Contracts transacted in certain Reference Currencies. The SRM takes into account:

(i) the probability of sovereign default or a regime change event occurring; and

(ii) the depreciation or appreciation risk of the Reference Currencies.

The SRM sovereign default probability is calculated by assessing the three month probability of default for the different sovereign countries, based on the country's 5-year credit default swap (CDS) spread. The probability of a regime change event is estimated based on historical events and publicly available data for the different sovereign countries. The country CDS spreads are reviewed and updated weekly.

The Clearing House calculates and applies the SRM as part of each Margin Run, for each Currency Pair in the FX FCM's house position-keeping account.

2.2.12 **Additional Margin, MER Buffer, MCE and Intraday Margin Calls**

(a) **Additional Margin**

The Clearing House may require an FX FCM to furnish additional amounts of Margin (in addition to Initial Margin and Variation Margin) as security for the performance by an FX FCM of its obligations to the Clearing House in respect of FCM ForexClear Contracts to which such FX FCM is a party in accordance with FCM Regulation 14 (Margin and Collateral). This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in FCM ForexClear Contracts to which such FX FCM is a party not adequately covered by Initial Margin or Variation Margin. This may cover instances where stress testing losses under various scenarios provided in the ForexClear Default Fund Supplement have increased.

(b) **Minimum Excess Requirement Buffer ("MER Buffer")**

To facilitate the intraday registration of FCM ForexClear Contracts, at each EOD Margin Run, the Clearing House will call from each FX FCM, separately in respect of its Proprietary Account and each of its FCM Client Sub-Accounts, an amount of IM referred to as "Minimum Excess Requirement Buffer" ("MER Buffer") in respect of that FX
FCM's and its FCM Clients' potential intraday Liabilities (as defined below in Section 2.2.17) for the following day. MER Buffer is part of the FX FCM's Required Margin. An FCM's MER Buffer is calculated in respect of an FCM's Proprietary Account and each of its FCM Client Sub-Accounts, and Margin furnished in respect of MER Buffer is credited to each account (as applicable) as IM. Notwithstanding the foregoing, for purposes calculating a given FCM's MER Buffer, the Clearing House may from time to time, and in its sole discretion, exclude an FX FCM's given FCM ForexClear Suspension Sub-Accounts from such calculation.

The required amount of MER Buffer for each applicable account of an FX FCM is expressed as a percentage of start-of-day portfolio IM for such account. The MER Buffer for each account is calibrated daily based on recent activity within the relevant account such that higher levels of intraday trade volumes lead to a proportionally higher MER Buffer requirement and vice versa. The MER Buffer percentage is calculated as a given percentile of intraday peak relative IM changes over a given number of historical business days.

The parameters of the MER Buffer model are: MER percentile, MER look-back period, relative MER cap and absolute MER floor. The values of these parameters are calibrated based on the quantitative analysis of the FX FCM's IM history across the ForexClear Service.

As FCM ForexClear Contracts are registered in an FX FCM's relevant accounts, the Clearing House will, in accordance with the Margin Run process, calculate the FX FCM's intraday Liabilities (or, in the case of an Incremental Risk Check, the FX FCM's estimated Liabilities), taking into account any IM posted as MER Buffer in the applicable account.

At each EOD Margin Run, the Clearing House will recalculate and call the FCM's Required Margin, which includes MER Buffer for all accounts.

(c) Mutualized Credit Extension ("MCE")

If an FX FCM has insufficient Margin attributed to an account to enable the registration of further FCM ForexClear Contracts in such FCM Client Sub-Account or its Proprietary Account, then the Clearing House may make available to an FX FCM intraday credit (in the form of intraday Initial Margin forbearance) by way of a Mutualized Credit Extension ("MCE") to enable the FX FCM to register further FCM ForexClear Contracts. An FX FCM may utilize MCE intraday on a one-to-one basis to the value of the IM that would have been required to cover that FX FCM's Liabilities (or, in the case of Incremental Risk Checks, the FX FCM's estimated Liabilities). The amount of the MCE made available to an FX FCM in aggregate during any one day must not exceed an amount that is the lesser of: (a) 50 per cent. of the ForexClear MCE Default Fund Buffer; or (b) the sum of the FX FCM's...
2.2.17 Margin Run Process

Margin Runs cover all registered FCM ForexClear Contracts with the status “NOVATED”.

Margin runs will be carried out for each FCM ForexClear Contract and FCM ForexClear Transaction (as the case maybe) until (and including) the later of:

(a) EOD Margin Run on the Settlement Date; or

(b) EOD Margin Run after the Settlement Rate is published.

During every Margin Run the Clearing House calculates the Initial Margin required and (where applicable) the Variation Margin and PAI required to cover each FX FCM's relevant open FCM ForexClear Contracts and FCM ForexClear Transactions (each a “Liability” and together the “Liabilities”).

Each FX FCM's Liability is offset against that FX FCM's non-cash Collateral account (being a sub-account of the FX FCM's financial account) (for IM only) or funds in that FX FCM's cash account (being a sub-account of the FX FCM's financial account) (for VM/PAI/IM). Initial Margin will always be a Liability (payable to the Clearing House) and Variation Margin, NSA and PAI may be a cash posting or a Liability (payable by, or to, the Clearing House, respectively).

FX FCMs are informed via email of their Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash Collateral account(s)) and are directed to the ForexClear Services portal (being a secure website made available to FXCCMs) (the “ForexClear Service Portal”) which provides reports (at the times specified in Section 2.2.21) informing FX FCMs of their (i) total Liabilities under the FCM ForexClear Service; (ii) current total cover posted with the Clearing House for the FCM ForexClear Service (including any MCE, if any); and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash Collateral account(s)).

If following a Margin Run an FX FCM is required to provide additional Collateral, this is also indicated by email and via the ForexClear Service Portal. In the case of ITD/Ad-hoc Margin Runs, where an FX FCM's Liabilities exceed its available cover and any MCE then the Clearing House will issue a margin call for the amount of the shortfall plus 50 per cent. of the FX FCM's MER Buffer amount.

2.2.18 Compression

(a) Pursuant to FCM Regulation 49(l) (Registration of FCM ForexClear Contracts; Compression; ForexClear Accounts), an FCM Clearing Member may compress existing FCM ForexClear Contracts in accordance with that FCM Regulation. There are two options available
to an FCM Clearing Member that wishes to compress FCM ForexClear Contracts:

(i) an FCM Clearing Member can request that all FCM ForexClear Contracts entered into (i) on behalf of a designated FCM Client and in respect of a particular FCM Client Sub-Account (including an FCM ForexClear Suspension Sub-Account), or (ii) on such FCM Clearing Member's own behalf, be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the FCM Clearing Member after the applicable scheduled compression run) until the FCM Clearing Member notifies the Clearing House to discontinue such compression of FCM ForexClear Contracts. FCM Clearing Members should contact the Clearing House's Membership Department to request such a compression of FCM ForexClear Contracts; or

(ii) an FCM Clearing Member may notify the Clearing House directly through the ClearLink API specifying which FCM ForexClear Contracts and/or Resulting FCM ForexClear Contracts should be compressed. The FCM Clearing Member will be notified after the applicable scheduled compression run whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

(b) In order to compress an FCM ForexClear Contract, an FCM Clearing Member must follow the process for compression as set out above and must, at the time of compression, have in its applicable FCM Client Sub-Account (or FCM ForexClear Suspension Sub-Account, if applicable) or Proprietary Account two or more FCM ForexClear Contracts with the same compression identifier (being an identifier applied by the Clearing House which indicates that such FCM ForexClear Contracts are eligible for compression).

(c) In respect of each compression, the Clearing House will notify Clearing Members of the cut-off time by which the Clearing House must be notified of the relevant FCM ForexClear Contracts and/or Resulting FCM ForexClear Contracts to be compressed in order for such FCM ForexClear Contracts and/or Resulting FCM ForexClear Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all FCM ForexClear Contracts and Resulting FCM ForexClear Contracts notified to it prior to such cut-off time and shall notify the applicable FCM Clearing Member after the applicable compression run of the result of such compression procedure. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day.