VIA EMAIL TO: SECRETARY@CFTC.GOV

May 13, 2013

Ms. Melissa Jurgens
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

Dear Ms. Jurgens:

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet LLC ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to the Clearing House Rulebook to implement changes required to comply with Commission regulations, and other changes described in full below. The Rulebook changes will be effective and implemented on or shortly after May 27, 2013.[1]

The submission cover sheet, a Rulebook Matrix, and the black-lined Clearing House Procedures and Regulations (together the Clearing House Rulebook) are attached hereto as appendices.

Part I: Explanation and Analysis

Introduction

LCH.Clearnet is amending its Rulebook for the SwapClear US service to (1) implement changes required to comply with Commission regulation §39.12(b)(7) for straight-through processing (real time trade registration or RTTR); (2) implement the strategic Initial Margin (IM) methodology and related rule changes for tenor-basis risk; (3) implement updated rule changes to comply with Part 22 of the CFTC regulations (LSOC), including FCM debiting instructions, close out of clients and affiliates (and transfer of margin and collateral), and terminology; (4) implement changes for the introduction of bunched orders under CFTC regulation §1.35; (5) implement changes resulting from legal advice received regarding the insolvency of either a clearing member or the clearing house and the enforceability of certain rulebook provisions; (6) implement changes in relation to the delivery and maintenance of collateral; and (7) provide for clarifying language and conforming changes.

1. Straight-Through Processing (Real Time Trade Registration or "RTTR")

LCH.Clearnet is amending its rules and making changes to the SwapClear US service in order to introduce "real time trade registration" (hereafter "RTTR") in compliance with §39.12(b)(7). 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,

[1] LCH.Clearnet notes that while the current Rulebook is in effect since January 23, 2013, the SwapClear US has not yet commenced clearing operations and is expected to launch on June 3, 2013.

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

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 US 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. 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 Default Fund.
3. Additional conforming changes to the LCH.Clearnet rulebook as detailed on the attached Rulebook Matrix, which is attached as Appendix II.

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

a. Changes to the Trade Registration Process

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 US, "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. Trade Registration Facilitation; SwapClear Tolerance Limits

Within the SwapClear US 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 then 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 Default Fund will be increased to cover the additional intraday stress test losses arising from the extension of registration tolerance and will be called from members in advance of the commencement of clearing operations for SwapClear US. No changes are proposed to the existing default waterfall or loss attribution provisions associated with the 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.

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 Members' 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 will be treated as required

margin. 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 its intent to change the member's status.

SwapClear US 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 US 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 utilization.

LCH.Clearnet continues to finalize the calibration of Tolerance Limits which may be set at zero (0), in which case Clearing Members will have to provide voluntary excess collateral (pre-funding) to ensure that sufficient cover is available to facilitate their trade registration requirement. LCH.Clearnet will notify Clearing Members of the final calibrated Tolerance Limits prior to go-live.

2. Strategic Initial Margin Methodology

LCH.Clearnet is making these changes as part of its ongoing review of its margin methodologies to ensure optimal performance under a variety of market conditions, and to further enhance the SwapClear US risk models. The changes will also serve to maintain the balance between the 'defaulter pays' approach and the mutualisation of losses in the SwapClear US default waterfall.

Description of Changes:

LCH.Clearnet currently uses the PAIRS VaR methodology as the primary model for SwapClear Initial Margin. SwapClear US will continue to utilize PAIRS as its primary model, but will make the following further changes to its current PAIRS algorithm[2]:

(a) the historic time period used to calculate initial margins will increase from 5 years to 10 years, with an associated recalibration of the number of observations taken into account in calculating expected shortfall and the decay factor (λ) in the exponentially weighted moving average (EWMA) volatility estimate;

(b) recalibration and simplification of the liquidity risk multipliers in line with (a) above;

(c) a margin add-on will be added in respect of tenor basis risk add-ons.

These modifications will ensure a better balance between defaulter pays approach and the mutualisation of losses in the default waterfall in a range of interest rate environments. LCH.Clearnet has conducted extensive testing of the new methodology to validate its confidence that the change to absolute returns will continue to perform in both low and high interest rate environments, which demonstrated that the model continued to perform to expectation under various scenarios.

Although there are a number of amendments to the model, many aspects remain unchanged. Holding period assumptions remain constant for SwapClear US at 5 days for house accounts and 7 days for

[2] PAIRS stands for Portfolio Approach to Interest Rate Scenarios (PAIRS) and is LCH.Clearnet's acronym for the underlying quantitative methodology.

clients. The methodology also retains the existing standard deviation scaling parameters applied at a risk factor level, applies the same correlation assumptions and utilizes one-tailed scenario generation.

3. LSOC-Related Changes

Following the implementation of Part 22 of the CFTC regulations in November 2012, LCH.Clearnet has reviewed the language in its rulebook which applies to LSOC accounts and has updated terminology and cross-references and made changes to provisions which are designed to improve and clarify. The updated provisions are designed to better address account types, delivery and holding of collateral, as well as requirements with respect to the use of collateral.

LCH.Clearnet now requires FCM Clearing Members to represent to the Clearing House that they have carried out appropriate compliance calculations when they instruct the Clearing House to debit their PPS accounts intra-day. In line with guidance from Commission staff, wording has been amended such that, following the default of a Clearing Member, the Clearing House's obligation to pay variation margin is on a discretionary basis (with the intention that such payments will result in an equitable outcome for clients).

Rulebook provisions have also been added to clarify Clearing House and Clearing Member obligations with regard to Clients. For a detailed list of rulebook changes, together with explanation and commentary, please see the attached Rulebook Matrix at Appendix II.

4. Bunched Orders

LCH.Clearnet added provisions and terms to the rulebook to implement the clearing of bunched orders in accordance with CFTC regulation § 1.35. The rules now allow for an Account Manager Executing Party to execute a SwapClear Transaction which will be registered to an FCM Clearing Member's SwapClear Suspension Sub-Account. Following receipt of an Allocation Notice the Clearing House will allocate from that SwapClear Suspension Sub-Account to an individual Client. For a detailed list of rulebook changes related to bunched orders, together with explanation and commentary, please see the attached Rulebook Matrix at Appendix II.

5. Insolvency

In response to CFTC guidance and in an attempt to strengthen the bankruptcy analysis, LCH.Clearnet has clarified that a clearing member is always liable to the Clearing House for performance regardless of the principal or 'agency' nature of the relationship. Several provisions have also changed as a result of legal advice relating to an LCH.Clearnet insolvency and the enforceability of Regulation 117. The regulation now states that all Open Contracts (for House or Client Business) terminate at the time of an LCH Default.

As a result of legal advice, LCH.Clearnet also updated language in Regulation 202 and 204 to clarify what actions the Clearing House will take in the event of a Clearing Member insolvency and to detail how net sums will be calculated (Regulation 205).

Conforming changes are also included relating to collateral and accounts. For a detailed list of rulebook changes related to a Clearing House or Clearing Member insolvency, together with explanation and commentary, please see the attached Rulebook Matrix at Appendix II.

6. Collateral

Certain clarifying changes have been made to the Rulebook to make more clear the different terminology dealing with collateral and margin. Additionally, conforming changes have been undertaken to account for rule changes for the transfer process, as well the posting of, and ownership and delivery of collateral. For a detailed list of rulebook changes related to collateral, together with

explanation and commentary, please see the attached Rulebook Matrix at Appendix II.

LCH.Clearnet notes that it will self-certify a schedule of acceptable collateral ahead of the June 3, 2013, go-live date for the SwapClear US service.

7. Clarifying and Conforming Changes; Other Changes

Additional clarifying and conforming changes were undertaken throughout the rulebook.

Part II: Description of rule changes

A detailed list of all changes made to the LCH.Clearnet rulebook, together with explanation and commentary, is attached at Appendix II (Rulebook Matrix).

Part III: Core Principle Compliance

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), F (Treatment of Funds), and G (Default Rules). LCH.Clearnet has concluded that its compliance with the Core Principles would not be adversely affected by these changes and that 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 US 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 Default Fund will ensure that LCH.Clearnet complies with the relevant provisions of Core Principle B and with Core Principle D.

Part IV: Public Information

LCH.Clearnet has posted 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/llc/default.asp.

Part V: Opposing Views

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

Certification

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

Should you have any questions please contact me at laurian.cristea@lchclearnet.com.

Yours sincerely,

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cc: Phyllis Dietz, CFTC
Adam Cohen, CFTC
Susan Milligan, LCH.Clearnet LLC
John Horkan, LCH.Clearnet LLC

Appendix I
Submission Cover Sheet

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) LCHLLC **Date: 13 May 2013**

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

ORGANIZATION LCH.Clearnet LLC

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

Clearing House Procedures – 1.2.2; 1.5.3; 2A.1.1; 2A.2.2; 2A.3.2-3; 2A.3.5; 2A.3.7; 2A.5.1; 2A.6.1; 2A.7.13; 2A.8; 2A.8.3; 2A.8.6; 2A.9.2; 2A.12; 2A.12.5-6; 2A.17.6; Various Appendices; 3.1.3; 3.2.1; 3.2.3; 3.2.10; 3.2.12; 3.3.1-2; 3.4; 3.4.1-3; 3.5.4; 3.7; 4.1.1-5; 4.5; and 4.13.

Clearing House Regulations – Definitions; 101-102; 104-107; 111-114; 116-118; 202; 204-206; 208; 303; 316; 318; 320-322; 401; and Part B – Schedule 4A.

DESCRIPTION

LCH.Clearnet is amending its Rulebook for the SwapClear US service to (1) implement changes required to comply with Commission regulation §39.12(b)(7) for straight-through processing (real time trade registration or RTTR); (2) implement the strategic Initial Margin (IM) methodology and related rule changes for tenor-basis risk; (3) implement updated rule changes to comply with Part 22 of the CFTC regulations (LSOC), including FCM debiting instructions, close out of clients and affiliates (and transfer of margin and collateral), and terminology; (4) implement changes for the introduction of bunched orders under CFTC regulation §1.35; (5) implement changes resulting from legal advice received regarding the insolvency of either a Clearing Member or the Clearing House and the enforceability of certain rulebook provisions; (6) implement changes in relation to the delivery and maintenance of collateral; and (7) provide for clarifying language and conforming changes.

Appendix II
Rulebook Matrix

Rulebook Matrix:

Explanation of Changes to the LCH.Clearnet LLC ("LCH") rulebook in connection with the CFTC Self-Certification of May 13, 2013

Rulebook Reference:	Explanation:	Additional Commentary:
Procedures:		
1.2.2	Conforming change.	Certain clarifying changes have been made to the rulebook to make more clear the different terminology dealing with collateral and margin. In this paragraph, the use of the term 'Posted Collateral' has been added as the Clearing House may assess not only the value but also the type of collateral which has been delivered.
1.5.3	Conforming changes.	Certain clarifying changes have been made to the rulebook to make more clear the different terminology dealing with collateral and margin. In this paragraph, the use of the term 'Client Funds' is appropriate as this is reference to the collateral which is delivered by the Client to the Clearing Member.
2A.1.1	The SwapClear Service measures MER requirements and SwapClear Tolerance limits.	None.
2A.2.2	SwapClear will accept confirmations from clearing members until 7:01pm. The SwapClear service may be closed upon notice in order to allow for compression runs or technical updates.	Clearing Members have up to 60 seconds to accept a SwapClear Transaction that is presented in their name. Messages to members run until 7:00pm, therefore, LCH will accept confirmations received until 7:01pm.
2A.3.2	Amendments made to state that 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 at the time of 'submission' or 'deemed submission'.. Correction - inclusion of defined term.	None.

Rulebook Reference:	Explanation:	Additional Commentary:
2A.3.3	New paragraphs explaining SwapClear Tolerance, MER and MER Participation Status.	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 deliver based on a number of factors as set out in this section.
2A.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).	New trades and backloaded trades will be treated in the same manner. 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. Wording has been amended to provide that backloaded trades must all be funded in order to be registered. Funding includes MER Buffer and SwapClear Tolerance.
2A.3.7	Rejected trades: trades will be rejected where there is insufficient cover (including MER and SwapClear Tolerance).	None.
2A.5.1	Inclusion of reference tot he L Position-Keeping Account.	The L account was introduced to record variation margin flows.
2A.6.1	Conforming changes.	None.
2A.7.13	Correction - inclusion of defined term.	None
2A.8	Conforming changes.	None.
2A.8.3	Correction - inclusion of defined term.	None
2A.8.6	Reference to tenor basis risk has been inserted.	As part of the changes to the LCH margin methodology, account will be taken of tenor basis risk.

Rulebook Reference:	Explanation:	Additional Commentary:
2A.9.2	A new provision has been included which deals with an FCM's instructions with respect to the debiting of funds from a client account.	FCM Clearing Members may instruct the Clearing House to debit their PPS accounts intra-day. In doing so, they represent to the Clearing house that they have carried out appropriate compliance calculations in order fo rthe account to be debited.
2A.12	Conforming changes relating to Contract transfers margining and collateral.	Rulebook provisions have been included to permit the transfer of Contracts entered into on behalf of a Client from one Clearing Member to another Clearing Member (outside of the business as usual transfer process).
2A.12.5 and 2A.12.6	Rule dealing with how defaulting clients and affiliates of clearing members are closed out or transferred between accounts. This section also contains a paragraph dealing with how, operationally, a SwapClear Transaction can be presented for registration when an entity has defaulted in its obligations to a Clearing Member.	This rule has been introduced to effect certain changes resulting from industry standard documentation dealing with the closing out of Clients and Affiliates that have defaulted to a Clearing Member.
2A.17.6	Conforming changes and corrections.	None
Various appendices.	Conforming changes.	None.
3.1.3	Conforming change.	None.
3.2.1	Conforming changes. Updating change resulting from Part 22 now becoming effective.	None.
3.2.3	Conforming change.	None.
3.2.10	Conforming change.	None.
3.2.12	Conforming change.	None.
3.3	Conforming changes.	None.
3.3.1	Conforming changes.	None.
3.3.2	Conforming changes.	None.
3.4	Conforming change.	None.

Rulebook Reference:	Explanation:	Additional Commentary:
3.4.1	Conforming changes.	None.
3.4.2	Conforming changes.	None.
3.4.3	Conforming changes.	None.
3.5.4	Conforming changes.	None.
3.7	Conforming changes.	None.
4.1.1	Conforming changes.	None.
4.1.2	Conforming changes.	None.
4.1.3	Conforming changes.	None.
4.1.4	Conforming changes.	None.
4.1.5	Conforming change.	None.
4.5	Conforming change.	None.
4.13	Conforming changes.	A terminology change has been introduced following discussions with the CFTC. 'Applied Buffer' is now referred to as 'Encumbered Buffer'.
Regulations		
Definitions: **"**Account Assets**"**	Deletion.	Certain clarifying changes have been made to the rulebook to make more clear the different terminology dealing with collateral and margin. The term 'Account Assets' has been superseded by the terms 'Margin' and 'Posted Collateral'.
"Account Manager Executing Party**"**	Term introduced for the inclusion of bunched orders in accordance with CFTC regulation § 1.35.	An Account Manager Executing Party may enter into a 'block transaction' which is then allocated from a SwapClear Suspense Account" to a particular Client at a later date through an 'Allocation Notice'.
"Allocation Notice"	In connection with bunched orders, a clearing member may notify the Clearing House of an allocation from the SwapClear Suspension Account to a Client.	None.
"Applied Buffer"	Deletion.	A terminology change has been introduced following discussions with the CFTC. 'Applied Buffer' is now referred to as 'Encumbered Buffer'.

Rulebook Reference:	Explanation:	Additional Commentary:
"Buffer Sub-Account"	Correction - term previously not listed in definitions section.	None.
"Carrying FCM Clearing Member"	Conforming change.	None.
"Cleared Swaps Customer Account Class"	Cross-referencing and terminology clarification or correction.	Following the implementation of Part 22 of the CFTC regulations in November 2012, LCH.Clearnet has reviewed the language in its rulebook which applies to LSOC accounts and has updated certain terminology and cross-references and made changes to some provisions which are designed to improve and clarify.
"Cleared Swaps Customer Account"	Conforming change.	None.
"Client Funds"	Conforming change.	The changes described above in relation to margin and collateral also extend to include wording that deals with the posting of collateral by a client to a clearing member.
"Client Segregated Sub-Account"	Conforming change.	None.
"Client Sub-Account Balance"	Conforming changes.	None.
"Contribution"	Correction of cross reference.	None.
"Encumbered Buffer"	Conforming change.	None.
"Equal Bid"	Correction - term previously not in alphabetical order.	None.
"Excess Margin"	Conforming change.	None.
"FCM"	Terminology change.	None.
"FCM Clearing Member Segregated Accounts"	Deletion.	Changes have been made in order to clarify certain provisions governing the ownership and delivery of collateral and where such collateral is held.
"FCM Swaps Client Segregated Depository Account"	Conforming change.	As described immediately above.
"FDICIA"	Correction - term previously not listed in definitions section.	None.

Rulebook Reference:	Explanation:	Additional Commentary:
"Initial Margin"	Conforming change.	'Initial Margin' is now the term used for the amount of Margin that is held and which is delivered with respect to the initial margin requirement.
"LCH Swaps Client Segregated Depository Account"	Conforming change.	Part 22 related change.
"Margin"	Conforming change.	'Margin' is now used to describe the value of collateral that is delivered with respect to an individual account.
"Minimum Contribution"	Deletion.	The term 'Minimum Contribution' has been replaced with two terms as a member's contribution is now divided across a Tolerance related portion and a non-Tolerance related portion.
"Minimum Contribution Member"	Conforming change.	None.
"Minimum Non-Tolerance Contribution"	Amendment to state that a clearing member's contribution consist of a Tolerance related contribution and a non-Tolerance related Contribution.	The SwapClear Contribution now consists of a non-Tolerance related minimum of $10 million and a Tolerance related minimum of $15 million.
"Non-Tolerance Amount"	Conforming change.	None.
"Non-Tolerance Contribution Amount"	Conforming change.	None.
"Non-Tolerance Weight"	Conforming change.	None.
"Omnibus Client Swaps Account with LCH"	Conforming changes.	The change to this definition is designed to clarify the nature of the accounts opened and maintained by LCH.Clearnet.
"Porting Collateral"	Conforming change.	None.
"Posted Collateral"	Conforming change.	'Posted Collateral' is the term which is now used to describe the actual cash or non-cash assets that are delivered by a member to the clearing house.

Rulebook Reference:	Explanation:	Additional Commentary:
"PPS Accounts"	Deletion - conforming change.	None.
"Receiving FCM Clearing Member"	Conforming change.	None.
"Required Margin"	Conforming change.	None.
"SwapClear Product Eligibility Criteria"	New definition included to clarify that eligibility criteria does not include margin requirements or other registration conditions but is as set out in the relevant schedule.	None.
"SwapClear Suspension Sub-Account"	A Sub-Account used for the registering of SwapClear Transactions prior to allocation.	This term has been introduced for the implementation of bunched orders. A trade will 'sit' in a sub-account prior to allocation.
"SwapClear Tolerance"	Conforming change.	None.
"Tolerance Amount"	Conforming change.	None.
"Tolerance Contribution Amount"	Conforming change.	None.
"Tolerance Utilization"	Conforming change.	None.
"Tolerance Weight"	Conforming change.	None.
"Termination Amount"	Correction - terminology not previously included in definitions section.	None.
"Unallocated SwapClear Contract"	The term used for a contract that has been registered prior to allocation to a sub-fund.	This term has been introduced for the implementation of bunched orders.
"Unallocated SwapClear Transaction"	Conforming change.	None.
"Variation Margin"	Wording change.	Additional wording has been included to clarify the exact nature of Variation Margin.
Regulation 101(b)	Provision changed to ensure it correctly reflects the relationship between a clearing member and the clearing house.	In response to CFTC guidance and in an attempt to strengthen the bankruptcy analysis, LCH.Clearnet has clarified that a clearing member is always liable to the clearing house for performance regardless of the principal or 'agency' nature of the relationship.
Regulation 102(b)(i)	Minor wording change.	None.

Rulebook Reference:	Explanation:	Additional Commentary:
Regulation 102(b)(vii)	Explanation of acronym.	None.
Regulation 102	Conforming changes.	Changes in this paragraph primarily relate to Part 22 implementation and are designed to better address: • Account types; • Delivery and holding of collateral; • 'LSOC' requirements with respect to the use of Cleared Swaps Customer Collateral and its segregation by the Clearing House and FCM Clearing Members; and • in (f)(v) new wording to state that the Clearing House is under no obligation to deal directly with Clients.
Regulation 104(a)	Express reference to the SwapClear Dealer arrangements has been included with respect to non-FCM Clearing Members.	FCM Clearing Members may clear on behalf of their affiliates. Non FCM Clearing Members must use the SwapClear Dealer arrangement which requires the execution of a tri-party agreement between the SwapClear Dealer, the Clearing Member and LCH.Clearnet.
Regulation 105(f)	Conforming change.	None.
Regulation 106	Conforming changes and a deletion.	Regulation 106 includes further conforming changes relating to: • the delivery and holding of collateral; • Account terminology; and • Terminology changes from 'Applied Buffer to 'Encumbered Buffer'. In addition, Regulation 106(g) has been deleted as it was repeated and clarified throughout the latter sections of the Regulation. By the introduction and use of additional terminology.

Rulebook Reference:	Explanation:	Additional Commentary:
Regulation 107	Conforming changes.	None
Regulation 107(f)	Provision providing for the transfer of a client position to the proprietary account of another clearing member.	The rulebook already provides for transfers between an FCM Clearing Member's Client account and Proprietary account (in the event of a Client default). This has now been expanded to include the scenario where a Client's contracts are transferred to another Clearing Member.
Regulation 111	Conforming change.	None.
Regulation 112	Conforming changes.	None.
Regulation 113(g)	Deletion of reference to Part 22 of the CFTC regulations becoming effective in the future.	The former version of the rulebook contained wording to state that the provisions relating to 'LSOC' would not becoming effective until such time as Part 22 became mandatory. This wording was included as the SwapClear US service was originally scheduled to launch on a date very close to the CFTC's proposed implementation of Part 22.
Regulation 114(a)	Wording correction.	None.
Regulation 116	Terminology improvements and clarifications. New provision to state that the Clearing House has no obligations to any party that is not a clearing member.	None.
Regulation 117	117(c)(ii) included to state that all Open Contracts (for House or Client Business) terminate at the time of an LCH Default. Other conforming changes. 117(f)(viii) included to state that payments due under Regulation 117 are payable in USD.	Provision included as a result of legal advice relating to an LCH.Clearnet insolvency and the enforceability of Regulation 117. Conforming changes also included as a result of insolvency advice and relating to collateral and accounts.
Regulation 118	Further wording to state that the Clearing House has no obligations to Affiliates or Clients Conforming change.	None.
Regulation 202	Minor drafting changes.	202(b)(vii) was included as a result of legal advice received

Rulebook Reference:	Explanation:	Additional Commentary:
	Conforming change. Reference to Part 190 has been included. (b)(vii) paragraph states the actions that LCH.Clearnet takes to hedge its exposure to a defaulting member.	relating to a clearing member insolvency and LCH.Clearnet's actions in the event of such an insolvency.
Regulation 204(b)(iii) and (v)	Conforming changes.	None.
Regulation 204(c)	Drafting improvements.	None.
Regulation 204(d)	(d)(i) amendment to state that Contracts will be transferred to a wining bidder through registering new Contracts with the Clearing House in the name of the winning bidder. Further drafting improvements.	204(d)(I) was amended as a result of legal advice received relating to a clearing member insolvency and LCH.Clearnet's actions in the event of such an insolvency.
Regulation 204(f), (g) and (h)	Conforming changes and minor drafting changes.	None.
Regulation 205	Drafting changes. Conforming changes.	In response to clearing member feedback and external legal advice, the netting language in Regulation 205 has been amended in order to try and clearly state how net sums will be calculated in the event of a clearing member default.
Regulation 205(d)	Amendments to the Clearing House's obligations with respect to the payment of variation margin following a clearing member's default.	In response to CFTC guidance and external legal advice, the wording in Regulation 205(d) has been amended such that the Clearing House's obligation to pay variation margin pursuant to the Rulebook is paid on a discretionary basis (with the intention that such payments will result in an equitable outcome for clients).
Regulation 206	Conforming change.	None.
Regulation 208	Minor drafting change.	None.
Regulation 303(a)	Drafting change.	Wording has been included to state that a new member's Contribution will be assessed upon joining the Clearing House.
Regulation 303(d) "Tolerance Amount"	Definition inserted for the value of the default fund which is used to collateralise the extension of 'Tolerance' by the	Following the implementation of Real Time Trade Registration, the default fund is made up of a Tolerance

Rulebook Reference:	Explanation:	Additional Commentary:
	Clearing House.	related portion and a non-Tolerance related portion,
Regulation 303(e) "Tolerance Weight"	Definition inserted which states how an individual clearing member's Tolerance Weight is calculated.	'Tolerance Weight' is the term used for a clearing member's usage of Tolerance in comparison to other clearing members.
Regulation 303(f) "Tolerance Contribution Amount"	Each clearing member will contribute towards the Tolerance related portion of the default fund based on their usage of Tolerance.	The Tolerance Contribution Amount includes a floor and cap with respect to each individual clearing member.
Regulation 303(g) "Non-Tolerance Amount"	Definition inserted for the value of the default fund which is not used to collateralise the extension of 'Tolerance' by the Clearing House.	This is the portion of the default fund which existed prior to the implementation of Real Time Trade Registration.
Regulation 303(h) "Non-Tolerance Weight"	Conforming changes.	Changes resulting from the division of the Tolerance and non-Tolerance related aspects of the Contribution.
Regulation 303(i) "Non-Tolerance Contribution Amount"	Conforming changes.	Changes resulting from the division of the Tolerance and non-Tolerance related aspects of the SwapClear Contribution.
Regulation 303(j)	Conforming changes.	Changes resulting from the division of the Tolerance and non-Tolerance related aspects of the SwapClear Contribution.
Regulation 303(k)	Provision for calculating a clearing member's total contribution to the default fund, including the reference to the minimum contribution that is required.	None.
Regulation 303(l) to (s)	Conforming changes.	Changes resulting from the division of the Tolerance and non-Tolerance related aspects of the Contribution.
Regulation 316	Conforming changes.	None.
Regulation 318	Conforming changes.	None.
Regulation 320	Conforming changes.	None.
Regulation 321	Updated cross-reference.	None.
Regulation 322	Minor drafting change.	None.
Regulation 401(d)	LCH.Clearnet will either accept or reject trades following	None.

Rulebook Reference:	Explanation:	Additional Commentary:
	their presentation to the Clearing House. Further conforming changes resulting from Real Time Trade Registration ad changes in collateral wording.	
Regulation 401(g) and (h)	Conforming changes.	None.
Regulation 401(m)	New regulation to implement clearing of 'bunched orders' (CFTC regulation § 1.35).	An Account Manager Executing Party may execute a SwapClear Transaction which will be registered to an FCM Clearing Member's SwapClear Suspension Sub-Account. Following receipt of an Allocation Notice the Clearing House will allocate from that SwapClear Suspension Sub-Account to an individual Client.
Part B - Schedule 4A	Minor drafting change to clarify that 'SwapClear Product Eligibility Criteria' is solely that criteria set out in Schedule 4A.	'SwapClear Eligibility Criteria' does not include other registration requirements that are not set out in the schedule (e.g. provision of margin).

Appendix III
LCH.Clearnet LLC Rulebook

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PROCEDURES

These LCH.Clearnet LLC Procedures (the "**Procedures**"), together with the LCH.Clearnet Regulations (the "**Regulations**"), form the Rulebook of LCH.Clearnet LLC. Except where the context otherwise requires, defined terms used and not defined herein have the meaning ascribed to them in the Regulations.

Section 1 and Sections 3–8 of these Procedures are generally applicable to all Clearing Members and all products cleared by the Clearing House unless otherwise expressly stated. Section 2 of these Procedures contain certain requirements and procedures that are specific to individual products (currently only SwapClear Contracts) cleared by the Clearing House.

Any reference to time contained in these Procedures shall, unless otherwise stated, be to New York City time. Times are shown using the twenty four hour clock.

1. CLEARING MEMBER AND DEALER STATUS

1.1 Clearing Member and SwapClear Dealer Application Procedure

(a) Application Procedure: An application for Clearing Member status or for SwapClear Dealer status with the Clearing House, must be made on the appropriate form, which can be obtained from the Clearing House's Membership Department. Additional information (including legal documents) must be supplied where required and submitted to the Clearing House with the completed form.

Applicants approved by the Clearing House for Clearing Member or SwapClear Dealer status ("**Approved Applicants**") must, within three months of notification of their approval as an applicant, fulfill all conditions attached to their approval. If an Approved Applicant does not fulfill all such conditions within these three months, the Clearing House may, at its sole discretion, consider the grant of approval to have lapsed and notify the prospective Clearing Member or SwapClear Dealer accordingly that they will be required to provide further information, following which the application may be submitted for re-approval.

Approved Applicants for Clearing Member status will become Clearing Members with the right to clear Contracts. Approved Applicants for SwapClear Dealer status will be admitted to the Register of SwapClear Dealers. Please note that Clearing Member or SwapClear Dealer status does not provide membership in the company LCH.Clearnet LLC or any right to a shareholding therein, nor does it provide the right to any shareholding in LCH.Clearnet Group Limited or any entitlement or right to participate in any way in LCH.Clearnet Limited or LCH.Clearnet SA or the respective clearing services those entities offer. LCH.Clearnet Limited and LCH.Clearnet SA have their own respective arrangements and admission criteria for Clearing Member status – see the LCH.Clearnet Limited and LCH.Clearnet SA sections of the LCH.Clearnet website for further details.

(b) Clearing Member Status: The terms and conditions binding on each Clearing Member are set out in the Rulebook (which includes these Procedures) and the

Clearing Membership Agreement, each as amended from time to time. Two copies of the Clearing Membership Agreement will be provided to the applicant who must sign both copies (but not date them) and return them to the Clearing House's Membership Department along with the application documentation.

Each applicant must pay the stipulated application fee to the Clearing House. This fee must accompany the application for Clearing Member status and is non-refundable.

If and when Clearing Member status is granted, new Clearing Members will receive a duly executed (and dated) copy of the Clearing Membership Agreement together with the notification of acceptance and details of any condition(s) attached to such Clearing Member status. Any such grant of Clearing Member status is subject to the applicant paying a Contribution to the Clearing House in respect of the Default Fund (DF), as determined by the Clearing House in accordance with the Rulebook.

(c) SwapClear Dealer Status: The terms and conditions of admission to the Register of SwapClear Dealers are set out in the SwapClear Dealer Clearing Agreement. Admission to the Register of SwapClear Dealers requires that three copies of the SwapClear Dealer Clearing Agreement be signed by the applicant and its proposed Clearing Member.

The three copies of the SwapClear Dealer Clearing Agreement should be returned, undated, to the Clearing House's Membership Department along with the application documentation.

If and when admission to the Register of SwapClear Dealers is granted, new SwapClear Dealers will receive a duly executed and dated copy of the SwapClear Dealer Clearing Agreement, together with the notification of acceptance and details of any condition(s) attached to their admission. The Clearing House will send, under separate cover, a copy of the duly executed and dated SwapClear Dealer Clearing Agreement to the elected Clearing Member.

(d) Conditions of Application: An applicant for Clearing Member or SwapClear Dealer status must accept that the Clearing House:

(i) is entitled to make inquiries of any nature about the applicant and any person connected or associated with the applicant;

(ii) is entitled to ask the applicant to supply additional information and take whatever steps are necessary to verify information;

(iii) is entitled to provide and/or disclose information to an Approved Trade Source System, Regulatory Body or other authority, or to the Clearing House's insurers in connection with any form of insurance, or to any person pursuant to the provisions of the CEA, any rules promulgated thereunder, or in accordance with any other statutory or

regulatory requirement, and in accordance with the terms of the Clearing Membership Agreement;

(iv) may disclose to any other party the name, address, registered number and details of any exchange or clearing memberships held or applied for; and

(v) will attempt to process, consider and decide upon an application in a timely fashion, but owes no duty or obligation to the applicant to do so.

(e) FCM Clearing Member Status: An applicant that wishes to apply for FCM Clearing Member status in order to clear Contracts on behalf of Clients must indicate so to the Clearing House, must fill out any additional application materials required by the Clearing House in connection with such application and must comply with the additional requirements applicable to FCM Clearing Members set forth in the Rulebook.

(f) Clearing Member Status Criteria – Generally:

An applicant must, in accordance with the Regulations, satisfy the criteria set out in the Regulations and these Procedures in order to be considered for Clearing Member status. These requirements are without prejudice to the provisions of the Clearing Membership Agreement, which must be executed by the applicant, and must equally be met by Clearing Members.

The Clearing House may, in its sole discretion, refuse an application for membership where it considers it appropriate to do so in accordance with its internal risk management policies and procedures as amended from time to time.

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

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

The applicant must open Protected Payments System (PPS) bank account(s) at one or more of the bank branches participating in the PPS system in the USA in US dollars and must execute all necessary PPS mandates for House and Client accounts.

The applicant must maintain a back office:

(vi) remote from the trading desk;

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

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

(ix) with such technology and connectivity as may be stipulated by the Clearing House.

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

Pursuant to Regulation 102(b)(iv), each Clearing Member must be able to participate successfully, or have: (i) an affiliated Clearing Member (or, alternatively, a non-Clearing Member Affiliate that clears through it) that can participate; or (ii) an LCH Approved Outsourcing Party that can successfully participate in a "fire-drill" run by the Clearing House from time to time. Such "fire drill" may involve submitting a bid for a notional portfolio of trades within a specific currency in a specified timeframe. It is a condition of membership that an applicant demonstrate its ability to perform in "fire-drill". The "fire-drill" run by the Clearing House during a Clearing Member's application process is known as the "driving test". Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the "fire drill" and may result in: (i) an applicant's application for Clearing Member status being refused; or (ii) the Clearing House taking certain action with respect to a Clearing Member, including a suspension or loss of such Clearing Member's Clearing Member status with the Clearing House.

The Clearing House may determine in its sole discretion that a "driving test" is not required with respect to an affiliated Clearing Member (or non-Clearing Member Affiliate, as the case may be) where it considers that the relevant entity has already demonstrated to the Clearing House (or another entity within the LCH.Clearnet Group) that it is capable of passing the "driving test." A determination by the Clearing House that a "driving test" is not required does not absolve a Clearing Member of its future obligations to comply with the Clearing House's future requirements with respect to any other "fire drill".

Each Clearing Member shall at all times continue to comply with the qualifications and requirements set forth in the Rulebook and shall promptly notify the Clearing House if it has breached or reasonably expects to breach any such qualifications or requirements.

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

(g) SwapClear Dealer Status Criteria – Generally: An applicant must satisfy the criteria set out below in order to be considered for admission to the Register of

SwapClear Dealers. These requirements are without prejudice to the provisions of the SwapClear Dealer Clearing Agreement, and must equally be met by SwapClear Dealers.

The Clearing House may, in its sole discretion, refuse an application for SwapClear Dealer status where it considers it appropriate to do so in accordance with its internal risk management policies and procedures as amended from time to time.

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

The applicant must be a member of an Approved Trade Source System (as approved by the Clearing House from time to time).

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

The applicant must maintain a back office:

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

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

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

(iv) with such technology and connectivity as may be stipulated by the Clearing House.

The applicant must have executed and must maintain a SwapClear Dealer Clearing Agreement in the current standard form.

The applicant may specify any number of branches, with agreement from its corresponding Clearing Member, from which it proposes to submit eligible SwapClear Transactions; provided, however, that only branches of the same legal entity as the SwapClear Dealer may be specified. A company which is a different legal entity and which wishes to submit eligible SwapClear Transactions for clearing must apply separately for admission to the Register of SwapClear Dealers. A SwapClear Dealer is entitled to remain on the Register of SwapClear Dealers for so long as a valid SwapClear Dealer Clearing Agreement remains in effect and such SwapClear Dealer remains in compliance with the applicable provisions of the Rulebook. In the event that the SwapClear Dealer Clearing Agreement for any SwapClear Dealer is

terminated, then that SwapClear Dealer shall be removed from the Register of SwapClear Dealers.

The applicant must at all times respond promptly to inquiries or requests for information made by the Clearing House. SwapClear Dealers are required to notify promptly or pre-notify the Clearing House of any changes which may result in non-compliance with the SwapClear Dealer status criteria as stated in the Rulebook.

(h) Termination of Clearing Member or SwapClear Dealer Status: In the event that a Clearing Member or SwapClear Dealer wishes to terminate its Clearing Member status or SwapClear Dealer status, it may do so by giving notice of not less than three months ahead of its proposed termination date. By the close of business on the termination date, any resigning Clearing Member shall ensure that all registered Contracts in its name have been closed-out or transferred so as to ensure that there are no Contracts to which it is party to at the termination date. A resigning Clearing Member should note that any and all Executing Parties for which it clears Transactions will be required to find alternative clearing arrangements by this date or will be unable to enter into Transactions unless such Executing Party already has other clearing arrangements in place. For further information on the resignation process, Clearing Members should contact the Clearing House's Membership Department.

If a Clearing Member or SwapClear Dealer has not been active in clearing Contracts for a continuous period of three months, it may be asked to confirm that it intends to utilize its Clearing Member status or SwapClear Dealer status and, failing a satisfactory response, it may be required to resign their Clearing Member status or SwapClear Dealer status.

1.2 Net Capital

1.2.1 Net Capital Requirements

Clearing Members are required to maintain a minimum level of net capital as set out in the Regulations.

1.2.2 Additional Net Capital Requirements

Additional resources will be required when, in the Clearing House's assessment, a Clearing Member's net capital is not commensurate with its level of business.

The Clearing House shall, on a daily basis, compare the market risk associated with each Clearing Member's Contracts with its level of net capital as reported to the Clearing House in order to ascertain whether, in the Clearing House's opinion, such Clearing Member is sufficiently capitalized to support the level of risk associated with the Contracts to which it is counterparty. In determining whether a Clearing Member is sufficiently capitalized, the Clearing House may also consider:

1. the ratio of Contracts entered into on behalf of a Client compared to those entered for its own account or that of an Affiliate;

2. the Clearing Member's aggregate exposure to other clearing providers and other entities; and

3. the total amount of Margin and Posted Collateral deposited with, transferred to or otherwise delivered to the Clearing House by the Clearing Member.

In the event that the Clearing House considers that the Clearing Member is not sufficiently capitalized to support the level of risk associated with its Contracts, the Clearing House may perform one or more of the following:

1. require that the relevant Clearing Member furnish the Clearing House with additional Margin;

2. prevent or limit the extent to which a Clearing Member may register additional Contracts; or

3. require that the Clearing Member provide the Clearing House with additional information relating to its exposure to other clearing providers or other entities.

1.3 Calculation of Net Capital

1.3.1 Calculation of Net Capital for FCM Clearing Members

The net capital of FCM Clearing Members is calculated by the Clearing House in accordance with CFTC Regulation 1.17.

1.3.2 Calculation of Net Capital for Non-FCM Clearing Members

(a) For Clearing Members who are not FCM Clearing Members, net capital is broadly defined as Permanent Capital plus Additional Capital less Intangible Fixed Assets (including goodwill, development costs, etc ("**Intangible Fixed Assets**")).

Such Clearing Members must comply with the net capital minimum requirements at all times (see Section 1.2.1).

The Clearing House may vary the definitions below to include forms of capital or to exclude assets, other than those stated. An applicant wishing to determine the acceptability of specific forms of capital or the treatment of particular categories of assets should contact the Clearing House's Membership Department.

(i) Definition of Permanent Capital. The definition of Permanent Capital includes: issued and fully paid ordinary share capital; issued and fully paid preference share capital; and share premium account and reserves not available for distribution.

Accumulated profit and loss and reserves available for distribution will not be taken into account when calculating Permanent Capital. A deficit in reserves will, however, be deducted from Permanent Capital.

(ii) Definition of Additional Capital. The definition of Additional Capital includes: other equity reserves (distributable or otherwise); profit and loss reserve; redeemable shares; and subordinated loans.

Where loans, subordinated or otherwise, are allowed in a Clearing Member's net capital calculation, the Clearing House may require Clearing Members to provide the Clearing House with details of the terms and conditions of the loan(s) (see Section 1.3.2(d)). The Clearing House may, at its discretion, recognize other long-term loans in the calculation of Additional Capital.

(b) Acceptability of Subordinated Loans. The Clearing House will, in the net capital requirement, allow subordinated loans from a parent company as an acceptable form of capital. Where a Clearing Member relies upon such subordinated loans to meet its minimum requirement, the Clearing House will require assurances that the loan(s) will not be repaid without the prior consent of the Clearing House.

Clearing Members who wish to restructure their net capital such that subordinated loans become key to their meeting the minimum net capital requirement should contact the Clearing House's Membership Department. Clearing Members will be required to enter into an agreement with the Clearing House in the standard form prescribed by the Clearing House for these purposes.

(c) Recognition of Irrevocable Letters of Credit. In cases where the net capital Requirement is significantly greater than a Clearing Member's regulatory capital requirement, the Clearing House may, at its discretion, recognize funds committed to the Clearing House under an Irrevocable Letter of Credit from a third-party bank in determining whether the minimum capital requirement is met, but in any case only up to a maximum of 50% of the minimum capital requirement.

Clearing Members falling into this category and interested in meeting the requirements in this way will be required to enter into a standard form agreement with the Clearing House. That agreement is available from the Clearing House's Membership Department.

1.4 Reporting

Clearing Members shall provide (without limitation of any other provisions in the Rulebook) the information detailed in this Section 1.4.

1.4.1 Provision of Information

(a) All Clearing Members must, within six months from the date on which their annual accounts are made up, provide the Clearing House with an English-language copy of their income statement (or profit and loss statement) and balance sheet, together with a statement that their auditors have reviewed and approved them, in accordance with applicable law in the relevant jurisdiction and, in the case of Clearing Members that are FCMs, in accordance with

CFTC Regulation 1.16. In addition, the Clearing House may at its discretion require the provision of financial accounts for the ultimate or immediate parent of a Clearing Member.

(b) Each Clearing Member must provide the Clearing House in a prompt and timely manner with:

(i) copies of all financial returns/reports made to its regulators, and upon request from the Clearing House, any other notifications made to the CFTC as required under the CFTC Regulations (including CFTC Regulation 1.12 in the case of FCM Clearing Members);

(ii) those financial reports detailed in CFTC Regulation 1.10 (in the case of FCM Clearing Members);

(iii) any information concerning any financial or business development that that the Clearing Member reasonably considers may materially affect the Clearing Member's ability to comply with the membership criteria or applicable laws or regulations;

(iv) copies of all reports that are required to be filed by it with the CFTC pursuant to parts 17 and 20 of the CFTC Regulations;

(v) information and documents regarding the Clearing Member's risk management policies and practices as requested by the Clearing House. Such information shall include, without limitation, information and documents relating to the liquidity of that Clearing Member's financial resources and its settlement procedures;

(vi) any other financial information that the Clearing House determines is necessary to assess whether membership criteria are being met on an ongoing basis; and

(vii) notice if the Clearing Member becomes the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or any other event of which it is required to notify the Clearing House under the Clearing Membership Agreement or the Rulebook.

In addition, and upon request from the Clearing House or the CFTC, each Clearing Member shall promptly provide the information detailed in (v) above directly to the CFTC.

(c) The Clearing House and each Clearing Member shall provide to each Clearing Member or the Clearing House, as relevant, (i) any forms or documents specified in a Contract between the Clearing House and the Clearing Member and (ii) any other form, document, statement or certification reasonably requested in writing by the Clearing Member or the Clearing House (provided the Clearing Member or the Clearing House is legally eligible to provide such form, document, statement or certification) in order to allow the Clearing Member or the Clearing House to make a payment under the Rulebook or any Contract without deduction or withholding for or on account of any Tax or

with such deduction or withholding at a reduced rate. In the case of the Clearing House, the forms required pursuant to clause (ii) above include an Internal Revenue Service Form W-9. Additionally, to the extent the Clearing House is entitled to an exemption from, or reduction of, any applicable Tax on account of which a Clearing Member would otherwise be required to make a payment to the Clearing House, the Clearing House will take such further actions as necessary to perfect the exemption from, or reduction of, such Tax.

1.4.2 **Regulated Clearing Members**

Regulated Clearing Members must provide the Clearing House with copies of all applicable returns made to their regulators. Clearing Members must provide the Clearing House with copies of all reports that they are required to be filed with the CFTC pursuant to parts 17 and 20 of the CFTC Regulations.

1.4.3 **Non-Regulated Clearing Members**

Non-regulated Clearing Members must provide the Clearing House with a quarterly balance sheet and income statement (or profit and loss statement) within 30 days of their quarter-end date. These quarterly statements must be signed by authorized signatories of the Clearing Member, as appropriate. Evidence of signing authority together with specimen signatures must also be provided.

1.4.4 **Reduction in Net Capital**

All Clearing Members must immediately notify the Clearing House of any significant reduction (usually 10% or more), from the figures shown in their last financial returns, in:

(a) shareholders' funds;

(b) net capital.

1.5 **Additional Requirements**

1.5.1 Notification of Changes of Ownership

Clearing Members and SwapClear Dealers are required to notify promptly or pre-notify the Clearing House of any changes in control (defined as the exercise or control of twenty percent (20%) or more of the voting equity of the Clearing Member or SwapClear Dealer or of a parent entity controlling the Clearing Member or SwapClear Dealer). In cases of changes in ownership, and particularly where those potentially acquiring a controlling stake in a Clearing Member or SwapClear Dealer are not known to the Clearing House, Clearing Members and SwapClear Dealers are required to give advance notice to the Clearing House of their plans. The proposed change of ownership may be subject to an approval process involving the Risk Committee and Board of the Clearing House.

1.5.2 Each Clearing Member shall maintain current written risk management policies and procedures which address the risks that the relevant Clearing Member may pose to the Clearing House, including any policies and procedures that the Clearing House may reasonably request be incorporated therein. Upon the request of the Clearing

House, a Clearing Member shall promptly provide the Clearing House with a copy of its current policies and procedures for review by the Clearing House.

1.5.3 Pursuant to and in accordance with Regulation 106(m), where a Client enters into a SwapClear Transaction which results in a SwapClear Contract that is non-hedging in nature, the FCM Clearing Member shall collect from such Client additional ~~Initial Margin at a rate of~~Client Funds with a value that is 10% above the Clearing House's level of Required Margin in respect of the relevant SwapClear Contract (such total increased margin requirement being the "**Core Additional Requirement**"). In the event that, subsequently, the level of Required Margin in respect of a SwapClear Contract (without regard to the Core Additional Requirement) exceeds the Core Additional Requirement with respect to such SwapClear Contract (such subsequent margin requirement being the "**Revised Margin Requirement**"), the FCM Clearing Member shall collect ~~Initial Margin~~Client Funds from its Client ~~at~~with a ~~rate of~~value that is 10% above the Revised Margin Requirement and going forward the Revised Margin Requirement shall henceforth constitute the Core Additional Requirement for purposes of this provision.

In connection with Regulation 106(m) and this section, FCM Clearing Members are not required to lodge ~~Initial Margin~~Client Funds with the Clearing House ~~which~~when the value of such Client Funds is in excess of the Required Margin.

1.6 **Other Conditions**

The Clearing House may, at any time, impose additional conditions relating to continued Clearing Member status or SwapClear Dealer status, and at any time vary or withdraw any such conditions. These conditions may include, but are not limited to, a requirement to deposit additional security in cash or other collateral as determined by the Clearing House.

2. PRODUCT-SPECIFIC PROCEDURES

Section 2 of these Procedures contains certain requirements and procedures that are specific to individual products cleared by the Clearing House. Currently, the Clearing House clears the SwapClear Contract product which is discussed below in Section 2A of these Procedures.

SWAPCLEAR

2A. SWAPCLEAR

2A.1 The Clearing Process

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

For the purposes of the Rulebook, a branch office of a Clearing Member is considered a part of the same legal person as the Clearing Member. Where a SwapClear Transaction is presented for registration by a branch of a Clearing Member, it is deemed to have been presented by, and in the name of, the Clearing Member of which the branch is part.

2A.1.1 SwapClear US Service Functions

The following functions are performed within the SwapClear US 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 MER amount and SwapClear Tolerance Limits;

~~(d)~~(e) calculation of Price Alignment Interest;

~~(e)~~(f) adjustment of cash payments to conform with Opening Days and the SwapClear Calendars;

~~(f)~~(g) allocation and designation of trades to a position-keeping account; and

~~(g)~~(h) 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 Section~~s~~ 2A.3.~~2 and 2A.3.3~~5) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the system for the SwapClear US Service. Information regarding SwapClear Contracts and margin reporting will be disseminated via the clearing member reporting System (see Section 2A.1.3).

2A.1.2 Clearing House System Requirements

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

2A.1.3 SwapClear Clearing Member Reporting System

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

- Report 001;
- Approved Trade Source Systems; and
- The SwapClear API.

An end-user report generation and analytical capability is provided by the Clearing House to Clearing Members. 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 in connection with communications with any Approved Trade Source System.

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 Clearing Member-only website should be directed to the Clearing House Service Desk at +1 (212) 513-5660**.**

2A.2 Operating Times And Calendars

2A.2.1 Opening Days

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

2A.2.2 Opening Hours

~~The~~Unless notified otherwise, the SwapClear US Service will be operational during the following hours:

07:30 to 19:~~00~~01 hours (a "**Business Day**").

However, Clearing Members should note that Acceptances of a 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 Clearing Members in the event that the SwapClear clearing system is scheduled for closure for operational or other reasons (including compression runs).

2A.2.3 SwapClear Clearing System Calendars

The SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. This will require all Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the SwapClear

US Service, will be available online for inspection and for file download from the clearing member reporting system (see Section 2A.1.3).

2A.3 Registration

2A.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 Executing Party, including Clearing Members (or a branch office of a Clearing Member), SwapClear Dealers, Affiliates and Clients.

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 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.

2A.3.2 Clearing House Notification

In the case of a 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 Clearing Member of the relevant SwapClear Transaction and the fact 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, such SwapClear Clearing Member will receive two separate Notifications from the Clearing House in relation to such SwapClear Transaction.

Following receipt of a Notification, a Clearing Member may choose to accept or refuse consent to register the SwapClear Transaction. It is a condition for registration of a SwapClear Transaction that a Clearing Member grants a separate 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 15:00 hours) 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~~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 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 Clearing Member to the Clearing House prior to the LCH Cut-off Time is irrevocable. Any Necessary Consent notified by a 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 the applicable Clearing Member(s), the relevant SwapClear Transaction shall be deemed to have been "submitted" to the Clearing House by each such 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 Clearing Member upon being presented to the Clearing House for clearing by such Clearing Member (or its 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 Clearing Member.

In accordance with Section 2A.3.4 of these Procedures, it is a condition for registration of a SwapClear Contract that the applicable Clearing Member ~~provide sufficient cover to the Clearing House in respect of such SwapClear Contract prior to registration.~~has complied with all requirements to furnish sufficient Margin (taking into account 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 Clearing Members must have complied with all requirements to furnish sufficient Margin (taking into account SwapClear Tolerance, if any) at the time when both SwapClear Contracts relating to the relevant SwapClear Transaction have been submitted or deemed to be submitted (as applicable).

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

In order to facilitate the registration of new SwapClear Transactions by Clearing Members, the Clearing House may require the furnishing of additional Margin from those 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 a Clearing Member's credit rating and risk profile, an analysis of the incremental risk registered by a 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 a Clearing Member, whether the 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 Clearing Members.

***SwapClear Tolerance*:**

If a Clearing Member has not furnished sufficient Margin to enable the registration of a SwapClear Contract, then the Clearing House may provide such Clearing Member with temporary "tolerance" in the form of Initial Margin forbearance ("**SwapClear Tolerance**") to enable such registration. A 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 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 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 a Clearing Member at any particular time. SwapClear Tolerance is made available by the Clearing House to a Clearing Member at the Clearing House's sole discretion. The Clearing House may adjust the value of a Clearing Member's SwapClear Tolerance Limit, and/or require a Clearing Member to provide Initial Margin in respect of any utilized SwapClear Tolerance, at any time and without prior notice to the relevant Clearing Member. The Clearing House will provide each 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 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 a SwapClear Contract where SwapClear Tolerance was utilized.

Any failure of a Clearing Member to satisfy an Initial Margin call relating to utilized SwapClear Tolerance may give rise to a Default by such Clearing Member — just as any failure by a 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 Clearing Members) under which it will be able to call from each relevant Clearing Member an amount of Margin (the "**MER Margin**"), in respect of that Clearing Member's potential Margin requirements (with respect to the registration of SwapClear Contracts) for the following day.

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

Clearing Members are not required to participate in the MER Arrangements unless and until they elect to do so. In the event that a 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. A 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 Clearing Member as continuing unchanged from month to month until such time as appropriate notice is received from such Clearing Member and processed by the Clearing House in accordance with the provisions of this paragraph.

Each Clearing Member participating in the MER Arrangements will be called for MER Margin separately in respect of its Proprietary Account and/or its Omnibus Client Swaps Account with LCH. MER Margin required by the Clearing House is part of a Clearing Member's required Initial Margin. Hence, for the avoidance of doubt, failure to deliver MER when required by the Clearing House will constitute a breach of these Procedures and the Regulations. MER Margin furnished to an Omnibus Client Swaps Account with LCH is credited to its Buffer Sub-Account, and treated as Buffer. Any Buffer (but not including Encumbered Buffer) maintained in an Omnibus Client Swaps 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 SwapClear Contracts are registered to a Clearing Member's relevant accounts, the Clearing House will apply any available MER Margin (which is treated as Buffer when held in an Omnibus Client Swaps Account with LCH) as Initial Margin in respect of such newly registered 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 Clearing Member participating in the MER Arrangements on such day.

~~2A.3.3~~2A.3.4 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 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 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 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 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 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 ACCEPTED (WHETHER AUTOMATICALLY OR MANUALLY, AS APPLICABLE) BY A CLEARING MEMBER, THE CLEARING MEMBER CONCERNED SHALL BE BOUND BY THE TERMS OF SUCH SWAPCLEAR CONTRACT. THE CLEARING HOUSE SHALL USE ITS REASONABLE BEST EFFORTS TO ASSIST THE RELEVANT CLEARING MEMBER(S) IN RE-REGISTERING THE TRADE ON THE CORRECT BASIS BUT THE CLEARING HOUSE SHALL NOT BE LIABLE TO A CLEARING MEMBER OR TO ANY OTHER PARTY WITH REGARD TO THE REGISTRATION (OR LACK OF REGISTRATION OR RE-REGISTRATION) OF ANY SUCH SWAPCLEAR CONTRACT.

Clearing Members shall ensure that Necessary Consents are provided by appropriately authorized personnel. Apart from in respect of Necessary Consents, 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 Approved Trade Source System. THE CLEARING HOUSE SHALL HAVE NO LIABILITY IN THE EVENT THAT ANY CLEARING MEMBER SUFFERS ANY LOSS THROUGH THE UNAUTHORIZED GRANTING OF A NECESSARY CONSENT.

~~2A.3.4~~2A.3.5 Registration of New Trades and Backloaded 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~~***New Trades***:

As a precondition of registering a SwapClear Contract, the Clearing House may require the Clearing Member in whose name such SwapClear Contract is to be registered to provide ~~it with~~no later than the Clearing House's receipt of the relevant Acceptance (and thereafter maintain) sufficient Margin for Initial Margin and Variation Margin in respect of such SwapClear Contract~~ as a precondition to~~. In determining whether sufficient Margin for registration~~. In accordance with~~

~~Regulation 401(d)(iv), a Clearing Member becomes obligated to provide such cover to~~ is available, the Clearing House ~~at the time when both~~will take into account any available Buffer, MER and SwapClear ~~Contracts relating to the relevant SwapClear Transaction have been submitted~~Tolerance. Available Buffer or ~~deemed to~~MER will always be ~~submitted (as applicable) by the relevant Clearing Member(s) and such Clearing Member(s) shall provide such Margin~~applied 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 a SwapClear Contract (the "**actual SwapClear Contract**") to occur, where such actual SwapClear Contract is part of a registration run containing other SwapClear Contracts (the "**other SwapClear Contracts**"), Margin from each 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 Clearing Members does not provide such Margin, the Clearing House will take whatever steps 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 401 having been satisfied in respect of the related SwapClear Contracts, the SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the 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 clearing member reporting system (see Section 2C.1.3) on the SwapClear clearing member reporting account.

~~2A.3.5~~ ~~Backloading of Existing~~***Backloaded 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, Clearing Members should note that a relatively large amount of Margin is required in order to register such trades. The Clearing House provides the facility for Clearing Members to load such eligible existing SwapClear Transactions through an Approved Trade Source System. Where the Clearing House approves additional Approved Trade Source Systems for these purposes, it will notify Clearing Members via a member circular. Backloading requires bilateral agreement between the relevant Executing Parties and the granting of ~~consent~~acceptance by the Clearing Member(s) 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 Clearing Member(s) 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 Clearing Members of their submission and status as part of SwapClear clearing member reporting (see Section 2A.1.3). It is a pre-condition of registration that sufficient cover for Initial Margin and Variation Margin is provided.~~

~~If a SwapClear Transaction that is presented for registration by a Clearing Member would otherwise be considered backloaded but has a fee with a value date that falls after the date of submission, the trade will not be considered backloaded.~~

It is a precondition for registration of any backloaded trades that sufficient Margin for Initial Margin and Variation Margin be furnished. In determining whether sufficient Margin for registration is available, the Clearing House will take into account any available Buffer, MER and SwapClear Tolerance. Available Buffer or MER will always be applied prior to taking into account any available SwapClear Tolerance.

2A.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 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.

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 Margin (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 send to the originating Approved Trade Source System notification of the rejection.

2A.4 Position Accounts

2A.4.1 Accounts

For identification purposes, each Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to SwapClear Contracts. Only FCM Clearing Members will have segregated accounts for Client Business (Omnibus Client Swaps Accounts with LCH). A Clearing Member's position and financial information are further identified by a single character code: C for Client Business (applicable only to FCM Clearing Members); and H for House Business.

2A.4.2 Position-Keeping Accounts

Clearing Member Accounts

The account types are: H for House Business (Proprietary Account); and C for segregated Client Business (an Omnibus Client Swaps Account with LCH). A Clearing Member's SwapClear Contract positions are also recorded within the SwapClear clearing system in SwapClear Accounts.

All registered SwapClear Contracts will be identifiable to Clearing Members via SwapClear reporting (see Section 2A.1.3). Each SwapClear Contract will also be assigned a unique trade identifier. The Clearing Member reporting functionality

also allows Clearing Members to identify all SwapClear Contracts registered in their name.

2A.5 Financial Accounts

Clearing Member accounts have financial accounts associated with them. These accounts 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 Swaps Client Segregated Depository Account
L	Client	L	LCH Swaps Client Segregated Depository Account used for Variation 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
Buffer accounts (House), used for holding additional cash in relation to Proprietary business	B
Buffer accounts (Client), used for holding additional cash in relation to Client Business	E

2A.6 SwapClear Contract Valuation

2A.6.1 Net Present Value (NPV)

The Clearing House will calculate the NPV (as defined in the Regulations) of each eligible SwapClear Contract using the Clearing House's zero coupon yield curves.

It is a condition of registration that sufficient Margin, as determined by the Clearing House, ~~is deposited with~~be furnished to the Clearing House to satisfy the Clearing House's Initial Margin and Variable Margin requirements for each SwapClear Contract~~.~~ (taking into account, for these purposes, available SwapClear Tolerance, if any).

All SwapClear Contracts credited to a Clearing Member will, on submission to the Clearing House, be marked-to-market, in accordance with Regulation 402. The NPV so determined must, subject to intra-day Registration (see Section 2A.3.~~4~~5), be paid by the Clearing Member in cash in the currency of the SwapClear Contract. Where a 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.

2A.6.2 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 at +1 (212) 513-5654, but may be subject to change without prior notification.

2A.6.3 Official Quotations

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

(All times quoted are in London time except where otherwise indicated.)

AUD	12:00
CAD	15:00 (New York City time)
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	15:00 (New York City time)
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 after the end of each Business Day.

2A.6.4 Variation Margin

On the date of registration, the NPV of a SwapClear Contract will be credited to or debited from the applicable Clearing Member's financial accounts in cash in denomination currency.

On all subsequent days, the change in the NPV from one Business Day to the next will be credited to or debited from such Clearing Member's financial accounts in cash in denomination currency.

The Clearing Members are required to make Variation Margin payments to the Clearing House within one hour of notification that payment is due.

2A.6.5 Price Alignment Interest

In order to compensate for the payment of changes in NPV on a daily basis for SwapClear Transactions cleared through the Clearing House, the Clearing House will for each Clearing Member either charge interest on cumulative Variation Margin received, or pay interest on cumulative Variation Margin paid (see Section 3.5.2). Price Alignment Interest is debited, credited and netted in accordance with the Clearing House's normal practices.

2A.7 Coupon Payments

2A.7.1 Calendars and Coupons

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see Section 2A.2.3). Changes to the calendar that affect SwapClear Contracts will be published and made available to Clearing Members 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 Clearing Members and the Clearing House. Coupon payments will be adjusted, in the event of a holiday amendment, in accordance with the SwapClear Contract Terms.

2A.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:

Fixed Amount	=	Calculation Amount	x	Fixed Rate	x	Fixed Rate Day Count Fraction

2A.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:

Floating Amount	=	Calculation Amount	x	Floating Rate	x	Floating Rate Day Count Fraction

(+/- Spread)

2A.7.4 OIS Coupon Calculation

Compounding Rate Calculations

The rate used for the OIS rate is calculated according to ISDA 2006 definitions. The formula for these calculations is given below.

USD-Federal Funds-H.15-OIS-COMPOUND

$$\left[\prod_{i=1}^{d0}\left(1+\frac{FEDFUND_i \times n_i}{360}\right)-1\right] \times \frac{360}{d}$$

Where:

"d0" for any Calculation Period is the number of New York Banking Days in the relevant Calculation Period;

"i" is a series of whole numbers from 1 to d0, each representing the relevant New York Banking Days in chronological order from, and including, the first New York Banking Day in the relevant Calculation Period;

"FEDFUNDi", for any day "i" in the relevant Calculation Period, is a reference rate equal to the rate set forth in H.15(519) in respect of the day under the caption "EFFECT", as such rate is displayed on the Reuters Screen FEDFUNDS1 Page, in respect of any day "i", the rate for that will be agreed between the parties, acting in good faith and in a commercially reasonable manner. If the parties cannot agree, the rate for that day will be the rate displayed on the Reuters FEDFUNDS1 Page, in respect of the first preceding New York Banking Day;

"ni" is the number of calendar days in the relevant Calculation Period on which the rate is FEDFUNDi; and

"d" is the number of calendar days in the relevant Calculation Period.

CHF-TOIS-OIS-COMPOUND

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{TOIS_i \times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

Where:

"d0" for any Calculation Period is the number of Zurich Banking Days in the relevant Calculation Period;

"i" is a series of whole numbers from 1 to d0, each representing the relevant Zurich Banking Days in chronological order from, and including, the first Zurich Banking Day in the relevant Calculation Period;

"TOISi", for any day "i" in the relevant Calculation Period, is a reference rate equal to the rate for tomorrow next deposits in Swiss Francs which appears on the Reuters Screen CHFTOIS= as of 11:00 a.m., Zurich time, on the day that is one Zurich Banking Day preceding that day;

"ni" is the number of calendar days in the relevant Calculation Period on which the rate is TOISi; and

"d" is the number of calendar days in the relevant Calculation Period.

GBP-WMBA-SONIA-COMPOUND

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SONIA_i \times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

Where:

"d0" for any Calculation Period is the number of London Banking Days in the relevant Calculation Period;

"i" is a series of whole numbers from 1 to d0, each representing the relevant London Banking Days in chronological order from, and including, the first London Banking Day in the relevant Calculation Period;

"SONIAi", for any day "i" in the relevant Calculation Period, is a reference rate equal to the overnight rate as calculated by the Wholesale Market Brokers' Association and appearing on the Reuters Screen SONIA Page in respect of that day;

"ni" is the number of calendar days in the relevant Calculation Period on which the rate is SONIAi; and

"d" is the number of calendar days in the relevant Calculation Period.

EUR-EONIA-OIS-COMPOUND

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{\text{EONIA}_i \times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

Where:

"d0" for any Calculation Period is the number of TARGET Settlement Days in the relevant Calculation Period;

"i" is a series of whole numbers from 1 to d0, each representing the relevant TARGET Settlement Days in chronological order from, and including, the first TARGET Settlement Days in the relevant Calculation Period;

"EONIAi", for any day "i" in the relevant Calculation Period, is a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page in respect of that day;

"ni" is the number of calendar days in the relevant Calculation Period on which the rate is EONIAi; and

"d" is the number of calendar days in the relevant Calculation Period.

CAD-CORRA-OIS-COMPOUND

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{CORRAi \times ni}{365}\right)-1\right]\frac{365}{d}$$

Where:

"d0" for any Calculation Period is the number of Toronto Banking Days in the relevant Calculation Period;

"i" is a series of whole numbers from one to d0, each representing the relevant Toronto Banking Day in chronological order from, and including, the first Toronto Banking Day in the relevant Calculation Period;

"CORRAi", for any day "i" in the relevant Calculation Period, is a reference rate equal to the daily fixing for Canadian Dollar overnight repurchase rate as published at approximately 9:00 am, Toronto time, on the day that is one Toronto Banking Day following that day "i" on the Bank of Canada website page address http://www.bankofcanada.ca/fmd/monmrt.htm. If such rate does not appear on such Bank of Canada website page in respect of any day "i", the rate for that day will be as agreed between the parties, acting in good faith and in a commercially reasonable manner. If the parties cannot agree, the rate for that day will be the rate displayed on the Bank of Canada website page http://www.bankofcanada.ca/fmd/monmrt.htm in respect of the first preceding Toronto Banking Day;

"ni" is the number of calendar days in the relevant Calculation Period on which the rate is CORRAi; and

"d" is the number of calendar days in the relevant Calculation Period.

2A.7.5 Calculation of Compounded Amount

Depending on whether the SwapClear Contract is submitted under ISDA 2000 or ISDA 2006 Definitions, the Clearing House will calculate the compounded floating amount payable by a Clearing Member on a Payment Date as an amount calculated in accordance with Articles 6.1 to 6.3 inclusive of the relevant Definitions.

2A.7.6 Calculation of FRA Discounting (Article 8.4 of the 2006 ISDA Definitions)

Where FRA Discounting is specified for CAD, CHF, CZK, DKK, EUR, HUF, JPY, NOK, PLN, SEK, USD, ZAR the FRA Amount will be calculated in accordance with the following formula:

$$\text{FRA Amount} = \frac{\text{Calculation Amount} \times \left\{ (\text{Floating Rate} + \text{Spread}) - \text{Fixed Rate} \right\} \times \text{Floating Rate Day Count Fraction}}{1 + \left\{ \text{Discount Rate} \times \text{Discount Rate Day Count Fraction} \right\}}$$

Where FRA Discounting is specified for AUD Forward Rate Transactions and NZD Forward Rate Transactions then FRA Yield Discounting will be applied and the FRA Amount calculated in accordance with the following formula:

$$\text{FRA Amount} = \text{Calculation Amount} \times 365 \times \left\{ \frac{1}{365 + \left[R_1 \times ND \right]} - \frac{1}{365 + \left[R_2 \times ND \right]} \right\}$$

Where:

R1 is the sum of the Floating Rate and the Spread on the payment date, expressed as a decimal;

R2 is the Fixed Rate, expressed as a decimal; and

ND is the actual number of days in the calculation period.

2A.7.7 Business Day and Business Day Convention

In determining whether a day is a Business Day the Clearing House will only apply the Financial Centers specified in the matched SwapClear Transaction message. The Clearing House will in the event of non-business days apply the Business Day Conventions as specified in the matched SwapClear Transaction message.

2A.7.8 Payment of Coupons

After adjusting coupons, in accordance with the appropriate Business Day and Business Day Conventions, the Clearing House will credit or debit Clearing Members' Accounts with the appropriate Fixed or Floating Amount with a value date matching the Coupon Payment Date. In the event of SwapClear being closed on a Coupon Payment Date it will pay the Fixed and Floating Amounts on the next Business Day following the Coupon Payment Date.

2A.7.9 Calculation Periods

In respect of any Calculation Period that is a not a whole calendar month (a stub period), the Reset Rate for the Reset Date in respect of that Calculation Period shall be determined by the Clearing House with reference to the rate(s) specified in the matched format message.

2A.7.10 Day Count Fractions: ISDA 2000

Day count fractions will be applied to deal legs independently as they are communicated via the matched format message.

Where the SwapClear Transaction is submitted under the ISDA 2000 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

(a) if "Actual/365" or "Actual/Actual" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(b) if "Actual/365 (Fixed)" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;

(c) if "Actual/360" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;

(d) if "30/360", "360/360", "Bond Basis", "30E/360" or "Eurobond Basis" is specified the actual number of days in the Calculation Period in respect of which payment is being made will be determined in accordance with the following formula:

((Y2 -Y1) *360) + ((M2 -M1) *30) + (D2 -D1)

where D1, M1 and Y1 are the day, month and year respectively on which the period begins and D2, M2 and Y2 are the day, month and year respectively on which the period ends (coupon payment date).

In accordance with this formula the following will be applied:

(i) if "30/360", "360/360" or "Bond Basis" is specified the Clearing House will

if D1 is 31 amend it to 30,

if D2 is 31 amend it to 30 only if D1 is 30 or 31; or

(ii) if "30E/360" or "Eurobond Basis" is specified the Clearing House will

if D1 is 31 then amend it to 30

if D2 is 31 then amend it to 30.

(e) For Actual/Actual (ISMA): "The [Fixed/Floating] Amount will be calculated in accordance with Rule 251 of the statues, by-laws, rules and recommendations of the International Securities Market Association, as published in April 1999, as applied to straight and convertible bonds issued after December 31, 1998, as though the [Fixed/Floating] Amount were the interest coupon on such a bond".

2A.7.11 **Day Count Fractions: ISDA 2006**

Day count fractions will be applied to deal legs independently as they are communicated via the matched format message.

Where the SwapClear Transaction is submitted under the ISDA 2006 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

(a) if "Actual/Actual", Actual/Actual (ISDA)", "Act/Act", or "Act/Act-(ISDA)" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided

by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(b) if "Actual/365 (Fixed)" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;

(c) if "Actual/360" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;

(d) "30/360", "360/360" or "Bond Basis" is specified the number of days in the Calculation Period or Compounding Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30 and

"D2" is the Calendar day, expressed as a number, immediately following the last day included in the Calculation Period or Compounding Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30; and

(e) if "30/E60" or "Eurobond basis is specified, the number of days in the Calculation or Compounding Period in respect of which payment is being made divided by 360, calculate on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where: "Y1" is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30 and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless such number would be 31, in which case D2 will be 30.

(f) if 30E/360(ISDA) is specified, the number of days in the Calculation or Compounding period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where: "Y1" is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless (i) that day is the last day of February but NOT the termination date or (ii) such number would be 31, in which case D2 will be 30.

(g) If "Actual/Actual" (ICMA) or "Act/Act" (ICMA) is specified, a fraction equal to "number of days accrued/number of days in year", as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Market Association (the "**ICMA Rule Book**"), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non-US Dollar denominated straight and convertible bonds issued after December 21, 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period or Compounding Period in respect of which payment is being made.

2A.7.12 **Reset Rates**

Reset Rates will be published by the Clearing House via the Rate Reset reports.

The Clearing House will apply the following principles in calculating Reset Rates:

(a) "GBP-LIBOR-BBA" means that the rate for a Reset Date will be the rate for deposits in Sterling for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 Page as of 11:00 hours, London time, on that Reset Date.

(b) "USD--LIBOR-BBA" the rate for US Dollar deposits for a period of the Designated Maturity which appears on Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.

(c) "Euro-LIBOR-BBA" the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two TARGET Settlement Days preceding that Reset Date.

(d) "Euro-EURIBOR-Telerate (ISDA2000)" / "Euro-EURIBOR-Reuters" the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen EURIBOR01 as of 11:00 hours Brussels time, on the day that is two TARGET Settlement Days preceding that Reset Date.

(e) "JPY-LIBOR-BBA" the rate for Japanese Yen deposits or a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.

(f) "CHF-LIBOR-BBA" means that the rate for a Rest Date will be the rate for deposits in Swiss Francs for a period of the Designated Maturity which

appears on the Reuters Screen LIBOR02 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.

(g) "AUD-BBR-BBSW'' means that the rate for a Reset Date will be the average mid rate, for Australian Dollar bills of exchange having a tenor of the Designated Maturity, which appears on the Reuters screen BBSW Page at approximately 10:10 hours Sydney time, on that Reset Date.

(h) "AUD-LIBOR-BBA" means that the rate for a Reset Date will be the rate for deposits in Australian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.

(i) "CAD-BA-CDOR'' means that the rate for a Reset Date will be the average rate for Canadian Dollar bankers acceptances for a period of the Designated Maturity which appears on the Reuters Screen CDOR page as of 10:00 hours, Toronto time, on that Reset Date.

(j) "CAD-LIBOR-BBA" means that the rate for a Reset Date will be the rate for deposits in Canadian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.

(k) "CZK-PRIBOR-PRBO" means that the rate for a Reset Date will be the rate for deposits in Czech Koruna for a period of the Designated Maturity which appears on the Reuters Screen PRBO page as of 10:00 hours, Prague time, on the day that is two Prague Banking days preceding that Reset Date.

(l) "DKK-CIBOR-DKNA13" means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on that Reset Date.

(m) "DKK-CIBOR2-DKNA13" means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on the day that is two Copenhagen Banking Days preceding that Reset Date.

(n) "HKD-HIBOR-HIBOR=" means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HIBOR1=R Page (for Designated Maturities of one month to six months, inclusive) or the Reuters Screen HIBOR2=R Page (for Designated Maturities of seven months to one year, inclusive), in each case across from the caption ''FIXING@11:00'' as of 11:00 hours, Hong Kong time, on that Reset Date.

(o) "HKD-HIBOR-HKAB" means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity

which appears on the Reuters Screen HKABHIBOR as of 11:00 hours, Hong Kong time, on that Reset Date.

(p) "HKD-HIBOR-ISDC" (ISDA2000) means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen ISDC Page as of 11:00 hours, Hong Kong time, on that Reset Date.

(q) "HUF-BUBOR-Reuters" means that the rate for a Reset Date will be the rate for deposits in Hungarian Forint for a period of the Designated Maturity which appears on the Reuters Screen BUBOR= page as of 10:00 hours, Budapest time, on the day that is two Budapest Banking days preceding that Reset Date.

(r) "NOK-NIBOR-NIBR" means that the rate for a Reset Date will be the rate for deposits in Norwegian Kroner for a period of the Designated Maturity which appears on the Reuters Screen NIBR Page as of 12:00 noon, Oslo time, on the day that is two Oslo Banking Days preceding that Reset Date.

(s) "NZD-BBR-Telerate" (ISDA2000) means that the rate for a Reset Date will be the fixed midrate for New Zealand Dollar bills of exchange for a period of the Designated Maturity which appears on the Telerate Page 2484 as of 11:00 hours, Wellington time, on that Reset Date.

(t) "NZD-BBR-FRA" means that the rate for a Reset Date will be the rate for the New Zealand Dollar bills of exchange for a period of designated maturity which appears on the Reuters Screen BKBM Page opposite the caption of "FRA" as of 11:00 hours, Wellington time, on that Reset Date.

(u) "SEK-STIBOR-SIDE" means that the rate for a Reset Date will be the rate for deposits in Swedish Kronor for a period of the Designated Maturity which appears on the Reuters Screen SIDE page under the caption ''FIXINGS'' as of 11:00 hours, Stockholm time, on the day that is two Stockholm Banking days preceding that Reset Date.

(v) "SGD-SOR-Reuters" means that the rate for a Reset Date will be the rate for deposits in Singapore Dollars for a period of the Designated Maturity which appears on the Reuters Screen ABSIRFIX01 as of 11:00 hours, Singapore time, on the day that is two Singapore Banking days preceding that Reset Date.

(w) "PLN-WIBOR-WIBO" means that the rate for a Reset Date will be the rate for deposits in Polish Zloty for a period of the Designated Maturity which appears on the Reuters Screen WIBO page under the caption "FIXINGS" as of 11:00 hours, Warsaw time, on the day that is two Warsaw Banking days preceding that Reset Date.

(x) "ZAR-JIBAR-SAFEX" means that the rate for a Reset Date will be the mid-market rate for deposits in South African Rand for a period of the Designated Maturity which appears on the Reuters screen SAFEY page under the caption "YIELD" as of 11:00 hours, Johannesburg time, on that

reset date. If such rate does not appear on the Reuters screen SAFEY page, the rate for that Reset Date will be determined as if the parties had specified "ZAR-JIBAR-Reference Banks" as the applicable Floating Rate Option.

(y) "CHF-TOIS-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 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**

Clearing Members should note the provisions of Section 3.2 of Part A of Schedule 4A to the Regulations regarding the applicability of the Negative Interest Rate Method to a SwapClear Contract. 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 Clearing Members to ~~post~~furnish it with Initial Margin. The amount of Initial Margin required will be determined by the prevailing market conditions and the expected time to close out the portfolio. The Portfolio Approach to Interest Rate Scenarios ("**PAIRS**") will be used to calculate Initial Margin requirements for SwapClear Contracts.

Separate Initial Margin calculations are performed for a Clearing Member's House "H" and Client "C" accounts.

The Clearing House reserves the right to require certain Clearing Members or all Clearing Members to ~~pay~~furnish to the Clearing House additional amounts of Margin in accordance with Regulation 106.

The Clearing Members are required to ~~make~~furnish Initial Margin ~~payments~~ to the Clearing House within one hour of notification that payment is due.

2A.8.1 Margin Parameters

The Clearing House Risk Management Department uses appropriate yield curve scenarios, both in terms of shape and magnitude of movement, to capture potential losses based on an observed history – the primary component of the Initial Margin calculation. These scenarios will be continually monitored and reviewed periodically or on an *ad hoc* basis according to market conditions. However, in accordance with the Regulations, the Clearing House retains the right, at its sole discretion, to vary the rates for the whole market or for a specific Clearing Members' House and/or Client accounts.

Clearing Members will usually be notified by the Clearing House of alterations to margin parameters no later than the day before calls are made based on the new yield curve scenarios.

2A.8.2 Liquidity Multiplier

Risk Management applies a liquidity multiplier based on Worst Case Loss ("**WCL**") exceeding certain thresholds on the Clearing Member's whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an ongoing basis. Client accounts are treated as independent accounts for purposes of liquidity and will be called only in the event that the individual account exceeds the relevant threshold.

2A.8.3 Intra-day Margin Calls

In accordance with the 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 (07:30 to 16:00 hours).~~Business Day. Intra-day margin calls will usually be made via the PPS (see Section 2A.9). The Clearing Members are required to make Margin payments to the Clearing House within one hour of notification that payment is due.

2A.8.4 **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 Risk Management team at +1 (212) 513-5654.

2A.8.5 **Modification of Margin Requirements Pursuant to Regulation 106(d)**

Any modifications to margin requirement calculations made by the Clearing House pursuant to Regulation 106(d) will be effected in accordance with the CEA and the CFTC Regulations.

2A.8.6 **Tenor Basis Risk Margin Add-on**

A margin add-on will be applied in respect of tenor basis risk.

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 a Clearing Member at the time of an intra-day Margin call the Clearing House will deduct cash, in USD, directly from the relevant Clearing Member's PPS account to cover the Posted Collateral needed to meet that intra-day Margin call.

It is the responsibility of each Clearing Member to ensure that it has sufficient cash funds in place with its PPS Bank(s) in order to avoid any intra-day liquidity issues.

2A.9.2 **PPS Debit Authorization – Deemed Representation of FCM Clearing Member**

When an FCM Clearing Member provides the Clearing House authorization (whether by phone or electronic means (including email)) to debit a PPS account in connection with an intra-day margin call, the FCM Clearing Member shall be deemed to have made the following representation to the Clearing House:

- Following the relevant intra-day margin call, the FCM Clearing Member has completed all necessary FCM compliance calculations as required by applicable Law and the funds should be debited from the FCM Clearing Member's nominated account in satisfaction of such margin call.

2A.10 **Compression**

A Clearing Member may compress existing SwapClear Contracts in accordance with Regulation 401(k). There are two options available to a Clearing Member that wishes to compress existing SwapClear Contracts:

(a) A Clearing Member can request that all SwapClear Contracts entered into (i) on behalf of a designated Client, (ii) on behalf of a designated Affiliate or (iii) on such 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 Clearing Member by 19:00 hours on each applicable day) until the Clearing Member notifies the Clearing House to discontinue such compression of SwapClear Contracts. Clearing Members should contact the Clearing House's Membership Department to request such a compression of SwapClear Contracts.

(b) A Clearing Member may notify the Clearing House directly through the SwapClear API specifying which SwapClear Contracts should be compressed. The Clearing Member will be notified by 19:00 hours on the applicable day whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

In order to declear a SwapClear Contract, a Clearing Member must register with an Approved Trade Source System an offsetting SwapClear Contract and shall then follow the process for compression as set out above.

The Clearing House shall process the compression of all SwapClear Contracts as notified to it prior to 18:00 hours shortly after 18:00 hours and shall notify the applicable Clearing Member by 19:00 hours of the result of such compression procedure. A notification received after 18:00 hours shall be treated as if such notification was submitted on the following day prior to 18:00 hours, and as such shall be considered shortly after 18:00 hours on such following day and the results notified to the applicable Clearing Member by 19:00 hours on such following day.

Following the compression process described above and as further set out in Regulation 401(k), the applicable Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed SwapClear Contracts as notified to the Clearing Member by the Clearing House.

2A.11 Affiliate Clearing

Under Regulation 104, Clearing Members are permitted to clear for Affiliates through their Proprietary Accounts.

2A.12 Transfers of Clients and Client Positions; Defaulting Clients and Affiliates

In certain circumstance the Clearing House will permit the transfer of SwapClear Contracts from ~~a Carrying FCM~~one Clearing Member to ~~a Receiving FCM~~another Clearing Member~~ on behalf of a Client~~, pursuant to and in accordance with Regulation 108 and these Procedures.

2A.12.1 **Partial Transfers of Clients**

Where, in accordance with Regulation 108, a Receiving FCM Clearing Member wishes, on behalf of a Client, to receive a transfer of a portion of such Client's portfolio of SwapClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with a Client Partial Transfer Form (see Appendix 2A.B), signed on behalf of the relevant Client. Such form shall list all of the Porting SwapClear Contracts that are to be transferred pursuant to this procedure. Following receipt of a Client Partial Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer the Porting SwapClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in Section 2A.12.4. In the event that such timing and notice requirements are not complied with, and unless agreed otherwise between the Clearing House and the relevant FCM Clearing Members, the relevant partial transfer shall not take effect.

In the event that any of the conditions set forth in Regulation 108(a) are not satisfied, including where the Carrying FCM Clearing Member notifies the Clearing House that certain of the conditions have not been satisfied using the Carrying FCM Clearing Member Response Form, the Clearing House shall not proceed with the transfer of the Porting SwapClear Contracts and shall promptly notify the Receiving FCM Clearing Member of such outcome. If the Receiving FCM Clearing Member wishes to proceed with such transfer, it shall be required to submit a new request to transfer in accordance with these Procedures.

2A.12.2 **Full Transfers of Clients**

Where, in accordance with Regulation 108, a Receiving FCM Clearing Member wishes, on behalf of a Client, to receive a transfer of all of the SwapClear Contracts of such Client registered with a Carrying FCM Clearing Member, it shall provide the Clearing House with a Client Full Transfer Form (see Appendix 2A.C), signed on behalf of the relevant Client. Such form shall confirm that all SwapClear Contracts attributable to the applicable Client shall be transferred pursuant to this procedure. Where a Receiving FCM Clearing Member submits a Client Full Transfer Form, it must confirm whether or not the Client also wishes the transfer to include the transfer of Porting ~~Account Assets.~~Collateral. Following receipt of a Client Full Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer SwapClear Contracts. All full transfers shall take place in accordance with the timing and notice requirements set out in Section 2A.12.4. In the event that such timing and notice requirements are not complied with, and unless agreed otherwise between the Clearing House and the relevant FCM Clearing Members, the relevant transfer shall not take effect.

In the event that any of the conditions set forth in Regulation 108(a) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing House that certain conditions have not been satisfied using the Carrying Member Response Form, the Clearing House shall not proceed with the transfer of the Porting SwapClear Contracts or the Porting ~~Account Assets~~Collateral (when applicable), and shall promptly notify the Receiving FCM Clearing Member of such outcome. If the Receiving FCM Clearing Member wishes to proceed with such transfer or any

other transfer of the Porting FCM SwapClear Contracts of such Client, it shall be required to submit a new request to transfer in accordance with these Procedures.

Following receipt by the Carrying FCM Clearing Member of the notice that a a Full Transfer Form has been received, the Carrying FCM Clearing Member shall not be permitted to submit additional SwapClear Contracts on behalf of the Client whose SwapClear Contracts are subject to transfer during the period commencing at the end of the SwapClear US Service operating hours on the day on which the relevant FCM Clearing Member received such notice and ending at the time at which the relevant transfer (including the transfer of the Porting ~~Account Assets~~Collateral, if applicable) is actually effected, fails or is rejected in accordance with Regulation 108 and these Procedures.

2A.12.3 **Collateral Transfers**

Where a Receiving FCM Clearing Member notifies the Clearing House that a Client wishes to transfer Porting ~~Account Assets~~Collateral from a Carrying FCM Clearing Member to a Receiving FCM Clearing Member, the Clearing House shall notify the Carrying FCM Clearing Member of such request in accordance with the timetable below.

Following such notification, the Carrying FCM Clearing Member shall confirm to the Clearing House (using the Carrying Member Response form at Appendix 2A.D) the appropriate ~~Account Assets~~Posted Collateral to constitute the Porting ~~Account Asset~~Collateral and the appropriate SwapClear Contracts to constitute the Porting SwapClear Contracts. In the event that the Carrying FCM Clearing Member fails to do so in accordance with the timetable below, the Clearing House shall shall determine (in its sole discretion) the appropriate ~~Account Assets~~Posted Collateral that should constitute the Porting ~~Account Assets~~Collateral. The Clearing House shall notify the Carrying FCM Clearing Member and the Receiving FCM Clearing Member of the Porting ~~Account Assets~~Collateral that will be transferred in accordance with the timetable below. Following receipt of such notification by the Clearing House, the Receiving FCM Clearing Member may elect to reject the transfer of some or all of the relevant Porting ~~Account Assets~~Collateral in accordance with Regulation 108(b).

In the event that any of the conditions set forth in Regulation 108(a) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing House that they have not been satisfied, including where the Carrying FCM Clearing Member notifies the Clearing House that certain conditions have not been satisfied using the Carrying Member Response Form, such that the Porting SwapClear Contracts will not be transferred, the Clearing House shall not proceed with the transfer of the relevant Porting ~~Account Assets~~Collateral.

In the event that the Clearing House transfers Porting ~~Account Assets~~Collateral pursuant to these Procedures and the Regulations, it will also transfer the aggregate Variation Margin and next day settlement coupons and fees associated with the transferring SwapClear Contracts.

2A.12.4 Timetable for Client Transfer

Time (all references below are to New York City Time)	Partial Transfer	Full Transfer (with ~~collateral~~Posted Collateral)	Full Transfer (without ~~collateral~~Posted Collateral)
Day 0: 20:00	Deadline for receipt from Receiving FCM Clearing Member of Client Partial Transfer Form.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form and confirmation that ~~Margin~~Posted Collateral is to be transferred.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form.
Day 1: 10:00	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer certain SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.
Day 2: 14:00	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the Client has become insolvent and/or (ii) the Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with Regulation 108(a)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the Client has become insolvent and/or (ii) the Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with Regulation 108(a)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the Client has become insolvent and/or (ii) the Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with Regulation 108(a)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.
		Deadline for confirmation from Carrying FCM	

Time (all references below are to New York City Time)	Partial Transfer	Full Transfer (with ~~collateral~~Posted Collateral)	Full Transfer (without ~~collateral~~Posted Collateral)
		Clearing Member of the collateral which is to be ported to the Receiving FCM Clearing Member.	
Day 2: 14:00 to 15:00		LCH notifies the Receiving FCM Clearing Member of the ~~collateral~~Porting Collateral that will be transferred or that ~~collateral~~Posted Collateral will not be transferred. Where ~~collateral~~Posted Collateral will not be transferred, transfer is treated as a full transfer (without ~~collateral~~Posted Collateral).	
Day 2: 19:30	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer and associated ~~collateral~~Porting Collateral from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.
Day 3: 08:00	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional ~~Margin~~Posted Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional ~~Margin~~Posted Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional ~~Margin~~Posted Collateral is required to enable the transfer.
Day 3: 09:00	Deadline for receipt by Clearing House of any additional ~~Margin~~Posted Collateral from the	Deadline for receipt by Clearing House of any additional ~~Margin~~Posted Collateral from the	Deadline for receipt by Clearing House of any additional ~~Margin~~Posted Collateral from the Receiving FCM

Time (all references below are to New York City Time)	Partial Transfer	Full Transfer (with ~~collateral~~Posted Collateral)	Full Transfer (without ~~collateral~~Posted Collateral)
	Carrying FCM Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.	Receiving FCM Clearing Member required to enable the transfer.	Clearing Member required to enable the transfer.
Day 3: 09:00	Clearing House transfers SwapClear Contracts.	Clearing House transfers SwapClear Contracts and associated ~~collateral~~Porting Collateral.	Clearing House transfers SwapClear Contracts.

2A.12.5 Transactions in Respect of Clients or Affiliates in Default to Clearing Member

This Section describes certain transactions that, under certain conditions, can be carried out by a Clearing Member in respect of one of its Clients or one of its Affiliates that has defaulted in its obligations to the Clearing Member.

A request or instruction from a Clearing Member to the Clearing House to carry out a transaction described in Sections 2A.12.5.1 or 2A.12.5.2 below shall in every case be deemed a representation by the Clearing Member to the Clearing House that (i) the affected Client or Affiliate is in default of its obligations to the Clearing Member, (ii) the Clearing Member has provided and will provide (as applicable) any required notices to the Client or Affiliate of its default and the Clearing Member's transactions effected under Sections 2A.12.5.1 and/or 2A.12.5.2 below, and (iii) the Clearing Member is permitted by its agreements with the Client or Affiliate and applicable law, and has authority to effect the transactions specified in the Clearing Member's requests and/or instructions to the Clearing House in respect of such Client or Affiliate. Clearing Members are not permitted to effect or attempt to effect a transaction described in Sections 2A.12.5.1 or 2A.12.5.2 below where the preceding representations are not satisfied.

Notwithstanding anything to the contrary contained in this Section 2A.12.5, the transactions described in this section are subject to all applicable provisions of the CEA and the CFTC Regulations (including without limitation Part 22 thereof).

~~2A.12.5~~ 2A.12.5.1 **Transfers between Proprietary Accounts and Client Accounts of the Same FCM Clearing Member**

Pursuant to Regulation 108(d), an FCM Clearing Member may, in connection with a defaulted Client, transfer a SwapClear Contract from ~~a~~the applicable Client ~~account~~Segregated Sub-Account to its Proprietary Account, or transfer a SwapClear Contract from its Proprietary Account to the applicable Client Segregated Sub-

Account, provided that the following conditions are met~~:~~ (in addition to any other generally applicable provisions of the Rulebook):

(a) ~~a copy of~~ the ~~notice designating the Early Termination Date~~representations described above in Section 2A.12.5 are not or~~, if the Early Termination Date occurs automatically,~~ would not be breached;

~~(a)~~(b) satisfactory evidence of the ~~relevant Event of Default or Termination Event is provided~~ Client's default in its obligations to the FCM Clearing Member is presented to the Clearing House~~;~~, which evidence may be, to the extent permitted by the Clearing House in its sole discretion, nothing other than the FCM Clearing Member's instruction to effect the transfer (provided that the Clearing House shall be entitled to request additional evidence in its discretion);

~~(b) a copy of a notice served by the FCM Clearing Member on the Client alerting that Client of the FCM Clearing Member's intention to transfer the relevant Contract is provided to the Clearing House;~~

(c) at all times the FCM Clearing Member maintains sufficient Margin in its Proprietary Account ~~to meet the Required Margin attributable to the Contract to~~ and the applicable Client Segregated Sub-Account, taking into account that (i) the FCM Clearing Member may request that Posted Collateral held in the Proprietary Account be transferred~~, and is also maintaining~~ to a client account in connection with a transfer of a SwapClear Contract from the Proprietary Account to a Client Segregated Sub-Account (Posted Collateral held in the client account may in no circumstances be transferred to a Proprietary Account), and (ii) collateral transfers may not be requested by the FCM Clearing Member in connection with a transfer of a SwapClear Contract from a Client Segregated Sub-Account to the Proprietary Account; and

(d) on demand from the Clearing House, an indemnity from the FCM Clearing Member in a form suitable to the Clearing House is provided to the Clearing House.

The Clearing House will typically (but shall not be required to) transfer the relevant SwapClear Contract within 24 hours of receipt of the above.

A SwapClear Contract transferred in this manner shall be through novation, from the Client to the FCM Clearing Member in the case of a transfer from a Client Segregated Sub-Account to the Proprietary Account, and from the FCM Clearing Member to the Client in the case of a transfer from a Proprietary Account to a Client Segregated Sub-Account.

2A.12.5.2 SwapClear Contracts Entered into on Behalf of Defaulted Clients

An FCM Clearing Member may register, in the name of a defaulted Client but without the direction of such Client, SwapClear Contracts (including hedging and/or compression transactions) to such Client's Client Segregated Sub-Account

under the following conditions (in addition to any other generally applicable provisions of the Rulebook):

(a) the representations described above in Section 2A.12.5 are not or would not be breached;

~~(c)~~(b) at all times the FCM Clearing Member maintains sufficient Margin in ~~its~~the applicable Client ~~account~~Segregated Sub-Account; and

~~(d)~~(c) on demand from the Clearing House, an indemnity from the FCM Clearing Member in a form suitable to the Clearing House is provided to the Clearing House.

~~The Clearing House will typically (but shall not be required to) transfer the relevant Contract within 24 hours of receipt of the above, unless the Client contests making such transfer.~~

Such a SwapClear Contract to be registered in the name of a defaulted Client must reference the applicable Client and Client Segregated Sub-Account as would ordinarily occur; however, the transaction may be submitted using either the Client's MarkitWire identification number or an alternative MarkitWire identification number other than that of the Client (*e.g.*, the FCM Clearing Member's or one of its Affiliate's MarkitWire identification numbers), as applicable. Where the transaction is submitted using an alternative MarkitWire identification number other than that of the Client, the Clearing House may in its discretion request satisfactory evidence of the Client's default in its obligations to the FCM Clearing Member and an indemnity from the FCM Clearing Member in a form suitable to the Clearing House.

2A.12.5.3 **SwapClear Contracts Entered into on Behalf of Defaulted Affiliates**

A Clearing Member may register, in the name of a defaulted Affiliate but without the direction of such Affiliate, SwapClear Contracts (including hedging and/or compression transactions) to such Affiliate through the Proprietary Account under the following conditions (in addition to any other generally applicable provisions of the Rulebook):

(a) the representations described above in Section 2A.12.5 are not or would not be breached;

(b) at all times the Clearing Member maintains sufficient Margin in its Proprietary Account; and

(c) on demand from the Clearing House, an indemnity from the Clearing Member in a form suitable to the Clearing House is provided to the Clearing House.

Such a SwapClear Contract to be registered in the name of a defaulted Affiliate must reference the applicable Affiliate as would ordinarily occur; however, the transaction may be submitted using either the Affiliate's MarkitWire identification number or an alternative MarkitWire identification number other than that of the Affiliate (*e.g.*, the Clearing Member's or one of its other Affiliate's MarkitWire

identification numbers), as applicable. Where the transaction is submitted using an alternative MarkitWire identification number other than that of the Affiliate, the Clearing House may in its discretion request satisfactory evidence of the Affiliate's default in its obligations to the Clearing Member and an indemnity from the Clearing Member in a form suitable to the Clearing House.

2A.12.6 Transfers of SwapClear Contracts of Clients to the Proprietary Account of a Different Clearing Member

FCM Clearing Members are permitted under certain conditions to transfer Contracts registered on behalf of their Clients to the Proprietary Account of a different Clearing Member. FCM Clearing Members interested in providing these services to their Clients should contact the Clearing House's SwapClear Client Services department.

2A.13 Proprietary Account Position Transfers

The SwapClear clearing system provides functionality for the transfer of positions from a Clearing Member's Proprietary Account, either in respect of SwapClear Contracts held on a Clearing Member's own behalf or in respect of SwapClear Contracts held on behalf of an Affiliate~~.~~, to another Clearing Member. In either case, any such transfer may only occur if the Clearing Member receiving such positions is an Affiliate of the Clearing Member transferring such positions.

A Clearing Member who wishes to effect a position transfer to another Clearing Member should contact the Clearing House Risk Management Department. Transfers will only be effected once adequate Margin has been furnished by both parties to the transfer.

~~Transfers will only be effected once adequate Margin has been provided by both parties to the transfer. Transfers of Affiliate positions shall not be permitted to another Clearing Member's Proprietary Account unless such Affiliate is an Affiliate of the Clearing Member receiving the transferred position.~~

See Section 2A.12.5 above regarding transfers between Proprietary Accounts and Client accounts.

2A.13.1 Legal Documentation

The Clearing House will provide standard legal documentation for the transfer of positions. The transfer must be authorized by both parties and by individuals with appropriate signing authority.

2A.13.2 Position Transfer Notice Period

The Clearing House will usually require five (5) Business Days' notice ahead of an intended transfer.

2A.14 Amendment of Trade References

Sometimes Clearing Members wish to change their own trade reference numbers/codes by which they identify trades registered in the SwapClear US

Service. Subject to any such Clearing Member meeting all the Clearing House's requirements, including under these Procedures, the Clearing House will, as part of its service to Clearing Members, amend its records in order to reflect any such change. Such change has no effect whatsoever on the terms of any registered SwapClear Contract or any other obligations of the Clearing Member party to such contract.

2A.14.1 Trade Reference Amendment Request Form

The Clearing House requires a completed Trade Amendment Request Form (in the form prescribed by the Clearing House) to be submitted by any Clearing Member wishing to amend a trade reference. The form must be signed by two authorized signatories of the Clearing Member and must set out the required full details of each registered trade in respect of which the Clearing Member wishes to change its trade reference. Evidence of such signing authority may be required by the Clearing House. All parts of the form must be properly and fully completed, including the requested date for trade reference amendment, and, in respect of each trade identified therein, details of the current trade reference and the new trade reference and the Clearing House trade reference number.

The requested date for trade reference amendment must be no earlier than two Business Days (the "**Trade Reference Amendment Notice Period**") after the date upon which the form is received by the Clearing House. While the Clearing House will do what it reasonably can to meet the requested date for the amendment it is under no obligation to do so. The date for the amendment in the Clearing House's records and SwapClear clearing system is a matter entirely within the discretion of the Clearing House and the Clearing Member will be advised in due course of the date set by the Clearing House.

2A.14.2 Multi-trade Amendments

If a Clearing Member requests amendment to several trades it must (in addition to providing the hard copy Trade Reference Amendment Request Form) provide to the Clearing House an electronic text file containing all the relevant details required by the Trade Reference Amendment Request Form. Detail of the required formats of the file can be obtained from SwapClear Operations (Tel: +1 (212) 513-5642). If the file is not submitted in the correct format and containing all the required details, the request for deletion will be rejected by the Clearing House and the Clearing Member will be advised accordingly.

2A.14.3 Processing

The Clearing House will usually agree to process any request for amendment of trade reference properly submitted; however the Clearing House will reject any such request if:

- it is not made in accordance with these Procedures;
- any trade reference notified to the Clearing House in the Trade Reference Amendment Request Form does not match the Clearing Member's trade reference which the Clearing House has recorded;

- the Clearing House trade reference number notified in the Trade Reference Amendment Request Form does not refer to a trade registered in the SwapClear clearing system;

- any trade referred to in the Trade Reference Amendment Request Form is not already registered in the SwapClear clearing system or is not recorded by the Clearing House against the BIC code of the Clearing Member requesting the amendment; or

- it would not be practical in all the circumstances or would subject the Clearing House to unacceptable cost if the Clearing House were to make the requested amendments or the Clearing House forms the view that to do so would adversely affect its risk.

Following notification of agreement to make the requested amendments, the Clearing House will use its commercially reasonable efforts to process the amendments on the anticipated date of amendments; if, for whatever reason, the Clearing House is unable to do so, it will notify the Clearing Member and process the amendment as soon as reasonably practicable thereafter.

After close of business on the day of processing, the Clearing House will produce a report setting out details of the time and date that it has amended its records in accordance with the request, details of the old and new Clearing Member trade references and the status of the amendment in respect of each trade set out in the Trade Reference Amendment Request – namely "amended" or "rejected". All records of the Clearing House and data held in the SwapClear clearing system will then be updated overnight following the close of business on that day.

2A.14.4 **Legal Documentation**

The Clearing House will provide the requesting Clearing Member with legal documentation in Clearing House standard form for that Clearing Member to sign. No trade reference will be amended unless such documentation is completed and signed. The documentation must be signed by a person within the Clearing Member with appropriate signing authority. Evidence of such authority may be required by the Clearing House. No amendment to such documentation will be accepted by the Clearing House.

2A.14.5 **Notification**

Subject to the requesting Clearing Member meeting all of the Clearing House's requirements (including completion and submission of all documentation and such other additional requirements as may be set by the Clearing House in its discretion), the Clearing House will notify the Clearing Member of its agreement to the amendment of its records of the Clearing Member trade reference in respect of the trades identified in the Trade Reference Amendment Request Form, and advise of the anticipated date of amendment (the "**anticipated date of amendment**").

2A.15 Early Termination Events

Clearing Members and SwapClear Dealers using MarkitWire may, if they so wish, use the Early Termination Provision FpML block to include details of any terms relating to optional early termination agreed between the parties to that SwapClear Transaction.

The Clearing House, in order to assist Clearing Members and SwapClear Dealers, permits Clearing Members and SwapClear Dealers to use these fields for their own administrative convenience as a record of a term of the underlying SwapClear Transaction between them, but any data populating these fields will not under any circumstances constitute any part of or any term of the SwapClear Contracts which arise between the Clearing House and the Clearing Members in whose name such trades are registered. Clearing Members have no right to elect early termination of any SwapClear Contract. The full terms of any such SwapClear Contract are as set out in Schedule 4A to the Regulations.

The Clearing House does not store or record any data populating these fields or blocks or any other fields or blocks in the trade confirmation message which are ignored by the SwapClear System (see information documents provided by SwapClear entitled, "The FpML Validation Rules for SwapClear".)

2A.16 Termination of Clearing Member and SwapClear Dealer Status

2A.16.1 Termination of Clearing Member Status

Clearing Members should contact the Clearing House Membership Department (+1 (212) 513-5645;membership@lchclearnet.com) for details of how to resign from the SwapClear US Service.

2A.16.2 Termination of SwapClear Dealer Status

The SwapClear Dealer Agreement sets out how SwapClear Dealer status may be terminated.

In particular, a SwapClear Dealer may terminate the SwapClear Dealer Agreement by giving no less than twenty one (21) days' written notice in the same terms to the Clearing Member and to the Clearing House. Before the expiry of such twenty one (21) day period (the "**Termination Date**"), the Clearing House will notify all Clearing Members and SwapClear Dealers that the relevant SwapClear Dealer is no longer able, from such Termination Date, to submit SwapClear Transactions for registration. Such SwapClear Dealer may only resume registration of SwapClear Transactions if it enters into another SwapClear Dealer Clearing Agreement and resumes its place in the Register of SwapClear Dealers. The Clearing House may give such notification by letter, email, fax, internet or telephone.

A Clearing Member may terminate the SwapClear Dealer Agreement, inter alia, at any time by giving written notice to the SwapClear Dealer and to the Clearing House in accordance with the provisions of the agreement. Following receipt of such notice, the Clearing House will confirm receipt to the Clearing Member and the SwapClear Dealer, and such termination will become effective three (3) hours after

the Clearing Houses confirmation has been sent out. Confirmation may be given by the Clearing House by letter, email, fax, internet or telephone. Where notice is given to the Clearing House on a day which is not a Business Day for the SwapClear US Service, it will become effective three (3) hours after the commencement of the SwapClear US Service on the next following Business Day.

Following the receipt of a notice to terminate given by the Clearing House, the Clearing House will notify all Clearing Members and SwapClear Dealers that the relevant SwapClear Dealer is no longer able to submit SwapClear Transactions for registration until that SwapClear Dealer enters into another SwapClear Dealer Clearing Agreement and resumes its place in the Register of SwapClear Dealers.

2A.17 Default Management

2A.17.1 Portfolio Splitting

As part of the Default Management Process, the Clearing House may divide an Auction Portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing House will, in consultation with the DMG (as defined in the Default Regulations), seek to create:

(a) one or more individual sub-portfolios which have comparatively greater levels of risk associated with them, thereby isolating such sub-portfolios from those which are more risk neutral; and

(b) one or more individual sub-portfolios which are more risk neutral.

2A.17.2 Acceptance of Bids

In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion, that accepting the bid may:

(a) cause the Clearing House to breach any legal or regulatory requirement applicable to it by virtue of its being a Derivatives Clearing Organization;

(b) cause the Clearing House or its membership any reputational harm;

(c) cause legal action or proceedings to be taken against the Clearing House; or

(d) endanger the Clearing House, any of its Clearing Members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same Clearing Member in respect of the same Auction, the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by a Clearing Member for operational, technological or other similar reasons, the Clearing House will be unable to accept the bid and shall not be liable for any failure to accept such bid.

2A.17.3 **Affiliate Bidding**

A Clearing Member is entitled to bid for an Auction Portfolio on behalf of an affiliated Clearing Member. Where a Clearing Member makes a bid and such Clearing Member has an affiliated Clearing Member that does not make a bid, the Clearing House shall not (unless instructed otherwise in accordance with the paragraph below) assume that the bidding Clearing Member has made the relevant bid on behalf of a non-bidding, affiliated Clearing Member.

A Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated Clearing Member. Where it wishes to do so, the Clearing Member should contact the Clearing House's Membership Department at +1 (212) 513-5645; membership@lchclearnet.com.

Upon the request of a Clearing Member that has successfully bid in an Auction (or in respect of which an LCH Approved Outsourcing Party, an affiliated Clearing Member or a non-Clearing Member Affiliate has made a successful bid on its behalf), the Clearing House shall transfer the rights and obligations arising out of the applicable Auction Portfolio to an affiliated Clearing Member of such Clearing Member or, through its House Account, to a non-Clearing Member Affiliate clearing through such Clearing Member, subject to such affiliate consenting to such transfer and meeting all the requirements imposed by the Clearing House from time to time in relation to accepting such rights and obligations (including executing any documents reasonably requested by the Clearing House), and subject to the Clearing House's determination in its reasonable discretion that the transfer would not be likely to result in a material and adverse impact on the Clearing House, the SwapClear US Service or another Clearing Member. Until such time as such transfer has been effected, the Clearing Member shall remain liable to perform its obligations (including in respect of the Auction Portfolio to be transferred) under the Rulebook.

2A.17.4 **Outsourcing**

Pursuant to Regulations 102(b)(iv) and 102(b)(v), a Clearing Member may appoint two or more third parties to fulfill one or both of the Clearing House's Membership requirements to: (i) participate in a SwapClear "fire drill" run by the Clearing House; and (ii) participate in the Default Management Process operated by the Clearing House (which involves the LCH Approved Outsourcing Party carrying out in a default situation, those actions that are required to be performed in a "fire drill"). Where a Clearing Member chooses to outsource one or both of these functions it must appoint and maintain at least two LCH Approved Outsourcing Parties.

The following types of entities are eligible for appointment as an LCH Approved Outsourcing Party:

- another Clearing Member or a clearing member of LCH.Clearnet Limited;
- a Client; or

- any other entity that the Clearing House deems appropriate in its sole discretion.

Regardless of the number of LCH Approved Outsourcing Parties appointed by a Clearing Member, at least one such LCH Approved Outsourcing Party must be a person other than another Clearing Member (but such person may be a clearing member of LCH.Clearnet Limited).

Where a Clearing Member wishes to appoint a third party to carry out any obligation on its behalf, it should contact the Clearing House's Membership Department with:

1. details of the third-party entity that the Clearing Member wishes to appoint as an LCH Approved Outsourcing Party (including details of the applicant's regulatory status);

2. evidence of the existence of a legally binding agreement between the Clearing Member and the third party; and

3. such other information that the Clearing House reasonably considers necessary for the purposes of determining whether an entity should be approved as an LCH Approved Outsourcing Party.

Following the receipt of all of the information above, the Clearing House shall determine, in its sole discretion, whether to approve the third party as an LCH Approved Outsourcing Party. In making its determination, the Clearing House shall consider the third party's ability to demonstrate that it has the necessary operational infrastructure and appropriate asset class expertise.

Where a Clearing Member successfully appoints an LCH Approved Outsourcing Party, that Clearing Member may be subject to increased Margin requirements to cater for the additional time required to invoke an outsourcing process in the event of a Default.

Clearing Members should note that LCH Approved Outsourcing Parties may be subject to a more rigorous driving test and fire-drill than Clearing Members (*i.e.*, they may be required to demonstrate an ability to price and bid a greater number of trades at tighter pricing tolerances and within more onerous timeframes). In addition, the Clearing House may require a Clearing Member that has appointed an LCH Approved Outsourcing Party to participate in an ad-hoc fire-drill or driving test with such notice as the Clearing House deems appropriate in its sole discretion.

The Clearing House reserves the right to revoke an entity's status as an LCH Approved Outsourcing Party, where such LCH Approved Outsourcing Party fails a "fire drill" or the Clearing House reasonable believes it would fail a "fire drill", in its sole discretion and without notice. Within 14 days of such a revocation, the relevant Clearing Member shall be required to either (i) assume those responsibilities that were previously outsourced to such LCH Approved Outsourcing Party or (ii) appoint a replacement LCH Approved Outsourcing Party. Such revocation may occur where the Clearing House considers that there are an insufficient number of third-party entities that are providing outsourced default management services (usually a minimum of five providers at any one time).

In the event that the Clearing House determines that an LCH Approved Outsourcing Party has been appointed to provide operational support to a number of Clearing Members great enough so that it may not be able to provide such services efficiently to each and every one of those Clearing Members in the event of a Default, it may require a Clearing Member who has appointed such LCH Approved Outsourcing Party to replace the LCH Approved Outsourcing Party and make suitable alternative arrangements within 14 days of the Clearing House's determination.

The appointment of an LCH Approved Outsourcing Party does not absolve a Clearing Member of its obligations under the Default Management Process (including its obligation to participate in an Auction), and an LCH Approved Outsourcing Party's participation in Default Management Process on behalf of a Clearing Member in the event of a Default shall not extend beyond the provision of operational and other ancillary support to that Clearing Member.

2A.17.5 The DMG

The necessary involvement of Clearing Members and the DMG in the Default Management Process 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 2A.E establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on Clearing Members (and their executives or directors who participate from time to time in the Default Management Process) and on the Clearing House.

Each Clearing Member who makes available a representative to serve on the 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 DMG complies with, Appendix 2A.E covering confidentiality, non-disclosure and other terms.

2A.17.6 Procedures for Liquidation of SwapClear Contracts of Clients

Upon the default of an FCM Clearing Member, the Clearing House has the power and authority, pursuant to the Rulebook, the CEA and the CFTC Regulations, to liquidate the SwapClear Contracts of Clients which, pursuant to the Rulebook, would be conducted in accordance with the Default Regulations. This section sets forth certain supplementary procedures (in addition to the Default Regulations and other applicable provisions of the Rulebook) that will apply under such circumstances.

When the Clearing House determines that part or all of a Client's Client Segregated Sub-Account holding SwapClear Contracts is non-transferable and such Client Segregated Sub-Account or portion thereof and any or all of the SwapClear Contracts held in such Client Segregated Sub-Account will be liquidated, the Clearing House shall transfer (either physically or by book-entry) such Client's SwapClear Contracts to be liquidated into an account ~~of~~at the Clearing House established for purposes of liquidating the SwapClear Contracts of Clients of the Defaulter (such account, a "**Hedged Account**"). The Clearing House shall establish a separate Hedged Account for each currency of SwapClear Contracts that are non-transferable and will be subject to liquidation and will include in each such Hedged

Account the SwapClear Contracts in the applicable currency that are to be liquidated, regardless of the Clients for which such SwapClear Contracts are held. The provisions of this section shall apply equally to any such Hedged Account. Additionally, no Contracts other than SwapClear Contracts will be transferred into a Hedged Account established for liquidating SwapClear Contracts.

A Client whose SwapClear Contracts are transferred into a Hedged Account is referred as a "**Non-Porting Client**". The Clearing House shall hold the ~~Account Assets~~relevant Posted Collateral in respect of ~~each~~ Non-Porting Client~~s~~ (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in ~~its applicable~~the relevant Omnibus Client ~~Segregated Sub-~~Swaps Account with LCH of the Defaulter until the liquidation of the entire Hedged Account and all SwapClear Contracts and other positions therein, as described below. At the time that the SwapClear Contracts of a Non-Porting Client are transferred into a Hedged Account, any outstanding and accrued but unpaid Variation Margin in respect of such SwapClear Contracts shall be discharged as of the time such SwapClear Contracts are transferred into the Hedged Account, by (i) in the event that Variation Margin is accrued but unpaid in favor of the Clearing House, debiting the Client Segregated Sub-Account of such Client, or (ii) in the event that Variation Margin is accrued but unpaid in favor of the Client, crediting the Client Segregated Sub-Account of such Client.

Administration of a Hedged Account. The Clearing House may enter into hedge transactions and liquidate and/or auction the SwapClear Contracts and hedges ~~in a~~for the account of the Hedged Account, and may take related actions with respect to a Hedged Account (and the positions held therein), in its sole discretion as permitted by the Rulebook, the CEA and the CFTC Regulations, or as directed by an applicable Regulatory Body.

Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients. The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:

(i) At the time a Client becomes a Non-Porting Client, such Non-Porting Client is assigned a risk factor (a "**Risk Factor**") which is equal to such Non-Porting Client's ~~Initial~~Required Margin ~~requirement~~ with respect to its SwapClear Contracts that are transferred into the Hedged Account at the time such Client became a Non-Porting Client (*i.e.*, at the time of transfer into the Hedged Account).

(ii) On the first day that Clients become Non-Porting Clients, gains and losses in the Hedged Account on such day shall be allocated on a *pro rata* basis among such Non-Porting Clients based on their individual Risk Factors. The allocation of gains and losses on subsequent days shall be made in the same manner until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account. Additional Non-Porting Clients that are included in the Hedged Account on a subsequent day, until further additional Non-Porting Clients are included in the Hedged

Account on a further subsequent day, are referred to as "**New Non-Porting Clients**".

(iii) On a day when one or more New Non-Porting Clients are included in the Hedged Account, the Clearing House shall calculate a combined risk factor (the "**Existing Non-Porting Clients Combined Risk Factor**") in respect of the Non-Porting Clients that were previously included in the Hedged Account and are not New Non-Porting Clients (such existing Non-Porting Clients, "**Existing Non-Porting Clients**"). The Existing Non-Porting Clients Combined Risk Factor shall be based on the amount of ~~Initial~~Required Margin associated with the Hedged Account with respect to all positions (including all SwapClear Contracts, hedges or other positions) held in the Hedged Account, at the beginning of the day on which New Non-Porting Clients are included in the Hedged Account (*i.e.*, at a time prior to the transfer of the SwapClear Contracts of New Non-Porting Clients into the Hedged Account). For the avoidance of doubt, the Existing Non-Porting Clients Combined Risk Factor is calculated without respect to the ~~Initial~~Required Margin ~~requirements~~ applicable to the transferred SwapClear Contracts of the New Non-Porting Clients.

(iv) On any day on which New Non-Porting Clients are included in the Hedged Account, gains and losses in the Hedged Account that are incurred on that day will be allocated among the Existing Non-Porting Clients (as a group) and the New Non-Porting Clients (individually) on a *pro rata* basis based on the Existing Non-Porting Clients Combined Risk Factor (with respect to the Existing Non-Porting Clients as a group) and the individual Risk Factors of each New Non-Porting Client (with respect to each such New Non-Porting Client individually). The gains and losses allocated in such manner to the Existing Non-Porting Clients as a group shall be further allocated to each individual Existing Non-Porting Client on a *pro rata* basis based on the Risk Factor of each such Existing Non-Porting Client. The allocation of gains and losses on subsequent days shall occur in the same manner as set forth in this paragraph (iv) until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account and thus become the New Non-Porting Clients. In such a case, (A) the Existing Non-Porting Clients shall continue to be treated as Existing Non-Porting Clients, (B) the Non-Porting Clients previously constituting the New Non-Porting Clients shall then constitute Existing Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), (C) the additional Non-Porting Clients included in the Hedged Account constitute the New Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), and (D) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Risk Factor and the allocation of gains and losses shall be in accordance with paragraph (iii) above and this paragraph (iv).

(v) Upon the liquidation of the Hedged Account and all SwapClear Contracts and other positions therein, by auction or otherwise, any gains or losses associated with such auction/liquidation shall be allocated among all Non-Porting Clients on a *pro rata* basis based on the Risk Factor of each Non-

Porting Client, without regard to any Existing Non-Porting Clients Combined Risk Factor.

Settlement of Non-Porting Clients Following Liquidation of Hedged Account. Following the liquidation of a Hedged Account, the Clearing House shall allocate the appropriate gains and losses (as determined in accordance with the above provisions) to each Non-Porting Client's relevant Client Segregated Sub-Account.

2A.18 Taxes

Each Clearing Member shall pay any Tax or duty levied or imposed upon it or in respect of its execution or performance of the Clearing Membership Agreement and the Rulebook (including any registration of Contracts) by a jurisdiction in which it is incorporated, 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.

If any Clearing Member fails to pay a Tax required to be paid pursuant to the previous paragraph and a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and cost) plus any Tax imposed on the Clearing House with respect to the indemnity payment under this paragraph.

APPENDIX 2A.A

SWAPCLEAR PROCESSING SCHEDULE

This table outlines the daily processes and timetable of the SwapClear operation and constitutes a "Business Day" for the purpose of the Rulebook. Clearing Members will be informed of changes to this timetable via member circular. All times shown are in New York City time.

SWAPCLEAR PROCESSING SCHEDULE	
Time	
07:30	SwapClear Opens
by 08:30	Registration of Backloaded trades and confirmation of deleted trades from T-1 (see Section 2A.3.5)
16:00	Deadline for PPS calls in New York
19:00	SwapClear Closes

APPENDIX 2A.B

CLIENT – PARTIAL TRANSFER FORM

CLIENT - PARTIAL TRANSFER FORM

V.1.0: August 2012

Terms used in this form are as defined in LCH.Clearnet LLC's Rulebook unless defined herein.

To: LCH.Clearnet LLC

From: Receiving FCM Clearing Member

Date:

We, ...[insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member"), have received a request from …… [insert name of transferring Client] (the "Client") to transfer part of its portfolio of SwapClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the SwapClear Contracts as identified below pursuant to Regulation 108 and these Procedures.

Please insert the LCH trade IDs of the transferring SwapClear Contracts, using the Schedule below:

***Please insert the LCH trade ID and Approved Trade Source (ATS) ID of the transferring SwapClear Contracts.*

***Please append a list of additional SwapClear Contracts to this form, if required.*

LCH Trade ID	ATS Trade ID

Signatories for and on behalf of the Receiving FCM Clearing Member:

We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member.

1.

(Authorized Signatory)	Name	Position	Date

2.

(Authorized Signatory)	Name	Position	Date

Signatories for and on behalf of the transferring Client:

To: Receiving FCM Clearing Member

We acknowledge and confirm:

i. the request to transfer as detailed above;

ii. that LCH.Clearnet LLC will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;

iii. that, in accordance with the Rulebook, LCH.Clearnet LLC is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;

iv. that the transfer detailed above may require that additional cover be paid to LCH.Clearnet LLC (and/or by us to the Receiving FCM Clearing Member listed above and/or our Carrying FCM Clearing Member), and that LCH.Clearnet LLC is not required to effect the transfer if it has not received adequate cover in respect of the transfer or if any of the other conditions set forth in the Rulebook applicable to the transfer are unsatisfied;

v. that in order for the transfer detailed above to be effected, we will be required to satisfy any requirements as between ourselves and the Carrying FCM Clearing Member and/or its Affiliates at the time of, or arising as a result of, such transfer, to the extent the Rulebook states that such requirements must be satisfied in order for the transfer to be effected, including, without limitation, any outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates at the time of, or arising as a result of, such transfer, as provided for in the Rulebook; and

vi. that we are authorized to make these acknowledgements and confirmations and do so on behalf of the Client listed above in accordance with the Regulations.

For and on behalf of the Client:

Authorized signatory	Authorized signatory
Date	Date

All forms should be returned to LCH.Clearnet LLC for the attention of Client Services.

Email: swapclearclientservices@lchclearnet.com

Telephone: +1 212 513 8265

SwapClear Client Services
17 State Street, 28th Floor
New York NY 10004

APPENDIX 2A.C

CLIENT – FULL TRANSFER FORM

CLIENT - FULL TRANSFER FORM

V.1.0: August 2012

Terms used in this form are as defined in LCH.Clearnet LLC's Rulebook unless defined herein

To: LCH.Clearnet LLC

From: Receiving FCM Clearing Member

Date:

We, ...[insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member") have received a request from ..... [insert name of transferring Client] (the "Client") to transfer its entire portfolio of SwapClear Contracts from ..... [insert name of its Carrying FCM Clearing Member] (the "Carrying FCM Clearing Member") to us. We hereby request the transfer of all the SwapClear Contracts of the Client pursuant to Regulation 108 and the Procedures.

Please insert Name of Carrying FCM Clearing Member:

.....

Please tick the relevant box below to confirm whether the Client wishes to transfer Porting Accounts Assets in accordance with Regulation 108.

☐ The Client wishes to transfer ~~Account Assets~~ Posted Collateral

☐ The Client does NOT wish to transfer ~~Account Assets~~Posted Collateral

Signatories for and on behalf of the Receiving FCM Clearing Member:

We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member.

1.

_____	_____	_____	_____
(Authorized Signatory)	Name	Position	date

2.

_____	_____	_____	_____
(Authorized Signatory)	Name	Position	date

Signatories for and on behalf of the transferring Client:

To: Receiving FCM Clearing Member

We acknowledge and confirm:

i. the request to transfer as detailed herein;

ii. that our Carrying FCM Clearing Member shall not be permitted to register additional SwapClear Contracts on our behalf during the period commencing at the end of the SwapClear service operating hours on the day on which it received notice that a Client Full Transfer Form has been received and ending at the time at which the relevant transfer (including the transfer of the relevant Porting ~~Account Assets~~Collateral, if applicable) is actually effected or is rejected;

iii. that LCH.Clearnet LLC will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;

iv. that, in accordance with the Rulebook, LCH.Clearnet LLC is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;

v. that the transfer detailed above may require that additional cover be paid to LCH.Clearnet LLC (and/or by us to the Receiving FCM Clearing Member listed above) even where Porting ~~Account Assets~~Collateral are transferred, and that LCH.Clearnet LLC is not required to affect the transfer if it has not received adequate cover in respect of the transfer or if any of the other conditions set forth in the Rulebook applicable to the transfer are unsatisfied;

vi. that, where we have requested the transfer of Porting ~~Account Assets~~Collateral, (x) we should contact our Carrying FCM Clearing Member to ensure that they contact LCH.Clearnet LLC to identify the correct Porting ~~Account Assets~~Collateral to be transferred, and (y) where our Carrying Clearing Member does not so identify the correct Porting ~~Account Assets~~Collateral available for transfer, LCH.Clearnet LLC is permitted to propose the ~~collateral~~Posted Collateral that will constitute the Porting ~~Account Assets~~Collateral as it deems appropriate, subject to our consent to transfer such Porting ~~Account Assets~~Collateral in accordance with Regulation 108(b);

vii. that in order for the transfer detailed above to be effected, we will be required to satisfy any requirements as between ourselves and the Carrying FCM Clearing Member and/or its Affiliates at the time of, or arising as a result of, such transfer, to the extent the Rulebook states that such requirements must be satisfied in order for the transfer to be effected, including, without limitation, any outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates at the time of, or arising as a result of, such transfer, as provided for in the Rulebook; and

viii. that we are authorized to make these acknowledgements and confirmations and do so on behalf of the Client listed above in accordance with the Regulations.

For and on behalf of the Client:

Authorized signatory	Authorized signatory
Date	Date

All forms should be returned to LCH.Clearnet LLC for the attention of Client Services.

Email: swapclearclientservices@lchclearnet.com

Telephone number: +1 212 513 8265

SwapClear Client Services
17 State Street, 28th Floor
New York NY 10004

Schedule of transferring SwapClear Contracts:

**Please insert the LCH trade ID and Approved Trade Source (ATS) ID of one or more transferring SwapClear Contracts in order that LCH.Clearnet LLC can determine the identity of the relevant Carrying FCM Clearing Member.

LCH Trade ID	ATS Trade ID

APPENDIX 2A.D

CLIENT TRANSFER – CARRY FCM CLEARING MEMBER REPONSES FORM

LCH.CLEARNET

CLIENT TRANSFER - CARRYING FCM CLEARING MEMBER RESPONSE FORM

V.1.0: August 2012

Terms used in this form are as defined in LCH.Clearnet LLC's Rulebook unless defined herein

To: LCH.Clearnet LLC

From: Carrying FCM Clearing Member

Date:

We, ...[insert name of Carrying FCM Clearing Member] (the "Carrying FCM Clearing Member") have received a request from LCH.Clearnet LLC in relation to .....'s [insert name of transferring Client] (the "Client") request to transfer [its entire/part of its*] portfolio of SwapClear Contracts held by us. We are writing to inform you that:

* Delete as appropriate

☐ *(Please tick if applicable)* The transferring Client has become insolvent and therefore no SwapClear Contracts should be transferred in accordance with Regulation 108(a).

☐ *(Please tick if applicable)* The transferring Client has, or would have as a consequence of the occurrence of the requested transfer, unsatisfied requirements which the Rulebook states must be satisfied in order for the transfer to be effected as between itself and us and/or our Affiliates at the time of, or arising as a result of, such transfer, and therefore no SwapClear Contracts should be transferred.

☐ *(Please tick if applicable)* The transferring Client has asked that the Porting ~~Account Assets~~Collateral be transferred and the relevant Porting ~~Account Assets~~Collateral are described in the schedule below.

Schedule of Porting ~~Account Assets~~Collateral:

☐ The Porting ~~Account Assets~~Collateral of the Client consist solely of cash in the following amount and currency:

CASH AMOUNT & CURRENCY

☐ The Porting ~~Account Assets~~Collateral of the Client consist of the following cash and non-cash ~~collateral~~Posted Collateral:

CASH AMOUNT & CURRENCY

ISIN	Notional Value

All forms should be returned to LCH.Clearnet LLC for the attention of Client Services.

Email: swapclearclientservices@lchclearnet.com

Telephone: +1 212 513 8265

Fax: +1 212 513 8290

SwapClear Client Services
17 State Street, 28th Floor
New York NY 10004

Signatories for and on behalf of the Carrying FCM Clearing Member:

We acknowledge and confirm the above and that we are authorized to sign for and on behalf of the Carrying FCM Clearing Member:

1.

(Authorized Signatory)	Name	Position	Date

2.

(Authorized Signatory)	Name	Position	Date

APPENDIX 2A.E

CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN THE DEFAULT MANAGEMENT GROUP

1. Definitions

1.1 "**Confidential Material**" means data (including but not limited to portfolio data) and documents, which are not in the public domain and which are disclosed to the Clearing Member, its associated companies and advisers, or to which the Clearing Member, its associated companies and advisers obtains or otherwise has access as a result of participation in the Default Management Process, (which, for the avoidance of doubt, does not include any information, data or documents provided to the Clearing House by the Clearing Member).

1.2 "**DMG Member"** means an individual appointed by a Nominating Clearing Member.

1.3 "**Nominating Clearing Member**" means a Clearing Member who, through its obligations under the Default Management Process, makes available a representative to serve on the DMG.

1.4 "**Permitted Purpose**" means proper fulfillment by the Clearing Member of its duties under Regulation 204 and includes, after the completion of the Auction, the use by the Clearing Member, its associated companies and advisers (to be determined by it at its discretion) of any data or documents related to portfolios successfully won through the Auction, for the purposes of its own ongoing portfolio management and to enable it to comply with ongoing legal or regulatory requirements.

1.5 References denoting the masculine (including "his" and "he") shall be construed as the feminine if the DMG Member is female.

1.6 All other terms have the meaning ascribed to them in the Default Regulations (including Regulation 204).

Confidentiality and Non-Disclosure: General Obligations of the Clearing Member

2. Confidentiality

2.1 The Clearing Member agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of this Appendix in respect thereof and, subject to Clause 2.3, will not disclose it to any person without the prior written permission of the Chief Risk Officer of the Clearing House or a Director of Risk Management of the Clearing House, providing always that the Clearing Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if:

2.1.1 it comes into the public domain other than through a breach by the Clearing Member of this Appendix; or

2.1.2 the Clearing Member is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in connection with any inquiry or other request by a regulatory authority or self-regulatory authority asserting jurisdiction over the Clearing Member.

2.2 The Clearing Member further agrees that it will not use any Confidential Material for any purpose other than the Permitted Purpose. In this regard the Clearing Member expressly acknowledges and agrees that the Confidential Material may contain commercially sensitive information which if used inappropriately or otherwise than in accordance with this Appendix might result in the gaining of an unfair commercial advantage by the Clearing Member over other members of the SwapClear US Service.

2.3 Subject to Section 2.5, the Clearing Member may disclose any Confidential Material to any of its employees, representatives, associated companies and advisers on a "strictly need to know" basis, in the event that any such person needs that Confidential Material for the Permitted Purpose (and to that extent only).

2.4 The Clearing Member agrees to establish and adhere to adequate procedures (including, without limitation, the establishment of appropriate Chinese walls) to ensure that any employee or representative to whom any Confidential Material is disclosed shall not use any part or all of that Confidential Material for any proprietary purpose outside the scope of the Permitted Purpose.

2.5 This paragraph and the duties hereunder shall survive the termination of this Agreement and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Material was first provided to the Clearing Member.

3. Secrecy

3.1 Except in accordance with the terms of this Annex, the Clearing Member agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:

3.1.1 Confidential Material;

3.1.2 the fact that it has received any Confidential Material;

3.1.3 the existence of any discussions or negotiations between the parties in this matter;

3.1.4 details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the forgoing. Subject only to the Clearing Member being relieved of such an obligation because of the circumstances covered in Sections 2.1.1 and 2.1.2.

3.2 The Clearing House undertakes to ensure that the Clearing Member is fully appraised of information on the Default Management Process that it makes public and which is accordingly of relevance to the Clearing Member's obligations.

4. Property

4.1 The parties acknowledge that the property in the Confidential Material (or any part of it) shall not pass to the Clearing Member or any Clearing Member, and the property in the media on which it is conveyed to the receiving party shall not pass to the Clearing Member or any Clearing Member unless expressly so agreed by the Clearing House in writing.

5. Return of Confidential Material

5.1 Upon request by the Clearing House, and in any event upon fulfillment of the Permitted Purpose, the Clearing Member shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in its possession or control or that of its employees or representatives, including all other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so provided that the Clearing Member is permitted to retain copies of any Confidential Material which it requires as part of its portfolio management or otherwise for legal or regulatory reasons.

6. No Representations or Warranties; No Conflict of Interest

6.1 Subject to Section 7, the Confidential Material is disclosed by the Clearing House without any representation or warranty whatsoever as to its accuracy or completeness or otherwise.

6.2 The Clearing House acknowledges and agrees that, subject to compliance with the terms of this Appendix by the Clearing Member and any of its employees or representatives to whom Confidential Material is provided in accordance with this Appendix, the Clearing Member's participation in the Default Management Process shall not prevent the Clearing Member from carrying out any transaction, or otherwise providing investment services in respect of, investments that the Clearing Member may subsequently learn are the subject of Confidential Material and, furthermore, the Clearing House agrees that it shall not be able to assert that the Clearing Member has a conflict of interest in doing so nor shall the Clearing House have a claim or action in respect of the foregoing against the Clearing Member or any of its directors, employees or other representatives.

7. Liability

7.1 Subject to Regulation 24 of the Agreement, the parties agree and acknowledge that neither the Clearing House nor any of its employees or representatives shall have any liability whatsoever to the Clearing Member or any of employees or representatives, for any loss or damage of whatsoever kind howsoever arising directly or indirectly out of or in connection with the disclosed Confidential Material or its use.

7.2 The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and any fraud or willful default on the part of the Clearing House, for any actions that it may take on the basis of advice given to it by the DMG, and for the accuracy of the information (confidential material as defined in the Annex to this Agreement) that it distributes to the Clearing Member in connection with the Default Management Process.

7.3 Under no circumstances shall the Clearing House have any liability to the Clearing Member for (a) any consequential loss or other indirect loss of whatsoever kind or (b) loss of anticipated profit (whether direct or indirect).

8. Remedies

8.1 Without affecting any other rights or remedies that the Clearing House may have, the Clearing Member acknowledges that the Clearing House may be irreparably harmed by any breach of the terms of this Appendix and that damages alone may not necessarily be an adequate remedy. Accordingly, the Clearing House will be entitled to the remedies of injunction, specific performance and other equitable relief, or any combination of these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce this Appendix.

Confidentiality and non-disclosure and general terms of participation in Default Management Group

9. Conflict of interest

9.1 The Clearing Member shall procure that, in the event that a DMG Member takes the view that a possible conflict of interest may arise with regard to any matter forming part of the business of the DMG, he shall promptly report his view to the Chairman of the DMG, who shall act accordingly, taking the advice of other DMG Members as appropriate.

10. Confidentiality

10.1 Subject to Section 10.3 below, the Clearing Member shall procure that the DMG Member shall keep all Confidential Material strictly confidential to himself and will not disclose it to any person who is not a DMG Member (including, for the avoidance of doubt, the Clearing Member who recommended his appointment to the DMG ("the Nominating Clearing Member") or his employer (if different) or any other employee, adviser, officer or fellow worker of that Clearing Member or his employer) without the prior written permission of the Managing Director, Risk of the Clearing House or his properly authorized delegate, providing always that the DMG Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if it comes into the public domain in the circumstances covered in Sections 2.1.1 and 2.1.2.

10.2 Subject to Section 10.3 below, the Clearing Member shall procure that the DMG Member shall not use any Confidential Material for any purpose other than the proper fulfillment of his duties as a DMG Member.

10.3 The parties acknowledge that, in the event that a Default Notice is issued by the Clearing House in respect of any Clearing Member, the DMG Member may be required by the Nominating Clearing Member and/or his employer (if different) to provide certain services to the Clearing House in the management of the Default. In such event, and only in such event, the parties acknowledge that the DMG Member shall be entitled to disclose any part or parts of the Confidential Material as may be agreed by the Clearing House, in such manner and form and in accordance with such procedures as may prescribed by the Clearing House and/or the DMG with regard to the management of that Default.

10.4 Upon request by the Clearing House, and in any event upon termination of the membership of the DMG Member of the DMG, the Clearing Member shall procure that the DMG Member shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in his possession or control, including all abstracts, notes, drawings and other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so, provided that the DMG Member is permitted to retain a copy thereof to comply with applicable legal or regulatory requirements.

11. Warranty and Representation

11.1 The Clearing Member represents and warrants that it will procure that:

11.1.1 the Nominating Clearing Member and the DMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this Agreement; and

11.1.2 nothing in this Appendix will cause the DMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Nominating Clearing Member or to his employer, if different, or any other contract counterparty of the DMG Member.

12. Confidentiality and Non-Disclosure: General Obligations of the Clearing House

12.1 The Clearing House will treat all Confidential Material in the terms envisaged in this Annex to the Agreement, confining use to the Default Management Process, restricting its availability on a "strictly need to know basis", and exercising every duty of care required of it as a Recognized Clearing House and as a Derivatives Clearing Organization.

13. Third Party Rights

13.1 This Annex is not intended to grant, and shall not be construed as granting, any rights, benefits or privileges to any person who is not a party to this Annex.

FINANCIAL TRANSACTIONS

3. FINANCIAL TRANSACTIONS

3.1 Accounts

3.1.1 Overview

Clearing Members are usually provided with two sub-accounts per financial account:

- **Margin account; and**
- **Tender account (not applicable to Default Fund (DF) accounts).**

These accounts are used to record cash movements between the Clearing House and the Clearing Member. Refer to Section 2A.5 for a full description of financial accounts relating to the clearing of SwapClear Contracts.

3.1.2 Margin Account Postings

Transactions posted to the Margin account include but are not limited to:

- **PPS payments and receipts;**
- **Interest and accommodation charges;**
- **Currency purchases and sales;**
- **Clearing House fees, charges and rebates;**
- **Variation Margin, Price Alignment Interest and coupons;**
- **SwapClear coupon payments;**
- **SwapClear coupon adjustments;**
- **Net Present Value (NPV);**
- **Price alignment interest; and**
- **Consideration.**

3.1.3 Tender Account Postings

Transactions posted to the Tender account include but are not limited to:

- **PPS payments and receipts;**
- **Settlement differences; and**
- **Coupon Payments relating to member ~~collateral~~Posted Collateral.**

3.1.4 Financial Transaction Reporting

Banking reports are generated each day that provide Clearing Members with data relating to but not limited to: liabilities by market, cash balances, non-cash balances, cash posting and interest rates.

All reports are available via the Member Reporting Website (Member Live site) and can be downloaded via the user interface or directly to Clearing Member back-office systems via an SFTP connection.

A "Banking Reports Reference Pack" can be requested by the LCH.Clearnet Client Training Team. This contains definitions and examples of each of the available reports.

3.2 Protected Payments System (PPS)

The Clearing House operates a direct debit system, known as the Protected Payments System ("**PPS**"), for the transfer of funds to and from Clearing Members.

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

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

3.2.1 Introduction

A Clearing Member must open and maintain PPS accounts in USD and such other currencies in which it incurs settlements on its Client or Proprietary Accounts (a list of the relevant participating PPS banks is available at http://www.lchclearnet.com/risk_management/llc/pps; for more information on PPS banks, please contact the Clearing House's Treasury Operations)).

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

The PPS account will, inter alia, be used to process payments related to Contributions in USD.

Where applicable, all PPS accounts that hold ~~Clients' funds and collateral~~Client Funds must be segregated in accordance with the Regulations and the applicable provisions of the CEA and CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of such regulations ~~(but excluding Part 22 until compliance~~

~~therewith becomes mandatory under the CFTC Regulations, as specified in the Regulations).~~.

3.2.2 PPS Mandate

Each Clearing Member is required to complete a standard form PPS Mandate (see Appendix 3A) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the Clea~~r~~ring Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House Membership Department.

3.2.3 Morning PPS Calls

Clearing Members' liabilities are calculated overnight. Should the relevant liability not be covered by acceptable forms of ~~Margin~~Posted Collateral held by the Clearing House (see Section 3.3), any shortfall is called through PPS with separate calls made for each currency. It is the responsibility of each Clearing Member to ensure that its PPS bank(s) meets all payment instructions received from the Clearing House. Confirmation of payments, as notified, must be received by the Clearing House from the relevant PPS bank(s) by 09:00 hours, or within one hour of a subsequent call on the day on which the PPS call is made. Payments will only be recognized for this purpose if the relevant PPS bank (i) has performed its concentration function (being the transfer of net funds from the PPS bank to a central account in the name of the Clearing House) (ii) has made such payments, and (iii) any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

3.2.4 Payments Due to Clearing Members

Where payments are due to a Clearing Member, Payments will be recognized as soon as payment instructions in respect of that payment have been given to a PPS bank. For this purpose, a payment instruction will only be recognized to the extent that the Clearing House has taken steps to transfer to the PPS bank any such sums as may be necessary to enable that payment instruction to be performed by the PPS bank.

3.2.5 Intraday PPS Calls

The intraday margin call by the Clearing House is for intraday cover payments. The Clearing House must receive confirmation of payment from the Clearing Member's nominated PPS bank(s) within one hour of receipt of the intraday margin call by the relevant bank branch.

Failure of a bank to confirm a PPS call within one hour may result in the Clearing Member being declared in Default. Late confirmation of PPS calls are reported to the regulators of the Clearing House.

3.2.6 Auto repay

Clearing Members may request that they are automatically repaid any excess cash balances that remain on their accounts at the end of each day. Clearing Members

must contact Treasury Operations in order to have auto-repay applied to their accounts at uscollateralservices@lchclearnet.com or +1 (212) 513-5642.

3.2.7 Value Date

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in Section 3.2.3 and 3.2.5, subject to Section 3.2.9, all currency transactions are processed by PPS with next business day value with the exception of the following currencies: CAD, EUR, GBP and USD which are processed with value for the same business day.

3.2.8 Foreign Bank Holidays

The Clearing House has made arrangements with its PPS banks to operate the PPS on all US banking days, including foreign bank holidays.

Confirmation that PPS payments will be made must still be received within the deadlines set out in Sections 3.2.3, 3.2.5 and 3.2.6. However, the value date for any PPS transactions made on a day which is a bank or public holiday in the country of that currency will be for the next Business Day on which both the foreign currency center and the Clearing House are open for business.

Example: July 4 is a public holiday in the US but not in the UK. July 5 is a normal banking day in the US.

On July 4 the Clearing House will issue its normal USD instructions to PPS banks, and receive confirmation in response to the PPS Call, for value July 5.

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

www.lchclearnet.com/members_notices/

3.2.9 US Bank Holidays

The Clearing House will not register trades on US bank holidays but will provide settlement and payments in non-USD currencies to the extent that it is a good business day in the country of the particular non-USD currency; provided, that if it is not a good business day in any of the US, the UK or Europe, then the Clearing House will not provide settlement or payments in any currencies. PPS Calls in respect of all outstanding intra-day credit tolerances will be made on the Business Day prior to any US bank holiday. PPS Calls in respect of trades submitted for registration on US bank holidays will be made on the next following Business Day.

3.2.10 Secured Debit Cash Balances

Clearing Members may, at the discretion of the Clearing House, secure debit cash balances up to defined limits with ~~collateral~~non-cash Posted Collateral or cash in another currency. Once the cash balance exceeds any such limit, the PPS automatically issues an instruction demanding payment of the full amount in that currency.

For current debit cash limits, refer to Clearing House circulars or contact the Clearing House's Treasury Operations.

The Clearing House reserves the right to alter the levels set and/or to demand immediate payment of the total sum due or any part thereof.

3.2.11 Payment Failure by PPS Bank

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

3.2.12 Contingency Payment Arrangements

Clearing Members must ensure that they have contingency arrangements to ensure continuity of the funishing of Margin ~~payments~~ in the event of the failure of their nominated PPS bank. From time to time the Clearing House may require the Clearing Member to provide evidence of these arrangements.

3.3 Acceptable Forms of ~~Margin~~Posted Collateral

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

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

To view our acceptable collateral list, go to:

http://www.lchclearnet.com/risk_management /ltd/acceptable_collateral.asp.

3.3.1 Cash

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

Clearing Members must give the Clearing House's Treasury Operations no less than two (2) Business Days notice of their intention to request withdrawal of cash used as Margin and its replacement by the lodgment of non-cash ~~collateral.~~Posted Collateral. In the event that a Clearing Member seeks to withdraw such cash ~~Margin~~Posted Collateral without giving such notice, the Clearing House may

decline to release such cash ~~Margin~~Posted Collateral until the end of the required notice period.

3.3.2 **Securities**

Please refer to the following section of the Clearing House's website for both prevailing haircuts and notes on types of collateral acceptable as ~~Margin~~Posted Collateral:

http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp

3.3.3 **Securities Value Notification**

Clearing Members may obtain details on the value of securities in their account by viewing the relevant reports available on the Member Reporting Website.

3.4 Distribution of ~~Margin~~Posted Collateral

3.4.1 **Liability Order**

Note: The following provision applies solely for the purpose of calculating fees. In case of Default by a Clearing Member, please see Section 3.4.3 below.

Liabilities will be covered in the following order:

(a) Secured debit cash balances (see Section 3.2.9);

(b) Posted Collateral furnised as Initial Margin or for Variation Margin~~ and Initial Margin~~ , including offset of contingent credits.

3.4.2 ~~Margin~~**Posted Collateral Application**

Note: The following provision applies solely for the purpose of calculating fees during the overnight offsetting of each Clearing Member's ~~collateral~~Posted Collateral against such Clearing Member's liabilities. In case of Default by a Clearing Member, please see Section 3.4.3 below.

Clearing Members may choose to have cash applied before securities collateral to their liability or fees, or vice versa.

3.4.3 **Order of Priority on Default**

Post-Default the Clearing House is entitled to realize and/or apply ~~Margin~~Posted Collateral in whatever order it deems appropriate.

3.5 Interest and Accommodation Charge Structure

3.5.1 **Interest on Cash Balances**

The Clearing House applies interest to Clearing Members' cleared cash balances.

The following rates are applied:

(a) LDR – London Deposit Rate – the rate at which the Clearing House will pay interest on credit cash balances (excluding credit cash balances on SwapClear Client financial accounts); and

(b) CDR – Client Deposit Rate – the rate at which the Clearing House will pay interest on credit cash balances on SwapClear Client financial accounts.

Rates are available from the Member Reporting Website.

The Clearing House reserves the right to alter the basis of calculating interest rates. Any alteration will be effective on the date notified.

3.5.2 Interest Payable in Respect of Contributions

The "Default Fund Rate" is the rate at which the Clearing House pays interest to a Clearing Member in respect of the amount equal to the Clearing House's contingent obligation to repay an amount equal to a Clearing Member's Contribution, in accordance with Regulation 306.

Rates are available from the Member Reporting Website.

The Clearing House reserves the right to alter the basis of calculating interest rates. Any alteration will be effective on the date notified.

3.5.3 Price Alignment Interest (PAI) Rate

To minimize the impact of daily cash Variation Margin payments on the pricing of interest rate swaps, the Clearing House will charge interest on cumulative Variation Margin received by the Clearing Member and pay interest on cumulative Variation Margin paid in by the Clearing Member is respect of these instruments. This interest element is known as price alignment interest ("**PAI**").

The calculation of PAI shall use the interest rates specified as below. The amount of PAI for each currency shall be calculated as:

The amount of NPV in such currency from the previous Business Day's close of business, multiplied by

The relevant interest rate in effect for that day, divided by

360, or in the case of AUD, CAD, GBP, HKD, JPY, NZD, PLN, SGD and ZAR, 365.

In the case of the currencies marked below with an asterisk, the Clearing House specifies that it will not change the PAI rate without the consent of all Clearing Members holding Contracts in such currencies.

Currency	PAI Rate

Currency	PAI Rate
USD *	The rate used shall be the Effective Federal Funds rate, the rate published by the Board of Governors of the Federal Reserve System as such rate appears on Reuters page "FEDFUNDS1" or Telerate 120 or on any successor page(s) thereto.
EUR *	The rate used shall be the EONIA rate, the rate published by the European Banking Federation and ACI – The Financial Market Association as such rate appears on Reuters page "EONIA" or Telerate 247 or on any successor page(s) thereto.
GBP *	The rate used shall be the SONIA rate, the rate published by the Wholesale Markets Broker Association as such rate appears on Reuters page "SONIA" or on any successor page(s) thereto.
JPY *	The rate used shall be the Mutan call rate, the rate published by the Bank of Japan as such rate appears on Reuters page "TONAR" or on any successor page(s) thereto.
CHF *	The rate used shall be the TOIS rate, the T/N interbank fixing as such rate appears on Reuters page "CHFTOIS" or Telerate 3450 or any successor page(s) thereto.
AUD	The rate used shall be the "AONIA" rate, the rate published by the Reserve Bank of Australia – as such rate appears on Reuters page "RBA30" or any successor page(s) thereto.
CAD	The rate used shall be the "CORRA" rate, the rate published by the Bank of Canada website – as such rate appears on Reuters page "CORRA" or any successor page(s) thereto.
DKK	The rate used shall be the "DKKOIS" rate, the rate published by the Danish Central Bank – as such rate appears on Reuters page "DKNA14" or any successor page(s) thereto.
HKD	The rate used shall be the "HONIX" rate, the rate published by the Hong Kong Brokers Association – as such rate appears on Reuters page "HONIX" or any successor page(s) thereto.
NZD	The rate used shall be the "NZIONA" rate, the rate published by the Reserve bank of New Zealand – as such rate appears on Reuters page "RBNZ02" or any successor page(s) thereto.
PLN	The rate used shall be the "POLONIA" rate, the rate published by the National Bank of Poland – as such rate appears on Reuters page "NBPS" or any successor page(s) thereto.

Currency	PAI Rate
SEK	The rate used shall be the "SIOR" rate, the rate published by the OMX Exchange – as such rate appears on Reuters page "SIOR" or any successor page(s) thereto.
ZAR	The rate used shall be the SFX ZAR OND rate, the rate published by SAFEX JIBAR – as such rate appears on Reuters page "SFXROD" or any successor page(s) thereto.
CZK	The rate used shall be the "CZEONIA" rate, the rate published by the Czech National Bank – as such rate appears on Reuters page "CZEONIA" or any successor page(s) thereto.
HUF	The rate used shall be the "HUFONIA" rate, the rate published by the National Bank of Hungary – as such rate appears on Reuters page "HUFONIA" or any successor page(s) thereto.
SGD	The rate used shall be the "SONAR" rate, the rate published by the Association of Banks in Singapore – as such rate appears on Reuters page "ABSIRFIX01" or any successor page(s) thereto.
NOK	The rate used shall be the NOK sight deposit rate, the rate published by Norges Bank – as such rate appears on Reuters page "NOINTR=ECI" or any successor page(s) thereto

For currency NOK, PAI is calculated using an appropriate overnight deposit rate for the currency.

3.5.4 Interest/Accommodation Structure

Application of ~~Margin~~Posted Collateral	Type of ~~Margin~~Posted Collateral				
	Credit Variation Margin	**Securities**	**Cash**	**Foreign Cash**	**Forward Cash**
Debit Cash (GBP, USD EUR)	Not allowed	Charge LDR of debit currency plus 1.10%	Not applicable	Charge LDR of debit currency plus 1.00%; pay LDR of ~~Margin~~Posted Collateral currency	Charge LDR of debit currency plus 1.00%
Debit Cash CHF, JPY DKK, NOK, SEK	Not allowed	Charge LDR of debit currency plus 2.10%	Not applicable	Charge LDR of debit currency plus 2.00%; pay LDR of ~~Margin~~Posted Collateral currency	Charge LDR of debit currency plus 2.00%
Initial & Variation margin after offset	No charge or payment	Charge 0.10%	Pay or charge relevant rate	Pay or charge relevant rate of ~~Margin~~Posted Collateral currency	No charge or payment prior to value date
Excess or Surplus	No charge or payment	No charge or payment	Pay or charge relevant rate	Pay or charge relevant rate	No charge or payment prior to value date

Note:

1. "Foreign Cash" means cash in a currency other than that of the liability.

2. "Forward Cash" means cash which has been credited to an account for later value, e.g. an amount called via PPS for next-day value.

3. The Clearing House does not charge accommodation fees for ~~collateral lodged to margin contracts~~Posted Collateral furnished as Margin for Contracts entered into ~~with respect to client business~~on behalf of Clients.

3.5.5 Payment of Interest and Charges

Interest and accommodation charges (other than PAI) are calculated on a daily basis and the resultant monthly total is posted to each Clearing Member's relevant Margin accounts at the beginning of the following calendar month.

The net invoice value for each currency is posted to the relevant Margin account for value on the second working day of the month succeeding the month in which the charges arose.

The invoice provides detail in respect of:

(a) interest due to be credited or debited;

(b) accommodation charges; and

(c) collateral/performance bonds utilization fees.

Accommodation charges and collateral utilization fees are combined and reported as accommodation charges for each appropriate category on the monthly invoice.

3.6 Taxes

Payments of interest (including PAI) to a House or Client financial account or in accordance with Regulation 306 shall be made free and clear and without deduction or withholding for or on account of any Tax provided that the proper Internal Revenue Service forms were submitted pursuant to Section 1.4.1(c) and such deduction or withholding is not otherwise required by law. If deduction or withholding is required by law, interest payments shall be net of such deduction or withholding. The Clearing House shall remit such withheld amounts to the relevant taxing authority, and shall provide the Clearing Member an official receipt (or a certified copy), or other documentation reasonably acceptable to the Clearing Member, evidencing such payment to such authorities.

If (i) the Clearing House is required by any applicable law to make any deduction or withholding from payments of interest (including PAI) on account of any Tax; (ii) the Clearing House does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and cost) and any Tax imposed on the Clearing House with respect to the indemnity payments under this paragraph such that the amount actually received by the Clearing House will equal the full amount the Clearing House would have received in the absence of any such Tax imposed on the indemnity payments made under this paragraph.

3.7 Fees

Details of fees and refunds pending are collated during the month.

An invoice or credit note is produced detailing the fees to be ~~posted~~furnished with respect to a Proprietary Account ~~holding~~to which Margin is attributed.

The invoice/credit note displays the type of fee, contract, currency, fee rate, volume, fee amount, sub totals for each fee class and the overall total ~~posted to~~Posted Collateral in the relevant account ~~holding Margin~~.

Monthly postings are processed via the account ~~holding Margin~~to which Posted Collateral is posted at the beginning of the following month, on the third Business Day. Other postings, such as various Market Maker Scheme rebates, are processed by the Clearing House following receipt of data from the relevant exchange.

3.8 Default Fund; Contributions

Contributions (as defined in the Regulations) will be called via PPS on the fourth Business Day of each month or more frequently pursuant to a determination of the required Contribution under the Default Fund Regulations (each a "**Reset Day**"), except to the extent specified elsewhere in this Rulebook (*e.g.*, in the event of a Default). Contribution requirements will be notified to Clearing Members at least two Business Days prior to each SwapClear Reset Day on Member Intranet Report 000032.

Amounts due to Clearing Members following the adjustment to the required Contribution (in accordance with the Default Fund Regulations) will be paid to Clearing Members' PPS accounts on the Reset Day immediately following the adjustment to the required Contribution.

Interest payable in accordance with Regulation 306 will be paid to the relevant Clearing Member's PPS account(s) on the first Business Day after the Reset Day following the end of the relevant "interest accrual period". Interest is calculated in respect of each "interest accrual period", which commences on (and includes) a Reset Day and ends on (and includes) the calendar day immediately before the next Reset Day. Notwithstanding anything else herein, if the rate of interest payable in respect of Contributions under Regulation 306 is negative, interest shall be payable by Clearing Members to the Clearing House.

APPENDIX 3A

PPS MANDATE FOR LCH.CLEARNET LLC

Name of Relationship Manager:	
Contact Details (telephone & email):	
Name of Bank:	
Address (Account holding branch):	
LCH.Clearnet LLC MNEMONIC(S):	

LCH.CLEARNET LLC

I / We authorize you, until further notice in writing, to debit my/our account(s) with unspecified amounts from time to time at the instance of LCH.Clearnet LLC without further reference to me / us.

In acting on this Mandate, you may rely, without qualification, upon the information provided to you by LCH.Clearnet LLC in whatsoever form this information is submitted to you.

HOUSE ACCOUNT	
CURRENCY	ACCOUNT NUMBER
AUD	
CAD	
CHF	
CZK	
DKK	
EUR	
GBP	
HKD	
HUF	
JPY	
NOK	
NZD	
PLN	
SEK	
SGD	
USD	
ZAR	

CLIENT ACCOUNT	
CURRENCY	ACCOUNT NUMBER
AUD	
CAD	
CHF	
CZK	
DKK	
EUR	
GBP	
HKD	
HUF	
JPY	
NOK	
NZD	
PLN	
SEK	
SGD	
USD	
ZAR	

For and on behalf of:
Name of Clearing Member: .....

Signature of Authorized Person: .....

Print Name: ..... Date: .....

When completed and signed, this original form should be sent to your Relationship Manager at the above-mentioned Bank and a copy issued to: US Collateral Services, LCH.Clearnet LLC, 17 State Street, 28th Floor, New York, NY 10004;
Email: uscollateralservices@lchclearnet.com; Telephone: +1 (212) 513-5642

COLLATERAL

4. COLLATERAL

4.1 General Information

4.1.1 Non-Cash Collateral

Clearing Members wishing to lodge securities (of the type permitted by the Clearing House) with the Clearing House as Posted Collateral may do so. Securities so lodged will be subject to a security interest and held in an account with the Clearing House by the Clearing Member (in respect of ~~Margin posted for~~Posted Collateral furnished on behalf of Clients, in an LCH Swaps Client Segregated Depository Account).

Posted Collateral pledged in respect of an FCM Clearing Member's Omnibus Client Swaps Account with LCH will not be applied by the Clearing House to its liabilities in a Proprietary Account (see Regulation 106(j)).

Clearing Members are warned that the taking of collateral is a complex legal matter. These Procedures, and any communications with the Clearing House, whether of an oral or written nature, are not to be taken as containing legal advice. A Clearing Member who contemplates taking an interest in securities belonging to a Client should seek independent professional advice on the matter.

4.1.2 GENERAL INFORMATION

LCH.Clearnet LLC Security Arrangements:

Clearing Members wishing to lodge securities with the Clearing House may do so under the security arrangements set out in the Clearing Membership Agreement and the Regulations.

Collateral pledged in respect of an FCM Clearing Member's Omnibus Client Swaps Account with LCH will not be applied by the Clearing House to its liabilities on a Proprietary Account (see Regulation 106(j)).

Unless stated otherwise in the Rulebook, ~~collateral~~Posted Collateral pledged in respect of a Clearing Member's Proprietary Account may be applied by the Clearing House towards the payment of any sum whatsoever due by the Clearing Member to the Clearing House, provided that no ~~collateral charged~~Posted Collateral furnished in respect of an FCM Clearing Member's Omnibus Client Swaps Account with LCH shall be applied on or towards payment or satisfaction of any of the FCM Clearing Member's liabilities to the Clearing House on any of the FCM Clearing Member's Proprietary Account.

As set out in Regulation 106, where an FCM Clearing Member wishes to ~~post~~furnish Posted Collateral on behalf of a ~~Client's collateral with~~Client to the Clearing House, the FCM Clearing Member must, inter alia, ensure that at all times it remains expressly agreed with the Client that the FCM Clearing Member may

pledge the ~~collateral~~Posted Collateral to the Clearing House, on the Clearing House's terms and free of the Client's interest to secure the FCM Clearing Member's obligations to the Clearing House. The Clearing House gives no undertaking that, on the Default of an FCM Clearing Member, it will not utilize ~~Clients' collateral~~Posted Collateral furnished on behalf of a Client which has been passed to it by an FCM Clearing Member, before utilizing any other form of ~~Margin~~Posted Collateral the Clearing House may hold.

4.1.3 General Information

The Clearing House is, in its sole discretion, entitled to determine what will be acceptable to it as ~~collateral~~Posted Collateral and to determine when a security will cease to be acceptable as ~~collateral~~Posted Collateral.

If any instrument or security, lodged in accordance with any of the following procedures, is in any way found to be unacceptable, it will immediately be given a zero value in the Clearing Member's Margin account with the Clearing House. Replacement ~~Margin~~Posted Collateral may be required immediately from the Clearing Member.

Instructions

The Clearing House accepts instructions to lodge, release and transfer cash and securities via the Collateral Management system. Instructions for other types of collateral must be sent via fax using the appropriate form in the annex. The lodgment/release forms must be sent in by fax and email to:

- Email to: uscollateralservices@lchclearnet.com
- Fax: +1 (212) 513-8298
- Treasury Operations can be contacted on +1 (212) 513-5642

Originals of faxed instructions need to be sent into the Clearing House within fourteen days.

The Clearing House is entitled to act upon Collateral Management system instructions and faxed instructions or communications appearing to have been issued by. on behalf of, or have come from, a Clearing Member. These will be accepted by the Clearing House as genuine, even if. for example, they are later found:

to be inaccurate, whether in whole or in part; or

not to have been given by the Clearing Member or a client or with the authority of the Clearing Member or client.

The Clearing House will only accept delivery of securities in accordance with the process set forth in this Section 4 of the Procedures, and will not sell, exchange for cash or purchase securities for Clearing Members, except in so far as it is acting under its Default Regulations and related Regulations or in relation to the rules of an Approved Trade Source System.

The Clearing House reserves the right to change the information required on instructions received via the Collateral Management system, whenever the Clearing House, in its sole discretion, considers that it would be appropriate.

Excess collateral

In the event that the Clearing House at any time determines that it is holding excess collateral (as defined below) from a Clearing Member, the Clearing House may notify such Clearing Member of the intention to levy a charge in respect of excess collateral with effect from such date as is notified to the Clearing Member. In the event that the Clearing Member does not remove excess collateral before the date so notified, the Clearing House may, in its discretion, charge such Clearing Member at the rate of 1 basis point until excess collateral is removed by the Clearing Member through use of a release instruction. Payment of this charge shall be collected on a monthly basis through that Clearing Member's PPS account.

For the purposes of this section, "excess collateral" means that ~~collateral~~Posted Collateral identified by the Clearing House as being ~~collateral~~Posted Collateral over and above that which is required by the Clearing House in order to cover the obligations to the Clearing House of that Clearing Member. The Clearing House shall have absolute discretion to decide whether and to what extent it is holding excess collateral at any time.

4.1.4 Lodgment of Non-Cash Collateral as Replacement for Cash ~~Margin~~Posted Collateral

Clearing Members should note that they must give Treasury Operations no less than two (2) Business Days notice of their intention to lodge ~~collateral~~Posted Collateral with a value of $~~-~~75 million or more, and which is reasonably likely to have the effect that cash of a similar value is repayable by the Clearing House to that Clearing Member as a result of such lodgment. In the event that a Clearing Member seeks to withdraw such cash ~~Margin~~Posted Collateral without giving such notice, the Clearing House will decline to release such cash ~~Margin~~Posted Collateral until the end of the required notice period.

4.1.5 Force Majeure

The Clearing House will not be liable for any failure, hindrance or delay in the performance (in whole or in part) of any of its obligations to Clearing Members with regard to instruments or securities accepted as ~~collateral~~Posted Collateral where such failure, hindrance or delay arises from causes beyond the control of the Clearing House, such as, but not limited to, the failure, whether partial or total, interruption or suspension of any depository or custodian or other service ("**depository**") that the Clearing House is using, the termination or suspension of the Clearing House's membership or use of the depository or any variation of the depository's operational timetable, whether or not occasioned by action of the depository operator or other party, or any embargo, unavailability or restriction of bank transfer systems or wires, malfunction or overload of the depository or other emergency. This provision is without prejudice to the force majeure provisions of Clearing Members' agreements with the Clearing House.

4.1.6 Regulatory and Supervisory Information

In every case, the Clearing House will be entitled to supply a securities depository with all the information it requires for any purposes relating to a Clearing Member, or to securities received by the Clearing House from a Clearing Member which are or may at any time have been held by the depository. Securities will be lodged and held within such depository or other systems as the Clearing House may select or allow, subject to the conditions of such systems and to any applicable law and regulations as well as to the terms of the Rulebook.

4.1.7 Interest Payments

The Clearing House will remit interest amounts, taking into account any withheld tax, to Clearing Members' PPS banks on the appropriate value date. These are processed using "Tender" sub-accounts designated "I" for house or "L" for segregated client.

4.2 Securities

4.2.1 General Information

Securities must be lodged with a relevant Clearing House custodian (a list of the relevant participating custodians is available at http://www.lchclearnet.com/risk_management/llc/custodians; for more information on custodians, please contact the Clearing House's Treasury Operations).

4.2.2 Settlement Procedures – Securities

All transactions to deposit or withdraw from the Clearing House will be executed free of payment.

4.2.3 Instructions via the Collateral Management System

The Clearing House will action instructions input and authorized via the Collateral Management system. The details input on the Collateral Management system will form the basis of the matching instruction sent to the relevant CSD/custodian. Clearing Members must ensure that the details are input correctly in order to avoid unmatched transactions.

It is the responsibility of each Clearing Member to input a cancellation request of any incorrectly input instruction and then subsequently input the correct details in a new instruction. Please note that it may not be possible to cancel an instruction, please see Section 6.8 below for further details.

The Clearing House will update the status of the instruction in the Collateral Management system in relation to the status of the instruction at the CSD/Custodian. On settlement of the transaction the Clearing House will reflect the balance of the securities on the relevant Clearing Member's account and provide value for the purposes of cover.

The Clearing House will notify each Clearing Member of the relevant account details for matching. Each Clearing Member should contact the Clearing House's

Treasury Operations to establish the correct place(s) of settlement for a particular security.

The Clearing House will not be liable for any losses of a Clearing Member or third party caused by non-settlement or a delay in settlement as a result of the actions or omissions of a CSD/custodian or such Clearing Member (save for any liability which by law may not be excluded).

4.2.4 Instruction deadlines

Clearing Members may input security instructions via the Collateral Management system at any time. Instructions will only be actioned by the Clearing House during operational hours.

The Collateral Team operational hours are: Monday to Friday, 07:00 to 18:00 hours.

Instruction deadlines for same day settlement:

CSD/custodian		Deadline for instructions
Citibank N.A.		2:30 Fed/DTC; 11:30 for Euroclear/ClearStream

The Clearing House will input matching instructions to the relevant CSD/custodian for same day settlement when the instructions are received prior to the deadlines above.

4.2.5 Deliveries to and from local markets

The Clearing House is bound by the settlement deadlines of the relevant CSD/custodian, Clearing Members should refer to the relevant CSD/custodian for these deadlines. Note that for transactions from local markets the settlement deadline may be earlier than the Clearing House hours of operation and should therefore be instructed the day before settlement date (i.e., on S-1). Instructions to the Clearing House must be provided at least one hour before the market deadline for same day settlement.

For example:

Deliveries from local market	Custodian deadline	Instruction deadline to Clearing House
Germany	16:00 S-1	15:00 S-1
United Kingdom	14:00 S-1	13:00 S-1
Australia	16:00 S-1	15:00 S-1

4.3 Lodging securities

Lodge instructions must be input via the Collateral Management system prior to the deadlines above for same day settlement. Settled transactions will be added to Clearing Member's cover balances following settlement.

Lodge instructions for future settlement dates will be instructed same day if received prior to the deadlines. Instructions received after the deadlines will be instructed the following day.

4.4 Releasing securities

4.4.1 Release where sufficient cover is available

Release instructions input via the Collateral Management system prior to the deadlines above for same day settlement will be removed from the Clearing Member's cover balance on instruction.

4.5 Release where sufficient cover is unavailable

Release instructions must be input via the Collateral Management system before 09:30 hours. The Clearing Member will then be called for additional cash ~~collateral.~~Posted Collateral. Following confirmation of the cash call the settlement instruction will be sent to the CSD/custodian and removed from the Clearing Member's cover balance.

4.6 Substitutions

Substitutions may be input via the Collateral Management system and will be actioned same day if input prior to the deadlines above.

Each Clearing Member must input the relevant lodge instruction(s) first and then link the associated release instruction(s) to the lodge instruction(s).

4.7 Transfers

Transfer instructions may be input via the Collateral Management system and will be actioned same day during operational hours.

Note: transfers are only permitted between mnemonics of the same Clearing Member and are subject to client segregation rules.

4.8 Settlement Cancellations

Clearing Members may request cancellation of an instruction via the Collateral Management system. The Clearing House will cancel any instruction that has not yet been processed. The Clearing House will use its reasonable best efforts to cancel any settlement instructions already sent to the CSD/custodian but cannot guarantee that the transaction will not settle.

4.9 Instructions

The status of an instruction can be monitored via the Collateral Management system. Statuses reflect the status of the instruction at the Clearing House and not at the CSD/custodian. Please refer to the Collateral Management system User Guide for status definitions.

4.10 Withholding Taxes

4.10.1 Withholding Taxes – General

U.S. income tax laws impose a withholding tax on payments of U.S. source interest, including original issue discount, to a foreign person unless an exemption or reduced rate applies. Interest is U.S. source income, if the debtor is a U.S. corporation.

The Clearing House shall transmit to the Custodians (or other paying agents) the tax forms completed pursuant to Section 1.4.1(c).

The Clearing House's acceptance of U.S. securities does not indicate any responsibility for the adequacy or otherwise of tax documentation. Any queries in relation to these tax forms should be referred to your accountant or professional advisers.

Custodians offer a recovery service for overseas taxes on Government Bonds. The Clearing House will assist in the recovery process and remit to Clearing Members any recovery in withholding tax credited to the Clearing House's account by the Custodian.

In certain cases the Custodian/the Clearing House will withhold tax on a coupon if the correct documentation is not lodged with either the custodian/the Clearing House at the time when a coupon is due.

Italian Securities:

The accounts are operated by the Clearing House in accordance with the Custodians Procedures to Obtain Exemption from Italian Withholding Tax on Italian Domestic Debt Securities".

Beneficial owners are entitled to exemption at source from Italian Withholding Tax on Italian securities if they are:

(a) resident in a country that has entered into a double taxation agreement with Italy (except Black list countries/countries that do not have a tax treaty with Italy); or

(b) a corporation resident in Italy; or

(c) a supranational organization recognized by Italian Law.

Beneficial owners are required to supply duly completed and executed official forms as proof of eligibility to exemption, and where applicable supply additional documentation, before a delivery can be made.

Official forms are available on request from Treasury Operations Department.

Original forms are to be received by the Clearing House before Italian securities can be accepted within our accounts.

The effective date depends on the type and terms of the security:

Coupon Debt securities (BTPs, CCTs and CTOs)

The new regime applies to the interest on these securities that starts to run on or after 1 January 1997, regardless of the issue date.

Zero coupon debt securities with a maturity of less than one year (BOTs)

The regime applies to all securities issued on or after January 1, 1997.

Clearing Members should consult their own tax advisers before lodging Posted Collateral to the Clearing House or submitting any tax documentation.

4.10.2 Withholding Tax — CSDs/Custodians

CSDs/Custodians may offer a recovery service for overseas taxes on Government Bonds. The Clearing House will assist in the recovery process and remit to Clearing Members any recovery in withholding tax credited to the Clearing House's account by CSDs/custodians.

In certain cases the CSDs/custodian and Clearing House will withhold tax on a coupon if the correct documentation is not lodged with either CSD/Custodian and the Clearing House at the time when a coupon is due.

4.11 References

These Procedures should be read in conjunction with the relevant user guides and/or manuals of the relevant CSD/custodian. Please also refer the each CSD/custodian for the relevant settlement deadlines in particular those for deliveries from local markets to Clearing House accounts.

4.12 Contingency arrangements

In the event of an outage of the Collateral Management system, Clearing Members will be able to lodge and release securities by faxed instructions to the Clearing House.

Clearing Members will be notified of a Collateral Management system outage via Member Circular that will notify Clearing Members of the switch to contingency arrangements. Each Clearing Member should then revert to the fax forms for securities found in the appendices to this Section 4.

Normal service hours and deadlines will apply to faxed instructions.

Clearing Members will be notified via Member Circular when normal service resumes.

4.13 Return of Unallocated Excess and Buffer

Upon the request of an FCM Clearing Member, the Clearing House shall return all or a portion of such FCM Clearing Member's available Unallocated Excess or Buffer (as requested) to such FCM Clearing Member; provided, that (i) FCM Clearing Members are not entitled to request the return of ~~Applied~~Encumbered Buffer, and (ii) the Clearing House shall not be required to return Buffer if the FCM Clearing Member is a Defaulter. The FCM Clearing Member's request must contain the specific details of the amount of funds requested and whether such FCM Clearing Member is requesting the return of Buffer or Unallocated Excess, and any other information reasonably requested by the Clearing House. The end of day report delivered to the FCM Clearing Member by the Clearing House shall constitute conclusive evidence of the amount of any Buffer or Unallocated Excess returned to such FCM Clearing Member during that day, unless the Clearing House determines such report contained an error and subsequently delivers an amended report or other notice to the FCM Clearing Member in respect of such amounts.

Regulation 106(g) contains additional provisions relating to Buffer, ~~Applied~~Encumbered Buffer and Unallocated Excess.

APPENDIX 4A

Contingency Client Account Lodgment Form

LCH.CLEARNET

CONTINGENCY FCM - CLIENT LODGMENT FORM

Version 1: August 2012

To: LCH.Clearnet LLC (the "Clearing House")

LCH.Clearnet LLC Ref No:

From: Clearing Member (full name): _____

Client Account Mnemonic: _____

Beneficial Owner Name (full name): _____

We hereby transfer the securities described below to the Clearing House under the terms of Regulations 9(m) and 9(n).

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United States or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator. We hereby confirm that the securities detailed below are customer funds subject to segregation pursuant to the U.S. Commodity Exchange Act and the regulations of the U.S. Commodity Futures Trading Commission promulgated thereunder.

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security

Delivery from:
Depository/Agent _____

US Securities, Broker Code _____

Account Holder: _____

Account Number: _____

Beneficial Owner Italian Tax ID: _____

Delivery to: _____

Signatories for and on behalf of the Clearing Member:

1.	(Signature)	(Print Name)	(Position)
2.	(Signature)	(Print Name)	(Position)

Date: _____

APPENDIX 4B

Contingency House Account Lodgment Form

CONTINGENCY PROPRIETARY - COLLATERAL LODGMENT FORM

Version 1: August 2012

To: LCH.Clearnet LLC (the "Clearing House")

LCH.Clearnet LLC Ref No:

From: Clearing Member (full name): _____

In respect of Proprietary Business Mnemonic: _____

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United States or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent, where applicable, to the securities being held in the Euroclear clearance system subject to the fungibility regime organized by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the U.S. Commodity Exchange Act and the regulations of the U.S. Commodity Futures Trading Commission promulgated thereunder.

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security

Delivery from: Depository/Agent _____

US Securities, Broker Code _____

Account Holder: _____

Account Number: _____

Beneficial Owner Italian Tax ID: _____

Delivery to: _____

Signatories for and on behalf of the Clearing Member:

1. _____ (Signature) _____ (Print Name) _____ (Position)

2. _____ (Signature) _____ (Print Name) _____ (Position)

Date: _____

APPENDIX 4C

Contingency Collateral Release Form

CONTINGECNCY COLLATERAL RELEASE FORM

Version 1: August 2012

To: LCH.Clearnet LLC (the "Clearing House")

From: Clearing Member (full name): .....

House/Client Account* Mnemonic: .....

*** Please delete as appropriate**

We hereby request you to release the securities described below.

Security Code Number (e.g. ISIN)	Delivery Date	Trade Date	Amount/Nominal Value (Issue - Coupon - Maturity)	Description of Security

The Clearing House Ref No: ..... (from lodgment form)

Delivery to: Depository/Agent .....

US Securities, Broker Code: .....

Account Holder: .....

Account Number: .....

Signatories for and on behalf of the Clearing Member:

1 ..... (Signature) ..... (Print Name) ..... (Position)

2 ..... (Signature) ..... (Print Name) ..... (Position)

Date

To: THE ABOVE-NAMED CLEARING MEMBER

The release of the above-mentioned securities is agreed.

For and on behalf of LCH.Clearnet LLC: Date: ..... Time: .....

(Authorized Signatory):

Principal Offices: 17 State Street, 28th Floor, New York, New York 10004.

Registered as a Derivatives Clearing Organization under the U.S. Commodity Exchange Act. LCH.CLEARNET LLC COPY

BUSINESS CONTINUITY

5. BUSINESS RECOVERY

5.1 Recovery Situations

The Procedures set out in this Section are intended to provide Clearing Members with a guide to the changes in working practices which would follow the invocation of the Clearing House's Business Continuity Plans.

Due to the uncertain nature of the events which would lead to the need for Business Recovery, the Clearing House reserves the right to depart from these Procedures to meet the characteristics of specific business recovery situations.

These Procedures provide for the evacuation or decommissioning of the offices of the Clearing House. The procedures detail the alterations to the Clearing House's operations and also the action to be taken on invocation of the Business Continuity Plans.

5.2 Evacuation

5.2.1 Communicating with Clearing Members

Should the Clearing House be forced to evacuate its offices, it will need to inform its Clearing Members as soon as practicable. The following sections detail a number of different messages that the Clearing House may wish to communicate. However, in all cases the means by which information will be disseminated is the same. Information will be communicated to Clearing Members by the following methods:

(a) facsimile transmissions to Clearing Members designated fax machines;

(b) posting messages on www.lchclearnet.com; and/or

(c) posting messages on the following number: +1 (212) 513-5265.

Some of the above communications methods can only be used to disseminate very short messages. However, the toll free number is capable of recording a message of up to ten minutes duration and handling unlimited concurrent connections. It is therefore likely to be the main method used for providing Clearing Members with progress reports following an initial broadcast message.

5.2.2 Evacuation of Clearing House Offices

If it is necessary for the Clearing House to evacuate its offices, and if re-entry to the building is unlikely within thirty (30) minutes, Clearing Members will be informed by disseminating the following message using the methods described in Section 5.3.1 above.

"The Clearing House has been forced to evacuate its offices. Please refer to Clearing House Procedures - Business Continuity Arrangements for further information."

At this time all of the activities normally carried out at the Clearing House's offices will have ceased, if only temporarily. Clearing Members will be kept informed of developments as further details become available.

Please note that the reason for broadcasting the above message is to provide Clearing Members with early notification of an evacuation of the Clearing House's offices. At this stage no decision will have been taken to invoke Business Continuity Plans. See Section 5.2.3 below for advice on how Clearing Members will be notified of an invocation of Business Continuity Plans.

5.2.3 Invoking of Business Continuity Plans

The Clearing House is contracted with a specialist provider for dedicated and syndicated work area recovery facilities. The agreement between the Clearing House and the provider stipulates that dedicated work area recovery positions will be available immediately. Syndicated recovery positions will be available within four hours of invocation.

Depending on the severity of an incident, a full or partial invocation of the service may be required.

5.2.4 Limited Invocation

If the Clearing House's assessment of the incident suggests that reoccupation of the Clearing House's offices will be possible within two hours, then it is likely that only the mission critical activities (MCA) will be recovered to the recovery site. All other activities will cease until the Clearing House's Offices becomes available.

The following message will be posted:

"The Clearing House has invoked Business Continuity Plans for its MCA's. Please refer to the Clearing House's Procedures - Business Continuity Arrangements for further information."

5.2.5 Full Invocation

Once a decision has been taken to proceed with full invocation of Business Continuity Plans, Clearing Members will be informed at the earliest opportunity. This will be achieved by disseminating the following message using the methods described in Section 5.2.1 above.

"The Clearing House has invoked all Business Continuity Plans. Please refer to the Clearing House's Procedures - Business Continuity Arrangements for further information."

It is anticipated that a period of approximately two hours will elapse between the invocation of full Business Continuity Plans and relocation of recovery teams. During this time most of the activities normally carried out at the Clearing House's offices will cease.

Please note that the Clearing House's primary data center is not located in its offices, and so an evacuation thereof will not affect Clearing Members' ability to access IT applications.

5.2.6 Cover Calling

In order to simplify the Treasury process, it is likely that a number of routine Treasury Procedures may be amended or suspended. These may include, but are not limited to:

(a) the acceptance/release of securities and guarantees;

(b) the conversion of currencies; and

(c) the ability to cover liabilities in currencies other than their original currency.

5.2.7 Registration of Contracts

The Clearing House reserves the right, at its discretion, to amend the timing of registration as it deems necessary. In the event that registration is to be delayed, the Clearing House will notify Clearing Members as soon as practically possible.

5.2.8 New Address for Document Delivery

Following invocation of the Business Continuity Plans, the Clearing House will provide new address details for document delivery and will arrange to have its mail forwarded to its office recovery site.

5.2.9 Permanent Change of Address

If an incident is so serious that the Clearing House is unable to reoccupy its offices, Clearing Members will be informed of the proposed new office location and contact numbers prior to occupation of the premises. This information will be communicated via the methods described in Section 5.2.1.

Clearing Members will be informed of the date when the new arrangements will take effect.

5.2.10 Return to Normal

When the Clearing House is able to resume a normal service a message will be disseminated using the methods described in Section 5.2.1 above. Assuming that it has been possible to return to the Clearing House's offices the following message will be broadcast:

"The Clearing House has returned to its offices. Please revert to normal contact telephone numbers and procedures."

If normal working is being resumed at a site other than the Clearing House's offices, Clearing Members will already have been informed of the new office location and contact numbers see – Section 5.2.1 above. The following message will be broadcast:

"The Clearing House is resuming normal service at <insert location name>. Please use the new contact numbers previously supplied."

5.3 Clearing House Data Centre

5.3.1 Failure of the Clearing House's Data Center

If the Clearing House's primary data center fails during business hours, those Clearing House IT systems that are used by Clearing Members will be temporarily unavailable while processing is transferred to the secondary data center.

5.4 Compliance with Business Continuity Testing

Clearing Members are required to participate in the Clearing House's Business Continuity Planning (BCP) coordination and testing programs, as required by CFTC Regulation § 39.18. The Clearing House will notify Clearing Members when it intends to carry out any such test via a member circular and via a posting on www.lchclearnet.com, at least 90 days in advance. The Clearing House will, prior to the date of any such test, provide Clearing Members with further details of the steps that will be required under the relevant program.

APPEAL PROCEDURES

6. APPEAL PROCEDURES

6.1 Introduction

These Procedures describe how a Clearing Member may appeal against a decision of the Clearing House (that is, LCH.Clearnet LLC).

It should be noted that no appeal may be lodged to the Clearing House in respect of any decision of any other member company of the LCH.Clearnet Group (including LCH.Clearnet Limited and LCH.Clearnet SA).

6.2 Decisions In Respect of Which an Appeal May Be Lodged

6.2.1 A Clearing Member may appeal against any of the following decisions made by the Clearing House:

(a) a decision by the Clearing House to rescind that Clearing Member's eligibility to have Contracts of a certain category registered in its name; or

(b) a decision by the Clearing House to terminate that Clearing Member's Clearing Membership Agreement other than when such decision occurs in connection with the operation by the Clearing House of the Default Regulations.

6.2.2 A person who is not a Clearing Member may appeal to an Appeal Committee against the decision made by the Clearing House declining to grant Clearing Member status to that person.

6.2.3 From time to time the Clearing House may amend the lists in this Section 6.2 of decisions in respect of which appeals may be lodged.

6.3 Initiating an Appeal

6.3.1 An appeal to an Appeal Committee under this Section 6 shall be commenced by sending a copy of the APPEAL FORM in the form set out in Appendix 6A of these Procedures to the Chief Compliance Officer of LCH.Clearnet LLC (the "**CCO**") at LCH.Clearnet LLC, 17 State Street, 28th Floor, New York, New York 10004.

6.3.2 The APPEAL FORM must be fully completed in all material respects by the person lodging the appeal (the "**Appellant**").

6.3.3 The Appellant must enclose with its APPEAL FORM payment of $750, which payment shall be returned if the appeal is subsequently upheld by the Appeal Committee or by the Appeal Tribunal.

6.3.4 An appeal may only be commenced under these Procedures within 28 days of the date upon which the decision to which it relates was notified to the Appellant. The Chief Executive of the Clearing House has discretion to waive this time limit if the Appellant provides a satisfactory explanation for the delay and no prejudice would be caused to any person by proceeding with the appeal in the circumstances.

6.3.5 The CCO shall acknowledge receipt of the APPEAL FORM no later than seven (7) days after receipt.

6.3.6 The CCO may request further information or clarification relating to the subject matter or grounds of the appeal.

6.4 The First Tier Appeal

6.4.1 No later than twenty-eight (28) days from receipt of any APPEAL FORM, the CCO shall:

(a) refer the appeal to an Appeal Committee comprising:

the Chief Executive of LCH.Clearnet LLC, or his or her representative; and

two members of the Board of Directors of the Clearing House with relevant market experience, nominated by the Chairman of the Clearing House; and

(b) notify the Appellant in writing of the identity of the persons constituting the Appeal Committee; and

(c) provide to the Appellant copies of such documents and written representations as the Clearing House intends to place before the Appeal Committee for its consideration.

6.4.2 Following notification to the Appellant in accordance with Section 6.4.1 above, the Appellant shall then have a period of fourteen (14) days to submit to the Appeal Committee such written representations and other documentation for the consideration of the Appeal Committee. All representations and documentation shall be submitted in sufficient copies so that each member of the Appeal Committee shall have a copy each.

6.4.3 The Appeal Committee shall decide upon its own procedure for considering and determining the appeal which will normally be done without an oral hearing but on the basis of the written representations and documents submitted by the appellant and such other information and documentation as the Appeal Committee considers appropriate.

6.4.4 The Appeal Committee may request further or other documentation and information from the Appellant.

6.4.5 No later than twenty-one (21) days from the date upon which the Appellant is notified of the composition of the Appeal Committee, or twenty-one (21) days from the receipt by the Appeal Committee of any further or other documentation or pursuant to Section 6.4.4 above, whichever is later, the Appeal Committee shall consider and determine the appeal before it.

6.4.6 An Appeal Committee constituted pursuant to this Section 6.4 shall promptly, and in any event no later than seven (7) days after coming to its determination, give notice of its determination to an Appellant in writing together with its reasons.

6.5 The Second Tier Appeal

6.5.1 If an Appellant, having received notice of a determination of an appeal pursuant to Section 6.4.6 above, is not satisfied by such determination, it may appeal lodge a second tier appeal to an Appeal Tribunal.

6.5.2 A second tier appeal may be commenced under this Section 6.5 by the submission of a NOTICE OF FURTHER APPEAL in the form set out in Appendix 6B hereto to the CCO at LCH.Clearnet LLC, 17 State Street, 28th Floor, New York, New York 10004, setting out the reasons for the appeal. Such NOTICE OF FURTHER APPEAL must be received by the CCO no later than fourteen (14) days from the date upon which the notice of determination of the Appeal Committee was given to the Appellant.

6.5.3 An appeal under this Section 6.5 shall be heard by an Appeal Tribunal within three (3) months of the Notice of Appeal being received by the CCO, or such longer time as the Chairman of the Appeal Tribunal shall determine in order to provide a full and fair determination of the appeal.

6.5.4 An Appeal Tribunal constituted under this Section 6.5 shall consist of two (2) persons ("**Tribunal Members**"), with relevant knowledge and experience in the industry of matters in issue in the appeal, and a legally qualified Chairman. The Appellant and the Clearing House may each select a Tribunal Member from a list of no less than four (4) appropriately qualified persons nominated by the American Arbitration Association (AAA), New York City, and the Chairman shall be nominated by AAA. In the event that either the Clearing House or an Appellant fails to nominate such a Tribunal Member before a date ten (10) Business Days prior to the date fixed by the Chairman for the hearing of the appeal, then the Chairman shall nominate such Tribunal Member from the list referred to above. No person who served on the Appeal Committee which considered the Appellant's first tier appeal shall be eligible to serve upon an Appeal Tribunal constituted in respect of that Appellant's second tier appeal.

6.5.5 The Chairman of an Appeal Tribunal shall fix a date for the hearing of the appeal and shall give no less than twenty-eight (28) days notice in writing to the Appellant and the CCO of the time and place in New York City where such appeal shall be heard.

6.5.6 The Appellant shall provide the Appeal Tribunal, with a copy to the CCO, no less than fourteen (14) days before the date fixed for the hearing of the appeal, with written submissions setting out such representations as it wishes to put forward in support of its appeal, together with copies of all documentation and other material upon which it wishes to rely.

6.5.7 The Clearing House will submit written submissions, documentation and information with regard to the matters and issues relevant to the decision which is the subject of the appeal and provide a copy thereof to the Appellant.

6.5.8 An Appeal Tribunal may invite any person (including the Clearing House) to provide written information or written opinion with regard to any matter which forms the subject matter of an appeal.

6.5.9 An Appeal Tribunal shall determine its own procedure for the hearing of an appeal and shall not be bound by the rules of evidence. It may adjourn a hearing to another date or dates if it so wishes. If prior to or at such hearing an Appellant notifies the Appeal Tribunal that it wishes to make oral submissions, an opportunity shall be given to the Appellant to do so. A representative of the Appellant (and the Appellant himself, if the Appellant is an individual) and a representative of the Clearing House may attend the hearing, and the Appeal Tribunal may in its discretion invite further or other persons to attend the hearing.

6.5.10 At the hearing an Appellant may conduct its case itself through an employee, officer or other agent, or be represented by legal counsel, provided that if in any particular case an Appeal Tribunal is satisfied that there are good and sufficient reasons for doing so, it may refuse to permit a particular individual to represent an Appellant at the hearing.

6.5.11 Neither the Clearing House nor an Appellant shall have the right to call any witness or cross examine any person who shall have provided any information to an Appeal Tribunal, provided that an Appeal Tribunal may permit any such cross examination on such terms as it may determine if it decides that it is appropriate in the particular circumstances of that appeal so to do.

6.5.12 An Appeal Tribunal may have regard to such further or other documents and information and matters as it considers fair and reasonable in the circumstances.

6.5.13 Where in this Section 6.5 any time is given for the doing of anything, the Chairman of the Tribunal shall have discretion to extend such time if he determines that it is fair and reasonable in the circumstances so to do.

6.5.14 In considering an appeal, an Appeal Tribunal shall act fairly and impartially and shall take into consideration, inter alia, the following:

(a) the Rulebook;

(b) the Notice of Further Appeal;

(c) all documentation and information placed before it by an Appellant or by the Clearing House; and

(d) the role and concomitant obligations of the Clearing House as a derivatives clearing organization registered with the CFTC.

6.5.15 An Appeal Tribunal may in its absolute discretion decline to entertain an appeal and shall dismiss such appeal where it considers the appeal to be frivolous or vexatious.

6.5.16 An Appellant shall pay its own costs and expenses in relation to an appeal. The Clearing House shall meet its own costs, those of the Tribunal Members and those related to the hearing other than costs and expenses incurred by the Appellant.

6.5.17 An Appeal Tribunal shall determine an appeal by majority vote, although the voting of an Appeal Tribunal shall remain confidential and the result shall be presented as a unanimous view by that Appeal Tribunal. An Appeal Tribunal may:

(a) dismiss the appeal; or

(b) uphold the appeal.

6.5.18 An Appeal Tribunal shall deliver a written statement of its decision together its reasons to an Appellant and the Clearing House within twenty-eight (28) days of the date of the hearing. Except insofar as an Appeal Tribunal may direct, information about proceedings before the Appeal Tribunal and the names of persons concerned in the proceedings shall not be made public.

6.5.19 In the event that an Appeal Tribunal determines to uphold the appeal, the Clearing House shall within twenty-eight (28) days of the receipt of the written decision review and reconsider the decision upon which the appeal was based in the light of the conclusions of the Appeal Tribunal. The Clearing House agrees to be guided in reviewing its decision by the conclusions of the Appeal Tribunal.

6.6 Requests for Review

6.6.1 A Clearing Member who is aggrieved by any action taken by the Clearing House or decision of the Clearing House (other than any decision set out in Section 6.2 above or any decision taken under Regulation 109 in or under or in connection with the Clearing House's powers under the Default Regulations) may, no later than fourteen (14) days after the date of the decision or action, request a review of such action or decision by the Chief Executive of the Clearing House.

6.6.2 A Request for Review under this Section 6.6 shall be made in writing, addressed to the Chief Executive of the Clearing House at the registered office, and shall set out details of the relevant decision or action, the reasons why the Member is aggrieved and details of such reasonable remedial or other action or monetary payment as that Member requests to be carried out in the circumstances.

6.6.3 The Chief Executive shall consider the Clearing Member's Request for Review and such further or other documents and information as he considers reasonably relevant and shall notify the Clearing Member in writing of the outcome of his review within a period of twenty-eight (28) days from receipt by him of the Request for Review. Where it is not possible to complete such review within such period of twenty-eight (28) days, the Chief Executive shall notify the Clearing Member accordingly and nominate a further period for the review, such period not to be longer than three (3) months from the date of such notification to the Clearing Member.

6.7 Default

For the avoidance of doubt, the Clearing House shall be under no obligation to consider any Request for Review under Section 6.6 above or otherwise, or to comply with the provisions of this Section 6, and no appeal or Request for Review may be lodged under this Section 6 or otherwise, in respect of any decision or action taken by the Clearing House under the provisions of Regulation 109 or in respect of any decision, action or other matter arising out of or connected to the operation of the Default Regulations and the Clearing House's powers thereunder.

APPENDIX 6A

APPEAL FORM

The Clearing House Appeal Procedures

Full Name of firm/company etc lodging the appeal (the "Appellant"):	
Registered office address:	
Contact address and telephone number and email (if different from the above):	
Contact name:	
Position:	
Description of decision appealed against (see Section 6.2 of the Clearing House Procedures):	
Date decision notified to Appellant:	
Set out here the grounds for appeal (if there is not enough space, please use additional sheets and staple to this form)	
What action or remedy are you seeking?	

Pursuant to Section 6.3 of the Clearing House Procedures, we request that this appeal against the above mentioned decision of the Clearing House be referred to an Appeal Committee.

_____

Signed for and on behalf of the Appellant

_____

(print name)

Notes:

Please enclose a check payable to LCH.Clearnet LLC drawn on a US Bank, in the sum of $750. If your appeal is successful, this sum will be refunded to you.

If there are any written representations, any documentation or further material which you would like the Appeal Committee to consider when determining your appeal, you may send it with this Appeal Form if you wish. Alternatively you may send it in later. However, please note that the Procedures put a time limit on the submission of such material. See Section 6.4.2 of the Clearing House Procedures.

For any inquiries or further information please contact the CCO at +1 (212) 513-5636.

APPENDIX 6B

NOTICE OF FURTHER APPEAL

The Clearing House Appeal Procedures

Note: This form should only be used if you have had a determination of an Appeal Committee and you are now commencing a Second Tier Appeal under Section 6.5 of the Clearing House Procedures.

Full Name of firm/company etc lodging the appeal (the "Appellant"):	
Registered office address:	
Contact address and telephone number and email (if different from the above):	
Contact name:	
Position:	
Details of determination of Appeal Committee appealed against (see Section 6.5 of the Clearing House Procedures): Please attach a copy of the Determination	
Date of determination of the Appeal Committee:	
Set out here the grounds for appeal (if there is not enough space, please use additional sheets and staple to this form)	
What action or remedy are you seeking?	

Pursuant to Section 6.5 of the Clearing House Procedures, we request that an Appeal Tribunal be constituted to determine this appeal against the above mentioned determination of the Appeal Committee.

_____

Signed for and on behalf of the Appellant

_____

(print name)

Notes:

If there are any written representations, documentation or further materials which you would like the Appeal Tribunal to consider when determining your appeal, you may send them with this Notice of Further Appeal Form. Alternatively you may send it in later. However, please note that the Procedures put a time limit on the submission of such material. See Section 6.5.6 of the Clearing House Procedures.

For any inquiries or further information, please contact the CCO at +1 (212) 513-5636.

COMPLAINTS

7. COMPLAINTS

7.1 Introduction

7.1.1 These Procedures describe how a person (the "**Complainant**") who:

(a) has a complaint about the conduct or behavior or other actions of a Clearing Member with regard to that Clearing Member's clearing activities with the Clearing House; or

(b) has a complaint arising in connection with the performance of, or failure to perform, any of the Clearing House's regulatory functions;

may make a formal complaint, and how that complaint will be investigated and resolved.

7.2 How to Make a Complaint

7.2.1 A complaint with regard to the conduct or behavior or other actions of a Clearing Member in that Clearing Member's clearing activities conducted through the Clearing House or a complaint regarding the performance of the Clearing House or its failure to perform any of its regulatory functions:

(a) must be made in writing, dated and addressed to the CCO at LCH.Clearnet LLC, 17 State Street, 28th Floor, New York, New York 10004;

(b) should set out, as far as possible, details of the conduct, behavior or other actions complained of, date/s and place/s it occurred, names of person involved, outcome sought and any other relevant details;

(c) must be made no later than three (3) months after the conduct, behavior or other actions complained of, or, if the conduct, behavior or other actions complained of consist of a series of events, no later than three (3) months after the end of the last such event; and

(d) must contain the full name and address of the complainant and, wherever possible, a contact telephone number and email address.

7.2.2 In submitting a complaint in accordance with these Procedures, the Complainant may submit such further and other documentation and material which he/she believes may be relevant.

7.2.3 Upon receipt of a written complaint pursuant to these Procedures, the CCO shall acknowledge in writing, to the address shown in the letter of complaint, receipt of the complaint. Such acknowledgment shall be made within fourteen (14) days of receipt of the letter of complaint. After receipt of a complaint in accordance with the procedure set out in this Section, the Clearing House shall conduct an internal investigation and review of such complaint in accordance with the procedures set out in Section 7.3 below.

7.3 Internal Investigation and Review by the Clearing House

7.3.1 No later than fourteen (14) days from receipt of a complaint of the type referred to in Section 7.1.1 or 7.1.2 above, the CCO shall refer the complaint, together with any supporting material provided by the Complainant, to an Investigation Committee.

7.3.2 An Investigation Committee shall consist of the CCO, the Chief Risk Officer and any one (1) of the following persons:

(a) the Chief Executive of LCH.Clearnet LLC, or his or her representative;

(b) the U.S. Head of Collateral and Liquidity Management; or

(c) the U.S. Head of Operations;

providing always that an Investigation Committee shall have at least one Managing Director or the representative of the Chief Executive among its number.

7.3.3 The Investigation Committee established pursuant to this Section 7 shall conduct an investigation into the subject matter of the complaint and shall deliver its report to the Complainant and to the Chief Executive of the Clearing House within a period of twelve (12) weeks from the referral to it of the complaint. The committee may make such recommendations as it deems fit for resolving the subject matter of the complaint. The committee may, if it so decides, make no recommendations if it considers such course of action to be appropriate in the circumstances. The report shall contain reasons for the committee's decision.

7.3.4 The costs of the internal investigation and review shall be borne by the Clearing House.

7.3.5 Where the CCO receives a written complaint which is not a complaint regarding the conduct, behavior or other actions of a Clearing Member in respect of its clearing activities with the Clearing House or is not a complaint arising in connection with the performance of, or failure to perform, any of the Clearing House's regulatory functions but is nevertheless a complaint regarding a Clearing Member or regarding the conduct, behavior or actions of an officer or employee or other staff member of the Clearing House, then such complaint shall be referred to the Chief Executive of the Clearing House to be dealt with in accordance with the REQUESTS FOR REVIEW procedure set out in Section 6.6 (Appeals Procedures) of these Procedures.

7.4 Referral to an Independent Investigator

7.4.1 In the event that the Complainant is dissatisfied with the outcome of the Internal Investigation and Review procedure set out in Section 7.3 above, or in the event that the Complainant does not receive the report of the Investigation Committee within fourteen (14) weeks of the submission of a complaint of the kind described in Sections 7.1.1 and 7.1.2 above (and providing that the subject matter of the complaint (or substantially the same matters) shall not have already been referred to an Independent Investigator as a result of a complaint from that same Complainant), the Complainant may ask for the complaint to be referred to an Independent Investigator nominated in accordance with the procedure set out in Section 7.5 below.

7.4.2 A request for referral to an Independent Investigator shall be made in writing to the CCO and shall be made no later than fourteen (14) days following notification to the Complainant of the report of the Investigation Committee or sixteen (16) weeks from the submission of the original complaint to the Clearing House in accordance with Section 7.2.

7.4.3 Within fourteen (14) days of receipt of a written request, in accordance with Section 7.4.2 above, the CCO shall refer the complaint to an Independent Investigator.

7.4.4 An Independent Investigator shall be nominated for this purpose by the American Arbitration Association, New York City. Such investigator shall be a person:

(a) independent of the Clearing House (for these purposes "independent" shall mean that such person is not and has not been an officer, director or employee of the Clearing House);

(b) with appropriate knowledge of how clearing is carried out by the Clearing House and of the Regulations (including the Procedures), and other relevant documentation, regulation and applicable law; and

(c) with appropriate experience in the market activities in respect of which the complaint is focused.

7.4.5 The Clearing House shall be responsible for the payment of the fees and expenses of the Independent Investigator, although this relationship shall not give rise to any employment or other relationship between the Independent Investigator and the Clearing House and shall not give rise to any duty between the Independent Investigator and the Clearing House other than that the Independent Investigator shall act as an independent complaints investigator in accordance with the terms of these Procedures.

7.4.6 In the event that for reasons beyond the reasonable control of the Clearing House, referral to an Independent Investigator is not made within the two (2) week period referred to in Section 7.4.3 above, then the CCO shall notify the complainant in writing of the reasons for the delay.

7.5 **Procedure for Dealing with the Complaint**

7.5.1 Upon appointment, an Independent Investigator nominated in accordance with these Procedures shall forthwith notify the Complainant and the Clearing House in writing of his appointment and shall invite the Complainant and the Clearing House to make such submissions and submit such documentation as each may wish within such timescale as the Independent Investigator may determine.

7.5.2 The Independent Investigator shall determine his own procedure for considering the complaint referred to him, shall be guided by the requirements of fairness and may do, inter alia, any one or more of the following:

(a) interview the Complainant;

(b) interview a representative of the Clearing House;

(c) seek further or other information from the Clearing House and/or the Complainant; and/or

(d) make such further or other reasonable inquiries as he deems fit in order properly and fully to investigate the Complaint.

7.6 **Outcomes**

7.6.1 The Independent Investigator shall, wherever reasonably possible, conclude his investigation of a complaint referred to him under these Procedures within a period of two (2) months from the date of his nomination. Where it is not reasonably possible to do so on account of the nature or complexity of the matter referred to him or other good reason, then he shall notify the Complainant and the Clearing House in writing of this fact and provide a further date for the completion of the investigation.

7.6.2 The Independent Investigator shall, at the end of his investigation, produce a written report setting out his findings, conclusions and reasons for his conclusions. Such report shall be provided both to the Complainant and to the Clearing House, but it shall not be made public unless the complaint is upheld in whole or in part and the Complainant so requests. In the event of such request, the report shall be made public by being published on the Clearing House's public website. Where only part of the complaint is upheld, then only that part of the report relating to that part of the complaint shall be so published.

7.6.3 In his written report, the Independent Investigator may:

(a) dismiss the complaint;

(b) uphold the complaint in its totality;

(c) uphold part of the complaint and dismiss part of the complaint; or

(d) make such recommendations as he deems fit in the circumstances, including a recommendation that the Clearing House make a compensatory payment and/or take such action as may be reasonably practicable to remedy the cause of the complaint.

DISCIPLINARY PROCEEDINGS

8. DISCIPLINARY PROCEEDINGS

8.1 Scope of this Procedure

All Clearing Members are subject to Disciplinary Proceedings pursuant to Section 8 of these Procedures (the "**Disciplinary Procedures**").

Any alleged breach by a Clearing Member of an obligation set out in the Rulebook (the "**Alleged Breach**") may be dealt with in accordance with the provisions of these Disciplinary Procedures.

These Disciplinary Procedures are without prejudice to:

(a) any action and/or measures that may be taken by the Clearing House based on any other procedure set out in the Rulebook including, without limitation, the right of the Clearing House to issue a Default Notice under the Default Regulations;

(b) the Clearing House's right to take no action where it considers that taking action would be disproportionate or otherwise, in its discretion; or

(c) any provision of any applicable law concerning enforcement by a Regulatory Body.

8.2 Investigation Procedure

Subject to Section 8.3, the investigation of an Alleged Breach pursuant to these Disciplinary Proceedings shall be handled in accordance with this Section 8.2.

(a) Opening of the Investigation Procedure

When the Clearing House commences proceedings to investigate an Alleged Breach:

the Clearing House shall send a written notice to the Clearing Member, setting out details of the Alleged Breach, including a summary of the facts relied upon in sufficient detail for a reasonable person in the Clearing Member's position to properly understand and respond to the allegations made against it;

the Clearing House shall identify a suitably senior representative of any entity of the LCH.Clearnet group organization that shall lead the investigation procedure on behalf of the Clearing House and shall inform the Clearing Member who this representative will be in the written notice which is sent in accordance with sub-paragraph (i) above;

following receipt of the written notice sent in accordance with sub-paragraph (i) above, the Clearing Member shall be permitted to (x) raise objections in writing to the Alleged Breach of which it has been notified and/or (y) raise objections to the identity of the representative that is to lead the investigation procedure, on grounds of conflicts of interest, within forty-eight (48) hours. Where an objection is raised, either the Chief Executive or the CCO of the Clearing House shall discuss the perceived conflict of interest with the Clearing

Member within twenty-four (24) hours and shall make a decision on whether an alternative representative needs to be identified for the purposes of sub-paragraph (ii) above;

the Clearing Member shall be required to provide any information, copies or records and documents that may be reasonably requested, in connection with the examination of the Alleged Breach, to the Clearing House, provided that the Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of applicable law or regulation, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the Clearing Member shall provide the Clearing House with proof of such prohibition). The Clearing Member is permitted to request that the Clearing House provide to it copies of the documentation it relies upon during the investigation, provided that the Clearing House shall not be required to reveal any information which it deems to be confidential;

the Clearing House may send a representative (being either the representative identified as leading the investigation procedure on behalf of the Clearing House or another representative) to the Clearing Member's offices at any time during normal business hours, having provided reasonable notice (being proportionate to the seriousness of the Alleged Breach) to the Clearing Member as part of the investigation procedure. The Clearing Member shall only be entitled to refuse access to such representative in the event of a substantiated conflict of interest. The Clearing Member shall make available all information, records and documents kept by the Clearing Member that may be reasonably required for the examination of the Alleged Breach to the Clearing House's representative; and

the Clearing Member shall exercise its reasonable best efforts to procure the attendance of any of its directors, officers, employees, agents and representatives, as may be reasonably requested, at a specified time on reasonable notice (at either the offices of the Clearing House or those of the Clearing Member) in order to answer questions or provide explanations that may be relevant for the examination of the Alleged Breach.

(b) Report

Following the conclusion of the investigation procedure, the Clearing House shall: (i) notify the Clearing Member; and (ii) produce a written report (the "**Report**") in relation to the Alleged Breach and provide it to the Clearing Member, within no more than fourteen (14) days after the notification by the Clearing House of the conclusion of the investigation procedure.

The Report shall contain the findings of the investigation, reference the provision of the Rulebook allegedly breached by the relevant Clearing Member and indicate the Clearing House's intended course of action in relation to the Alleged Breach, being either:

to proceed with Disciplinary Proceedings, in accordance with these Disciplinary Procedures, if the Clearing House believes there to be prima facie evidence of the Alleged Breach having been committed;

to discontinue these Disciplinary Proceedings and refer the matter to the Chief Executive Officer of the Clearing House to take action in accordance with the provisions of the Rulebook if the Clearing House believes there to be prima facie evidence of the Alleged

Breach having been committed but the sanctions set out in Section 8.4 of these Disciplinary Procedures are, in the Clearing House's reasonable opinion, inadequate; or

to take no further action.

(c) Disciplinary Committee Formation

Where the Clearing House determines that it wishes to proceed with Disciplinary Proceedings in accordance with Section 8.2(b)(i) above, it will convene a "**Disciplinary Committee**" consisting of:

the Chairman of the Risk Committee of the Clearing House, or his or her representative;

the CCO, or his or her representative;

the Chief Risk Officer, or his or her representative, and

two members of the Executive Committee of LCH.Clearnet Group Limited.

Details of the precise composition of the Disciplinary Committee shall be provided to the Clearing Member as part of the Report, as appropriate.

(d) Clearing Member Response

The Clearing Member shall respond to the Disciplinary Committee within fourteen (14) days of receiving a Report which indicates that the Clearing House intends to proceed with Disciplinary Proceedings, providing a statement of defense responding to the allegations.

If no response has been received by the Disciplinary Committee within fourteen (14) days or such extended period as has been agreed between the Clearing Member and the Disciplinary Committee, the Clearing House shall be relieved of its obligations to follow the remaining steps of the investigation procedure (as set out in Section 8.2(e) below), and the Disciplinary Committee may instead make a determination in respect of the Alleged Breach and issue its Recommendation to the Clearing House as provided for in Sections 8.2(g) and 8.2(h) below.

(e) Exploratory Meetings

Once the Clearing Member has responded to the Report, either the Clearing Member or the Disciplinary Committee may, within seven (7) days, request a meeting with the other party to ask further questions and discuss the Alleged Breach (the "**Meeting**").

Unless otherwise agreed between the Clearing Member and the Disciplinary Committee, the Meeting will be held at the Clearing House's offices in New York City, provided that, if appropriate, the Meeting may take place at the Clearing House's offices in London, within fourteen (14) days from the request for a Meeting.

The Disciplinary Committee and the relevant Clearing Member are each entitled to bring to the Meeting any person relevant to the Disciplinary Proceedings which includes, but is not limited to, the following:

relevant experts;

legal advisers; and

accounting advisers.

The Clearing House and/or the Clearing Member shall only be entitled to object to the attendance by any of the above if there is a substantiated conflict of interest.

The Disciplinary Committee shall, in addition, invite the Clearing House representative that led the investigation procedure to attend the Meeting.

The Disciplinary Committee shall, subject to the provisions of these Disciplinary Proceedings, decide upon its own procedure for conducting the Meeting and considering and determining the matters to be discussed in the course of the Meeting on the basis of the Report, the Clearing Member's response to the Report and such other information and documentation as the Disciplinary Committee considers appropriate. A secretary will be appointed to keep minutes of the Meeting.

The Disciplinary Committee may reasonably request further or other documentation and information from the Clearing Member, provided that the Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of applicable law or regulation, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the Clearing Member shall provide the Clearing House with proof of such prohibition).

The matters discussed at the Meeting are confidential. The Disciplinary Committee and the Clearing Member must ensure that any persons attending the Meeting are subject to a confidentiality agreement.

To ensure the efficiency of the Meeting, neither the Disciplinary Committee nor the Clearing Member shall bring more than six representatives, unless otherwise agreed.

(f) Determination

Having considered the Report, the Clearing Member's response to the Report and any other information and documentation provided to the Disciplinary Committee in accordance with Section 8.2(e), and having conducted the Meeting, the Disciplinary Committee must determine whether, in its view, the Alleged Breach has been committed.

The Disciplinary Committee shall make its determination, in accordance with this Section 8.2(f), by a majority of the attendees, provided that no determination shall be made without a quorum of three (3) Disciplinary Committee members being in attendance.

In the event of a tie, the Chairman shall have a casting vote.

For the avoidance of doubt, the Disciplinary Committee shall not be bound to comply with any rule of any law or court procedure in respect of the admissibility of evidence and may, in its discretion, accept any finding of fact by:

a relevant Regulatory Body or other governmental authority; or

the courts of the United States or any state within the United States, or any other applicable court, in connection with a Dispute.

(g) Recommendation

Within seven (7) days of the later of:

the Clearing Member's response to the Report; and

the date of the Meeting, if applicable,

the Disciplinary Committee shall communicate its determination, made in accordance with Section 8.2(f) above, to the Clearing House (the "**Recommendation**").

The Disciplinary Committee shall set out in its Recommendation the grounds on which the Disciplinary Committee has determined that the Alleged Breach has or has not been committed and its proposal as to the sanctions, if any, that should be imposed by the Clearing House upon the Clearing Member pursuant to Section 8.4.

This Section 8.2(g) is without prejudice to the rights of the Disciplinary Committee to recommend that these Disciplinary Proceedings be discontinued and refer the matter to the Chief Executive of the Clearing House to take action in accordance with the provisions of the Rules if the Disciplinary Committee has determined that the Alleged Breach has been committed but the sanctions set out in Section 8.4 are, in the Disciplinary Committee's reasonable opinion, inadequate.

(h) Decision Notice

Following receipt of a Recommendation, pursuant to Section 8.2(g), the Clearing House must decide whether or not to sanction the Clearing Member in accordance with Section 8.4 or otherwise in accordance with the provisions of the Rulebook.

For the avoidance of doubt, the Clearing House shall not be bound by the terms of the Recommendation of the Disciplinary Committee.

A decision by the Clearing House in accordance with this Section 8.2(h) will be made by the Chief Executive of the Clearing House or another suitably senior executive of the Clearing House.

Within fourteen (14) days of receiving a Recommendation, the Clearing House must notify the Clearing Member of its decision by registered mail to the address notified to the Clearing House in its admission application (the "**Decision Notice**").

A Decision Notice shall include details of the grounds on which the Clearing House has come to its decision and the sanction(s), if any, to be imposed against the

Clearing Member by the Clearing House pursuant to Section 8.4 or otherwise in accordance with the provisions of the Rulebook.

(i) Action

Notwithstanding any decision by the Clearing House to convene a Disciplinary Committee and proceed with Disciplinary Proceedings in accordance with Sections 8.2(c) to 8.2(i), the Clearing House may at any time choose to:

discontinue the Disciplinary Proceedings;

determine that, in light of the relevant facts and circumstances, no sanction should be imposed upon the relevant Clearing Member pursuant to Section 8.4 below or otherwise in accordance with the provisions of the Rulebook;

take alternative action in accordance with the provisions of the Rulebook (including, without limitation, suspension or termination of the Clearing Member's membership in the Clearing House pursuant to the Rulebook and/or the issuance of a Default Notice in respect of such Clearing Member in respect of the Clearing Member pursuant to the Default Regulations), in which case the Clearing House shall be deemed to have instituted Disciplinary Proceedings in respect of the Alleged Breach; or

amend the scope of matters being considered by the Disciplinary Committee by amending the Report to add, delete or alter any detail of the Alleged Breach or to add detail of an additional Alleged Breach. For the avoidance of doubt, where the Report is amended in this way, the provisions of this Section 8.2 will apply (and, unless otherwise agreed between the Clearing Member and the Disciplinary Committee, any timing specified in this Section 8.2 will restart) in respect of the amended Report.

8.3 **Immediate Measure**

Where the Alleged Breach comprises a breach of:

(a) any obligation of a Clearing Member set out in the Rulebook when such breach constitutes a threat to the integrity or safety of the Clearing House or increases the risk exposure of the Clearing House or other Clearing Members;

(b) a Clearing Member's obligation to satisfy the relevant membership criteria pursuant to Section 1;

(c) a Clearing Member's obligation to provide information and reporting to the Clearing House pursuant to Section 1;

(d) a Clearing Member's obligation to submit its clearing activity to audits and inspections pursuant to Section 1;

(e) a Clearing Member's obligation to satisfy its record keeping requirements pursuant to Section 1; or

(f) a Clearing Member's obligation to furnish the Clearing House with Margin by the required time in accordance with Regulation 106 and Section 3,

the Chief Executive or the CCO of the Clearing House shall be entitled at their sole discretion to (a) issue a letter to the relevant Clearing Member, reminding such member of their obligations under the Rulebook or (b) impose a fine on the Clearing Member in accordance with Section 8.4, without being required to follow the procedure set out in Section 8.2 above. In such circumstances the Clearing House must notify the Clearing Member of its decision and the sanction that is to be imposed by way of a Decision Notice.

8.4 **Sanctions**

The Clearing House shall be entitled, in its absolute discretion, to impose the following sanctions against a Clearing Member, pursuant to these Disciplinary Procedures, provided that any such sanction is proportionate and commensurate with the seriousness of the Alleged Breach:

(a) impose a fine or require the Clearing Member to make any other form of payment in an amount which it considers appropriate;

(b) public censure, by way of publishing all or part of the decision taken by the Clearing House pursuant to Disciplinary Proceedings on the website;

(c) suspension for a fixed period, as determined by the Clearing House in its sole discretion from any one or all of the clearing services offered by the Clearing House;

(d) issuance of a private warning or reprimand;

(e) termination of the Clearing Membership Agreement; and/or

(f) any combination of the above.

8.5 **Disputing a Decision**

Where a Clearing Member wishes to dispute the Clearing House's decision to impose sanctions listed in Section 8.3 or 8.4, a Clearing Member may, within twenty-eight (28) days (or such longer period as the Chief Executive or the CCO of the Clearing House may, at their discretion, direct) of receiving the Decision Notice in accordance with Section 8.2(h) or 8.3, file an Appeal in accordance with Section 6 of the Procedures. In the event that the Clearing Member does not lodge an appeal within the relevant timeframe, the decision rendered by the Clearing House in connection with the Alleged Breach shall be final and binding. In the event that the Clearing Member does lodge an Appeal, the results of the Appeal process shall be final and binding.

8.6 **Reporting and Publication**

The Clearing House shall:

(a) report on its monitoring procedures in respect of the Rulebook, compliance and breaches of the Rulebook to its Regulatory Body pursuant to Applicable Law and/or on the basis of any arrangements between the Clearing House and any Regulatory Body;

(b) immediately notify the Regulatory Body of a decision to suspend or terminate a Clearing Member's membership rights or declare a Clearing Member to be subject to an Event of Default (in each case in accordance with the Rulebook); and

(c) prepare and publish a general report on the application of these Disciplinary Proceedings, from time to time but at least once a year, provided, however, that only the details of those Clearing Members who have defaulted or whose membership rights have been suspended or terminated by the Clearing House shall be disclosed.

8.7 **Infringement of Applicable Law**

If the Clearing House finds, in the course of the investigation procedure, or otherwise, serious indications of a possible infringement of Applicable Law, it shall report the matter to the relevant Regulatory Body as soon as possible.

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LCH.Clearnet LLC

REGULATIONS OF THE CLEARING HOUSE

Scope

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

Definitions and Interpretation

I. Definitions:

In the LCH.Clearnet LLC Rulebook (referred to herein as the "**Rulebook**") the following words and expressions shall have the following meanings, except as the context may otherwise require:

~~"**Account Assets**" means the Client Funds that an FCM Clearing Member has deposited with or transferred to the Clearing House as Margin, and which the Clearing House holds (in that FCM Clearing Member's Omnibus Client Swaps Account with LCH and in the applicable Client Segregated Sub-Accounts), for and in respect of the clearing of Contracts for its Clients. For the avoidance of doubt, any Applied Buffer or Buffer applied by the Clearing House in respect of a Client's Client Segregated Sub-Account does not constitute "Account Assets" of such Client, provided, that Applied Buffer may be transformed into Account Assets as provided in Regulation 106(g)(iv)(C).~~

"**Account Manager Executing Party**" means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated SwapClear Transactions.

"**Affiliate**" means, with respect to a Clearing Member, any entity that controls, is controlled by or is under common control with such Clearing Member, and the account of which, when carried by the Clearing Member, would be considered a proprietary account pursuant to CFTC Regulation 1.3(y) (or any such successor or replacement regulation).

"**AIP**" has the meaning assigned to it in Regulation 204(b)(iv)(A).

"**Allocating SwapClear Transaction**" has the meaning assigned to it in Regulation 401(m)(iii).

"**Allocation Notice**" has the meaning assigned to it in Regulation 401(m)(iii).

"**Amendment**" has meaning assigned to it in Regulation 321(a).

~~"**Applied Buffer**" has the meaning assigned to it in Regulation 106(g)(iv)(A).~~

"**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 Transactions and/or presenting such Transactions to the Clearing House. For the avoidance of doubt, the "SwapClear API" is not an Approved Trade Source System.

"**Auction**" means the process of bidding by Clearing Members for an Auction Portfolio prescribed by the Clearing House following consultation with the DMG from time to time in accordance with Regulation 204(b)(iii).

"**Auction Currency**" means in relation to an Auction, the currency of an Auction Portfolio which is the subject of that Auction.

"**Auction Losses**" has the meaning assigned to it in Regulation 204(b)(v)(B).

"**Auction Portfolio**" means (i) a Portfolio; or (ii) a group of Contracts resulting from the splitting of a Portfolio pursuant to Regulation 204(b) including any connected hedging trades concluded by the Clearing House through Risk Neutralization.

"**Automatic Early Termination Event**" means any event set forth in Regulation 203(h) to Regulation 203(o) which satisfies certain criteria (including but not limited to the jurisdiction of incorporation of a Clearing Member) that may from time to time be published by the Clearing House in a circular to Clearing Members.

"**Bankruptcy Code**" means the U.S. Bankruptcy Code.

"**Buffer**" has the meaning assigned to it in Regulation 106(g)(iv)(A).

"**Buffer Sub-Account**" has the meaning assigned to it in Regulation 106(g)(iv)(A).

"**Business Day**" means in respect of a Contract (except where specified otherwise in the relevant SwapClear Contract Terms), a day on which the Clearing House is open for business as set forth in the Procedures.

"**Capped Amount**" has the meaning assigned to it in Regulation 302(3).

"**Carrying FCM Clearing Member**" means an FCM Clearing Member carrying an account for a Client, and in respect of which the Contracts and ~~Account Assets held in~~Posted Collateral attributable to such account may be transferred to a Receiving FCM Clearing Member pursuant to Regulation 108 and in accordance with the Procedures.

"**CEA**" means the Commodity Exchange Act.

"**CFTC**" means the 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 (which, for the avoidance of doubt, shall for the purposes of the Rulebook be deemed to include Contracts).

"**Cleared Swaps Account Class**" means the account class for cleared swaps accounts (as defined in CFTC ~~Regulations~~Regulation 190.01(a)(i)~~ and 190.01(pp)~~) for purposes of Part 190 of the CFTC Regulations and Section 4d(f) of the CEA.

"**Cleared Swaps Customer Account**" means "Cleared Swaps Customer Account" as such term is defined in CFTC Regulation 22.1.

"**Clearing End-User Notice**" means the "Clearing End-User Notice" as specified by the Clearing House from time to time and as published by the Clearing House on its website or otherwise.

"**Clearing House**" means LCH.Clearnet LLC whose principal place of business is located at 17 State Street, 28th Floor, New York, NY 10004.

"**Clearing Member**" means a person that has been approved by the Clearing House as a "Clearing Member" and for the clearing of one or more categories of Contracts, in accordance with a Clearing Membership Agreement and the Rulebook.

"**Clearing Membership Agreement**" means the agreement so designated under which, inter alia, the Clearing House agrees to make available Clearing Services to a Clearing Member in respect of Contracts together with any ancillary agreements.

"**Clearing Services**" means SwapClear Clearing Services.

"**Client**" means a client of an FCM Clearing Member (but not including Affiliates of such FCM Clearing Member) with positions in Cleared Swaps, including Contracts, on behalf of which the FCM Clearing Member provides Clearing Services and clears Contracts; provided, that any such client is only a Client with respect to its positions in Cleared Swaps.

"**Client Business**" means the provision of Clearing Services by an FCM Clearing Member to its Clients.

"**Client Funds**" means all ~~Margin,~~ cash, securities, receivables, rights, intangibles and any other collateral or assets ~~deposited with or transferred to~~held by an FCM Clearing Member ~~by~~(i.e., not deposited with the Clearing House) on behalf of its Clients.

"**Client Segregated Sub-Account**" means an individual segregated sub-account on behalf of an individual Client, established on the books of the Clearing House ~~on behalf of a Client of an FCM Clearing Member, reflecting the Contracts, and all associated Account Assets, carried for each~~as a sub-account of the relevant Omnibus Client Swaps Account with LCH of the relevant FCM Clearing Member, which shall reflect the relevant Margin balance attributable to such sub-account, and the relevant Contracts registered to such sub-account and carried for such Client by ~~such FCM Clearing Member, based on information provided by the applicable~~its FCM Clearing Member.

"**Client Sub-Account Balance**" means ~~with respect to a Client~~, at any given time, the ~~value of Account Assets~~Margin balance attributable to ~~such Client's~~a Client Segregated Sub-Account of a Client, as determined by the Clearing House in accordance with the ~~Rulebook~~FCM Rulebook. For the avoidance of doubt, a Client Sub-Account Balance at no time reflects the value of any Buffer (including Encumbered Buffer) or the value of any Unallocated Excess.

"**Consent Required Clearing Member**" has the meaning assigned to it in the Procedures.

"**Continuing Member**" has the meaning assigned to it in Regulation 316(b).

"**Contract**" means a SwapClear Contract.

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

"**Contract Terms**" means the SwapClear Contract Terms.

"**Contribution**" has the meaning assigned to it in Regulation ~~303.~~303(i).

"**Currency Participant**" means, in respect of a specific SwapClear currency, a Non-Defaulting Clearing Member who at the time the Clearing House declares a Default has SwapClear Contracts for that SwapClear currency registered in its name.

"**Deductible**" means, at the time of preparation of a Recourse Certificate, the Capped Amount as defined in Regulation 302(3).

"**Default**" means the issue, in respect of a Clearing Member, of a Default Notice as provided for by Regulation 202 or the occurrence, in respect of a Clearing Member, of an Automatic Early Termination Event.

"**Default Fund**" has the meaning assigned to it in Regulation 301(b).

"**Default Fund Regulations**" means the portion of these Regulations set out in Chapter 3.

"**Default Regulations**" means the portion of these Regulations set out in Chapter 2.

"**Default Loss**" has the meaning assigned to it in Regulation 305(b).

"**Default Management Process**" means the processes of the Clearing House outlined in the Default Regulations, as the same may be supplemented and/or amended from time to time in accordance with the Rulebook.

"**Default Management Process Completion Date**" means the date when the Default Management Process in relation to a Default has been completed as determined by the Clearing House in consultation with the DMG and notified to all Clearing Members.

"**Default Notice**" has the meaning assigned to it in Regulation 202.

"**Default Period**" has the meaning assigned to it in Regulation 303(a).

"**Defaulter**" or "**Defaulting Clearing Member**" means a Clearing Member in respect of whom either (i) the Clearing House has issued a Default Notice under Regulation 202 or (ii) an Automatic Early Termination Event has occurred.

"**Determination Date**" has the meaning assigned to it in Regulation 303(a).

"**Derivatives Clearing Organization**" means an organization designated and registered as such by way of 7 U.S.C.A. § 1a(15).

"**DF Collateral Agent**" has the meaning assigned to it in Regulation 322(b)(i).

"**DF Security and Intercreditor Agreement**" has the meaning assigned to it in Regulation 322(b)(i).

"**DMG**" means the advisory Default Management Group which relates to both the SwapClear US Service and the SwapClear service of LCH.Clearnet Ltd., established jointly by the Clearing House and LCH.Clearnet Ltd. pursuant to the terms of Regulation 204(i) and the applicable provisions of the rules and regulations of LCH.Clearnet Ltd.

"**Economic Terms**" means that part of the SwapClear Contract Terms designated as Economic Terms by the Clearing House from time to time.

"**Encumbered Buffer**" has the meaning assigned to it in Regulation 106(g)(iv)(A).

"**End of Day**" has the meaning assigned to it in Regulation 117(a)(i).

"**Equal Bid**" has the meaning assigned to it in Regulation 204(b)(iii)(E).

"**Excess Loss**" means the net sum or aggregate of net sums certified to be payable by a Defaulter by a Recourse Certificate less (x) the proportion of the Deductible applicable to Contract Business under Regulation 302(3) and (y) any sums then immediately payable in respect of Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favor of the Clearing House in relation to Default Losses.

"**Excess Margin**" means, (i) in respect of a Client~~'s Client~~ Segregated Sub-Account, ~~Account Assets (excluding Buffer or Applied Buffer) held by the Clearing House in respect of Contracts corresponding to such account, which is in excess of the Required Margin in respect of such corresponding Contracts as determined by the Clearing House in accordance with the Rulebook~~the amount (if any) by which the corresponding Client Sub-Account Balance exceeds the Required Margin applicable to the Contracts registered to such Client Segregated Sub-Account, and (ii) in respect of a Clearing Member's Proprietary Account, ~~Margin held by the Clearing House in respect of Contracts corresponding to such account, which is in excess of~~the amount (if any) by which the Margin balance of such Proprietary Account exceeds the Required Margin ~~in respect of such corresponding~~applicable to the Contracts registered to such Proprietary Account, each as determined by the Clearing House in accordance with the Rulebook.

~~"**Equal Bid**" has the meaning assigned to it in Regulation 204(b)(iii)(E).~~

"**Executing Party**" means any party to a swap transaction (including swap transactions which are contingent on or pending clearing), whether executed bilaterally or on or through an Approved Trade Source System, that is presented to the Clearing House as a Transaction and with respect to which each party to such transaction applies to have its respective side of such transaction registered with the Clearing House (through a Clearing Member or on its own behalf as a Clearing Member, as applicable) as a Contract.

"**FCM**" means a futures commission merchant, as defined ~~under~~in the CEA and the CFTC Regulations thereunder, that is registered in such capacity with the CFTC.

"**FCM Clearing Member**" means a Clearing Member registered as an FCM and approved by the Clearing House to clear Contracts on behalf of Clients.

~~"**FCM Clearing Member Segregated Accounts**" means, with respect to each FCM Clearing Member, (i) its FCM Swaps Client Segregated Depository Accounts and (ii) its PPS Accounts in which the FCM Clearing Member holds the Client Funds held in connection with its Clients' cleared Contracts.~~

"**FCM Swaps Client Segregated Depository Account**" means an omnibus account located in the United States and maintained by an FCM Clearing Member for its Clients with a

Permitted Depository (including any applicable "PPS accounts", which are described in the Procedures), which is segregated in accordance with the CEA and regulations of the CFTC ~~and~~, is a Cleared Swaps Customer Account, and which contains the Client Funds ~~deposited by such~~of its Clients held in connection with Contracts cleared for such Clients by such FCM Clearing Member.

"**Fed Funds Rate**" means the Federal Funds Rate as published by the Federal Reserve Bank of New York.

"**FDICIA**" means the Federal Deposit Insurance Corporation Improvement Act of 1991, as amended.

"**Final Calculation Date**" has the meaning assigned to it in Regulation 117(d)(i).

"**Fund Amount**" means the amount as determined in accordance with Regulation 303(c).

"**Fund Cap**" has the meaning assigned to it in Regulation 303(c).

"**Fund Floor**" means the amount as determined in accordance with Regulation 303(c).

"**Guidance**" means guidance, in the form of one or more written notices, issued from time to time by or on behalf of the Clearing House to Clearing Members, supplementing the detail or conduct of any aspect of the Default Management Process.

"**Hedged Account**" has the meaning assigned to it in Section 2A.17.6 of the Procedures.

"**Higher Bid**" has the meaning assigned to it in Regulation 204(b)(v)(c)(2).

"**Higher Bidder**" has the meaning assigned to it in Regulation 204(b)(v)(c)(2).

"**House Business**" means the Contracts entered into by a Clearing Member in its Proprietary Account.

"**Ineligible SwapClear Contract**" has the meaning assigned to it in Regulation 401(g).

"**Ineligible SwapClear Transaction**" has the meaning assigned to it in Regulation 401(g).

"**Initial Margin**" means, with respect to the amount of Margin ~~payable by~~attributable to a particular account or accounts of a Clearing Member with the Clearing House, the portion of such Margin held in respect of~~, and in the amount of,~~ the Clearing House's initial margin requirements (as published from time to time by the Clearing House) in respect of ~~a Contract~~the relevant Contracts attributable to such account or accounts.

"**Initial Resources**" has the meaning assigned to it in Regulation 204(b)(v)(B).

"**Insufficient Resources Determination**" has the meaning assigned to it in Regulation 320.

"**Late Final Calculation Date**" has the meaning assigned to it in Regulation 117(d)(iv).

"**LCH Approved Outsourcing Party**" means a person, designated as such by the Clearing House, as may be provided for in the Procedures.

"**LCH Swaps 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 with a Permitted Depository for the benefit of the Clients of its FCM Clearing Members ~~with a Permitted Depository~~, which is segregated in accordance with the CEA and the CFTC Regulations, is ~~part~~a Cleared Swaps Customer Account that is of the Cleared Swaps Account Class, and which contains the ~~Account Assets~~Posted Collateral deposited by ~~such~~the FCM Clearing Members on behalf of their Clients in connection with Contracts cleared for such Clients by ~~such~~the FCM Clearing Members.

"**Losing Currency"** has the meaning assigned to it in Regulation 204(b)(v)(D).

"**Losing Currency Original Clearing Member**" has the meaning assigned to it in Regulation 204(b)(v)(D).

"**Losing Currency Unfunded Clearing Member**" has the meaning assigned to it in Regulation 204(b)(v)(G).

"**Loss Distribution Process**" has the meaning assigned to it in Regulation 318.

"**Margin**" means ~~the cash and, to the extent set forth in the Procedures or otherwise explicitly permitted by the Clearing House, securities (in a currency and form acceptable to the Clearing House as set forth in the Procedures) deposited by~~, with respect to a particular account or accounts of a Clearing Member with the Clearing House ~~in connection with Contracts as required by the Clearing House (including as required by~~, the Posted Collateral value that is attributable to such account or accounts for the purpose of margining, guaranteeing and/or securing Contracts in such account or accounts, as determined by the Clearing House in accordance with the Rulebook~~)~~.

"**Margin Cover**" has the meaning assigned to it in Regulation 302(1).

"**Minimum ~~Contribution~~**" ~~means, subject to Regulation 303, $15,000,000.~~

"**~~Minimum~~ Contribution Member**" means a Clearing Member in respect of which the ~~Preliminary~~Non-Tolerance Contribution Amount calculated under Regulation 303 is equal to or less than the Minimum Non-Tolerance Contribution for the time being.

"**Minimum Non-Tolerance Contribution**" means, subject to Regulation 303, $15,000,000 (which, for the avoidance of doubt, excludes the $10,000,000 minimum amount (or such lower amount as the Clearing House may establish) payable by a Clearing Member in respect of the Tolerance Contribution Amount).

"**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 Recourse 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 (i) any Clearing Member whose Clearing Member status, at the time of assessment of the amount of any required Contribution, commenced or will commence after the most recent Determination Date prior to such assessment time and (ii) any Clearing Member who, at the time of assessment of the amount of any required Contribution, had not yet cleared any Contracts before the most recent Determination Date prior to such assessment time but who commenced or will commence clearing Contracts after such Determination Date.

"**Non-Defaulters' Contributions**" means the Contributions made by Non-Defaulting Clearing Members.

"**Non-Defaulting Clearing Member**" means any Clearing Member that is not a Defaulter.

"**Non-Porting Client**" has the meaning assigned to it in Section 2A.17.6 of the Procedures.

"**Non-Tolerance Amount**" has the meaning assigned to it in Regulation 303(g).

"**Non-Tolerance Contribution Amount**" has the meaning assigned to it in Regulation 303(i).

"**Non-Tolerance Weight**" has the meaning assigned to it in Regulation 303(h).

"**NPV**" means, at any given time, the mark-to-market value of a Contract, which shall be equal to its net present value, as determined by the Clearing House in its sole discretion in accordance with the Rulebook.

"**Omnibus Client Swaps Account with LCH**" means an omnibus account located in the United States and maintained on the books of the Clearing House in the name of ~~a~~an FCM Clearing Member for the benefit of its Clients, in which all Contracts cleared by such FCM Clearing Member on behalf of such Clients, and all associated ~~Account Assets~~Posted Collateral and Margin, will be reflected on the books of the Clearing House. Each Omnibus Client Swaps Account with LCH is a book-entry account, the associated Posted Collateral of which is contained in the LCH Swaps Client Segregated Depository Account. The Clearing House will establish Client Segregated Sub-Accounts within each Omnibus Client Swaps Account with LCH.

"**Original Contributions**" has the meaning assigned to it in Regulation 204(b)(v)(C).

"**Permitted Depository**" means "Permitted Depository" as such term is defined in CFTC Regulations 22.1 and 22.4.

"**Porting ~~Account Assets~~Collateral**" has meaning assigned to it in Regulation 108(a).

"**Porting Contracts**" has meaning assigned to it in Regulation 108(a).

"**Portfolios**" means, in respect of each Contract currency, the Contracts in such currency registered in the name of a Defaulting Clearing Member, and, where relevant,

includes any connected hedging trades concluded by the Clearing House through Risk Neutralization.

"**Posted Collateral**" means the cash, securities or other collateral or assets deposited with the Clearing House by a Clearing Member or otherwise furnished to a Clearing Member's Proprietary Account or its Omnibus Client Swaps Account with LCH for the purpose of margining, guaranteeing and/or securing Contracts for such accounts. The Clearing House will only credit deposited securities or other noncash collateral or assets as Posted Collateral to the extent such securities or other noncash collateral or assets are acceptable forms of collateral as set forth in the Procedures or as otherwise explicitly permitted by the Clearing House.

"**Potential Unfunded Contributions**" has the meaning assigned to it in Regulation 204(b)(iv)(B)(2).

~~"**PPS Account(s)**" means the Protected Payments System (PPS) bank account(s) established by Clearing Members and by the Clearing House, as described in the Procedures.~~

"**Procedures**" or "**LCH.Clearnet LLC Procedures**" means the document containing the working practices and administrative or other requirements of the Clearing House for the purposes of implementing or supplementing these Regulations, or the procedures for application for and regulation of membership of the Clearing House.

"**Proprietary Account**" means the house account with the Clearing House opened in the name of a Clearing Member to which Contracts made by the Clearing Member for its own account or accounts of its Affiliates (but never accounts of its Clients) are registered and to which monies in respect of such Contracts are credited.

"**Rate X and Rate Y**" means, in relation to a SwapClear Transaction or a SwapClear Contract, the outstanding payment obligations of each party to the transaction, such that Rate X comprises the outstanding payment obligations of one party to the other and Rate Y comprises the outstanding payment obligations of the other party to the first party.

"**Receiving FCM Clearing Member**" means an FCM Clearing Member receiving the transfer of part or all of the Contracts and ~~Account Assets of~~Posted Collateral attributable to a Client from a Carrying FCM Clearing Member that previously carried such account, pursuant to Regulation 108 and in accordance with the Procedures.

"**Recourse Certificate**" has the meaning assigned to it in Regulation 308.

"**Register of SwapClear Dealers**" means the Clearing House's register referred to as the "Register of SwapClear Dealers" which lists SwapClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as SwapClear Contracts by the Clearing House.

"**Registration Time**" has the meaning assigned to it in Regulation 401(e).

"**Regulations**" or "**LCH.Clearnet LLC Regulations**" means these Regulations entitled as such and in effect, relating to Contracts and the clearing of Contracts, as they may be amended from time to time by the Clearing House.

"**Regulatory Body**" means the CFTC or any department, agency, office, court or tribunal of a nation, state, province or any other body or authority which exercises a regulatory or supervisory function under the laws of the United States or under any foreign law.

"**Relevant Default**" has the meaning assigned to it in Regulation 303(a)(ii).

"**Relevant Original Contributions**" has the meaning assigned to it in Regulation 204(b)(v)(C).

"**Relevant Unfunded Contributions**" has the meaning assigned to it in Regulation 204(b)(v)(F).

"**Remaining Original Short Bidder**" has the meaning assigned to it in Regulation 204(b)(v)(C)(2).

"**Remaining Unfunded Short Bidder**" has the meaning assigned to it in Regulation 204(b)(v)(F)(2).

"**Required Margin**" means, with respect to a particular account or accounts of a Clearing Member with the Clearing House, the amount of Initial Margin required by the Clearing House ~~from a Clearing Member from time to time in respect of its Contracts, (~~in accordance with the Rulebook) to be held in such account or accounts from time to time.

"**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.

"**Risk Neutralization**" means the process of reducing the market risk associated with a Defaulting Clearing Member's obligations to the Clearing House under Contracts by hedging the exposure prior to the auction process as described in Regulation 204(b)(ii).

"**Rulebook**" or "**LCH.Clearnet LLC Rulebook**" means the Regulations, the Procedures and such other rules of the Clearing House, which are applicable to Clearing Services, as published and amended from time to time by the Clearing House.

"**Short Bidder**" has the meaning assigned to it in Regulation 204(b)(v)(C)(2).

"**Standard Terms**" means those parts of the Contract Terms designated as Standard Terms by the Clearing House from time to time.

"**SwapClear Clearing Services**" means the services provided by a Clearing Member in connection with SwapClear Contracts cleared on behalf of its Clients or its Affiliates, as the case may be.

"**SwapClear Contract**" means a contract that is registered for clearing and is entered into by the Clearing House with a Clearing Member on the SwapClear Contract Terms, and which is governed by these Regulations.

"**SwapClear Contract Terms**" means the terms applicable to each SwapClear Contract as set out from time to time in the Regulations.

"**SwapClear Dealer**" means a person admitted by the Clearing House to the Register of SwapClear Dealers and who has not been removed from such register, at the Clearing House's discretion and in accordance with the Rulebook and other policies and procedures of the Clearing House.

"**SwapClear Dealer Clearing Agreement**" means a written agreement, in the form and on the terms prescribed by the Clearing House, by and among a SwapClear Dealer, a Clearing Member approved to clear SwapClear Transactions and the Clearing House, which sets out the terms on which the Clearing Member agrees to clear SwapClear Transactions for the SwapClear Dealer.

"**SwapClear Product Eligibility Criteria**" means the product criteria set out in paragraphs 1.1(a), 1.1(b) or 1.1(c), and paragraph 2 of Part B of Schedule 4A to these Regulations

"**SwapClear Suspension Sub-Account**" has the meaning assigned to it in Regulation 401(m)(ii).

"**SwapClear Tolerance**" has the meaning assigned to it in Section 2A.3.3 of the Procedures.

"**SwapClear Transaction**" means any transaction the details of which are presented to the Clearing House for the purpose of having such transaction registered at the Clearing House as two SwapClear Contracts, regardless of whether (a) such transaction is an existing swap transaction, (b) it was entered into in anticipation of clearing or (c) it is contingent on clearing.

"**SwapClear US Service**" means the Clearing House's clearing service for clearing SwapClear Transactions and SwapClear Contracts.

"**Tax**" means any present or future tax, levy, impost, duty, charge, assessment, or fee of any nature (including interest, penalties, and additions thereto) that is imposed by any government or other taxing authority.

"**Tolerance Amount**" has the meaning assigned to it in Regulation 303(d).

"**Tolerance Contribution Amount**" has the meaning assigned to it in Regulation 303(f).

"**Tolerance Utilization**" means, in respect of each Clearing Member, the value of the SwapClear Tolerance utilized by that Clearing Member at any particular time, as determined by the Clearing House in its sole discretion.

"**Tolerance Weight**" has the meaning assigned to I in Regulation 303(e).

"**Termination Amount**" has the meaning assigned to it in Regulation 117(d)(iv).

"**Transaction**" means a SwapClear Transaction.

"**Unallocated Excess**" has the meaning assigned to it in Regulation 106(g)(v)(A).

"**Unallocated Excess Sub-Account**" has the meaning assigned to it in Regulation 106(g)(iii).

"**Unallocated SwapClear Contract**" has the meaning assigned to it in Regulation 401(m)(ii).

"**Unallocated SwapClear Transaction**" has the meaning assigned to it in Regulation 401(m)(i).

"**Unfunded Contribution**" has the meaning assigned to it in Regulation 315.

"**Unfunded Contribution Notice**" has the meaning assigned to it in Regulation 315.

"**Variation Margin**" means the amount ~~of Margin~~ payable by a Clearing Member to the Clearing House or by the Clearing House to a 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 a Contract and with reference to the change in the NPV of such Contract over a particular period of time.

"**Voluntary Payment**" has the meaning assigned to it in Regulation 319.

"**Voluntary Payment Notice**" has the meaning assigned to it in Regulation 319.

"**Withdrawal Date**" means the date upon which the Clearing House determines to withdraw the SwapClear US Service, in accordance with the Rulebook.

"**Worst Case Loss**" means, in respect of an Auction Portfolio or all of the Contracts of a Non-Defaulting Clearing Member denominated in a particular currency, the largest loss which could be incurred by the Clearing House in respect of the relevant group of Contracts, as determined by the Clearing House using the appropriate formula (which in the case of SwapClear Contracts is the SwapClear PAIRS margining algorithm) based on 1250 historical scenarios (5 years history) and a holding period of 5 days.

II. Interpretation:

In the Rulebook, except as the context may otherwise require:

(a) Any reference in the Rulebook 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.

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

(c) Reference to writing contained in the Rulebook shall include typing, printing, lithography, photography or any other mode of representing or reproducing words in a visible form.

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

(e) The words "include", "includes" or "including" are to be deemed followed by the words "without limitation".

(f) Any reference to time contained in the Rulebook shall, unless otherwise stated, be to New York City time. Times are shown using the twenty four hour clock.

(g) Any reference in the Rulebook to a person or a party (however described) shall include its legal successors or assigns.

(h) Headings are used herein for ease of reference only.

Regulation 101 Obligations of the Clearing House and Clearing Members Generally

(a) The obligations of the Clearing House to each Clearing Member in respect of a Contract shall be as a counterpart to a Contract registered in the name of a Clearing Member subject to and in accordance with the Rulebook. The Clearing House shall perform its obligations under the terms of a Contract as principal to such Clearing Member in accordance with and subject to the provisions of the Rulebook, including ~~without limitation~~ the restrictions on the Clearing House's obligations and liabilities contained in these Regulations. The Clearing House's obligations under the terms of a Contract shall be performed in the manner and form and by such day and time as may be prescribed in the Rulebook; provided, that where the Economic Terms of a Contract specify a time by which a party thereto shall perform its obligations, the Clearing House shall be deemed to have complied with such Economic Terms if it performs its obligations promptly after such time.

(b) Each Clearing ~~Members are~~Member is fully liable to the Clearing House for the performance of all obligations arising in connection with the Contracts registered to it, regardless of whether such Contracts are cleared by such Clearing ~~Members~~Member (i) as principal ~~for their own accounts~~with respect to Contracts in its Proprietary Account(s) (including in respect of Contracts cleared in connection with Transactions by SwapClear Dealers~~), as agent and/or guarantor for their respective Clients and Affiliates or~~ or Affiliates), (ii) as agent (as such term is used in, and as required by, CFTC Regulation 39.12(b)(6)) with respect to Contracts in its Omnibus Client Swaps Account with LCH, or (iii) in any other capacity. ~~Notwithstanding any provision of these Regulations to the contrary, with respect to Contracts involving Clients or Affiliates (other than Contracts for Affiliates acting in the capacity of a SwapClear Dealer), the applicable Clearing Member shall act solely as agent and/or guarantor of its Clients and Affiliates in connection with the clearing of Contracts but shall in every case remain fully liable for all obligations to the Clearing House arising in connection with all such Contracts as set forth above.~~

Regulation 102 Clearing Member Status and the Application of Clearing House Regulations

(a) Application to the Clearing House for Clearing Member status shall be made in accordance with the Procedures. A person's status as a Clearing Member and all Clearing Services are governed by the Rulebook and the terms of Clearing Membership Agreement entered into by such Clearing Member and the Clearing House. For the avoidance of doubt, Clearing Member status does not provide or entitle a Clearing Member to (i) any other status (as a type of clearing member or otherwise) with the Clearing House or any of its affiliates, or (ii) any shareholding or similar ownership or membership of the Clearing House or any of its affiliates.

(b) Qualification of Clearing Members. A person must obtain approval from the Clearing House in order to become a Clearing Member and provide Clearing Services. In order to obtain such approval, and in order to maintain such approval once such approval has been obtained, a Clearing Member must:

(i) maintain adjusted net capital (as defined in the Procedures) of at least $50,000,000 (fifty million United States dollars); provided, that (A) the Clearing House shall be permitted (in its sole and reasonable discretion), including as described in the Procedures, to scale a Clearing Member's required level of net capital in accordance with the level of risk introduced to the Clearing House by such Clearing Member and (B) the Clearing House shall be permitted (in its sole and reasonable discretion) to scale a Clearing Member's level of risk introduced to the Clearing House by such Clearing Member in accordance with its level of net capital (and regardless of whether such Clearing Member has adjusted net capital exceeding $50,000,000); provided, further, that each Clearing Member or Clearing Member applicant must maintain compliance with all regulatory financial requirements (whether relating to capital, equity, risk or otherwise) applicable to it, including ~~without limitation~~ the applicable requirements of CFTC Regulation 1.17 (in the case of FCM Clearing Members) and Part 23 of the CFTC Regulations;

(ii) have and maintain systems and personnel that are, in the judgment of the Clearing House, adequate to enable such Clearing Member or applicant to satisfy its operational responsibilities, in accordance with the Rulebook and, without limitation, have the connectivity and capability to process the applicable Transactions through an Approved Trade Source System;

(iii) be in compliance with all applicable provisions of the Rulebook and the Clearing Membership Agreement, including but not limited to the requirement to pay Contributions to the Clearing House in accordance with the Rulebook;

(iv) be able to successfully participate (and successfully participate) or demonstrate that it has: (A) an affiliated Clearing Member (or, alternatively, a non-Clearing Member Affiliate that clears through it) that can successfully participate; or (B) an LCH Approved Outsourcing Party that can successfully participate in a "fire drill" (as further described in the Procedures) run by the Clearing House from time to time;

(v) be able to participate (and successfully participate) or demonstrate that it has: (A) an affiliated Clearing Member (or, alternatively, a non-Clearing Member Affiliate that clears through it) that can successfully participate; or (B) an LCH Approved Outsourcing Party that can successfully participate in the Default Management Process operated by the Clearing House;

(vi) have, within its corporate group, at least one banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of the United States or a member state of the European Union, or the equivalent of a banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of a country outside the United States and the European Union and which is subject to prudential rules considered by the Clearing House to be at least as stringent as those applicable to banking institutions, credit institutions, securities firms, investment banking firms or similar entities, as applicable, within the United States or the European Union;

(vii) in the event of a default, be able to receive from the Clearing House and process Contracts (of the type(s) that it is approved to clear), and any associated hedge trades, in ~~FPML~~FpML (Financial products Markup Language); and

(viii) where a Clearing Member or applicant seeks the approval of the Clearing House to be an FCM Clearing Member and to clear Contracts on behalf of Clients, (A) be registered with the CFTC as an FCM and (B) be incorporated (or otherwise organized in the case of an entity other than a corporation) under the laws of a State within the United States.

(c) Each Clearing Member shall at all times continue to comply with and satisfy the qualifications and requirements set forth in Regulation 102(b) and shall promptly notify the Clearing House if it has breached or reasonably expects to breach any such qualifications or requirements.

(d) Notwithstanding anything else contained in this Regulation 102 or in the Procedures, an applicant to become a Clearing Member shall provide any additional documentation or information that is reasonably requested by the Clearing House in order to verify or substantiate the ability of such Clearing Member applicant to satisfy its obligations under the Rulebook or to satisfy its obligations as a Clearing Member.

Regulation 103 Client Business and Segregated Client Accounts

(a) Subject to the provisions of the Rulebook, Clearing Services may be provided by an FCM Clearing Member to its Clients on any terms and conditions mutually agreed to by the FCM Clearing Member and the Client; provided, however, that each FCM Clearing Member shall, before providing Clearing Services to any Client, ensure that it has entered into an agreement with that Client, or an Addendum to an existing Agreement with such Client, which, in either case, binds the Client to the applicable provisions of the Rulebook by direct reference to the Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the Clearing House and Clearing Members, or as may be prescribed by the Clearing House. Upon the registration of a Contract at the applicable Registration Time on behalf of a Client, both the FCM Clearing Member and the applicable Client shall be bound by the obligations under the Rulebook in respect of the relevant 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 Client, which such terms shall, without limitation, incorporate all applicable terms of the Rulebook and the applicable Contract Terms.

(b) FCM Swaps Client Segregated Depository Accounts.

(i) Each FCM Clearing Member shall establish and maintain ~~an~~one or more FCM Swaps Client Segregated Depository ~~Account~~Accounts on behalf of its Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of the CFTC Regulations, and as further set forth in the Rulebook. The FCM Swaps Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and the CFTC Regulations and the FCM Clearing Member may commingle assets of all of its Clients and other Cleared Swaps customers (provided that such assets are deposited or held in connection with Contracts or other Cleared Swaps) in such FCM Swaps Client Segregated Depository Account ~~in~~as a single omnibus account established and maintained in accordance with the CFTC Regulations. The FCM Swaps Client Segregated Depository Account maintained by each FCM Clearing Member shall be ~~designated~~treated as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for purposes of the CFTC Regulations.

(ii) Client Funds held in an FCM Swaps Client Segregated Depository Account that are deposited by a specific Client shall not be used to purchase, margin or settle any Contract, Cleared Swap or other trade or contract of, or to secure or extend the credit of, any person other than such Client.

(iii) ~~(ii)~~ Client Funds held in an FCM Swaps Client Segregated Depository Account shall not be used to carry trades or positions of the same Client other than in connection with (A) Contracts or ~~in connection with~~(B) other Cleared Swaps cleared through a Derivatives Clearing Organization other than the Clearing House.

(c) Omnibus Client Swaps Account with LCH.

(i) Each FCM Clearing Member shall establish and maintain an Omnibus Client Swaps Account with LCH on behalf of its Clients. Clearing Services may be provided by an FCM Clearing Member to its Clients, and Contracts may be entered into by an FCM Clearing Member with the Clearing House on behalf of its Clients only through an Omnibus Client Swaps Account with LCH. Each such Omnibus Client Swaps Account with LCH shall be treated as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for purposes of the CFTC Regulations.

(ii) Omnibus Client Swaps Accounts with LCH shall be ~~held~~maintained and administered in accordance with the CEA and all applicable CFTC Regulations (including but not limited to Part 1, Part 22 and Part 190 of the CFTC Regulations) and ~~including~~ as set forth in the Rulebook. ~~In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the value of all Account Assets received from each FCM Clearing Member on behalf of an identified Client as belonging to each such individual Client, and such amount shall be attributed to the Client Segregated Sub-Account of the relevant Client and shall not be used to margin, guarantee, or secure the Contracts or obligations of the applicable FCM Clearing Member, other Clients or any other person, except as permitted under the Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 22 of the CFTC Regulations.~~

(d) Clearing House Segregated Client Account; Client Sub-Accounts; Buffer Sub-Accounts.

(i) The Clearing House shall establish and maintain an LCH Swaps Client Segregated Depository Account on behalf of Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of the CFTC Regulations. The LCH Swaps Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and the CFTC Regulations and the Clearing House may physically commingle ~~assets of all of the Clients (provided that such assets are deposited or held in connection with Contracts) in such FCM~~all Posted Collateral furnished on behalf of Clients in the LCH Swaps Client Segregated Depository Account ~~in a single omnibus account established and maintained~~ in accordance with the CFTC Regulations. ~~All Margin deposited by FCM Clearing Members in connection with Contracts cleared on behalf of Clients shall be held in such LCH Swaps Client Segregated Depository Account. Each~~The LCH Swaps Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the Clearing Members and any other assets that the Clearing House is holding in respect of any persons other than Clients, and shall contain no assets other than the ~~Margin deposited~~Posted Collateral furnished by FCM Clearing Members in connection with the clearing of Contracts on behalf of their Clients. The LCH Swaps Client Segregated Depository Account maintained by the Clearing House shall be ~~designated~~treated as part of the Cleared Swaps Account

Class and shall be considered a Cleared Swaps Customer Account for purposes of the CFTC Regulations.

(ii) The Clearing House shall establish and maintain on its books and records a Client Segregated Sub-Account in the name and on behalf of each Client of an FCM Clearing Member, as a sub-account of the Omnibus Client Swaps Account with LCH maintained for such FCM Clearing Member. The Clearing House shall reflect on its books and records the Contracts and ~~associated~~Margin value ~~of Account Assets held on behalf of the relevant Client~~attributable to each Client Segregated Sub-Account, provided, that the books and records of the Clearing House in this regard shall be based solely on the information provided by the FCM Clearing Member, and the Clearing House shall have no obligation to verify any such information or to investigate independently ~~the Contracts and Account Assets held on behalf of the relevant Client~~any such information. Each Client Segregated Sub-Account shall be considered to be part of the Cleared Swaps Account Class solely for purposes of Part 190 of the CFTC Regulations.

(iii) The Clearing House shall, in accordance with the provisions of Regulation 106(g), establish and maintain on its books and records a Buffer ~~sub-account~~Sub-Account on behalf of each FCM Clearing Member and its Clients, as a sub-account of the Omnibus Client Swaps Account with LCH maintained for each such FCM Clearing Member.

(e) Notice of Deficiency in FCM ~~Clearing Member~~Swaps Client Segregated ~~Accounts~~Depository Account. Whenever an FCM Clearing Member knows or should know that the aggregate amount of funds on deposit in its FCM ~~Clearing Member~~Swaps Client Segregated ~~Accounts~~Depository Account is less than the total amount of such funds required by the CEA, the CFTC Regulations and the Rulebook to be on deposit, the FCM Clearing Member must report such deficiency immediately by telephone notice, confirmed immediately in writing by facsimile notice, to the Clearing House and the principal office of the CFTC in Washington, DC, to the attention of the Director and the Chief Accountant of the Division of Clearing and Intermediary Oversight, and, if the FCM Clearing Member is a securities broker or dealer, to the Securities and Exchange Commission, in accordance with 17 C.F.R. § 240.17a-11.

(f) Segregation of Funds.

(i) All Client Funds (deposited in connection with Contracts or other Cleared Swaps) shall be separately accounted for and segregated by the relevant FCM Clearing Member as belonging to Clients and shall be ~~part of a separate account class, treated as a Cleared Swaps Account Class~~held in its FCM Swaps Client Segregated Depository Account in accordance with Section 4d(f) of the CEA and the CFTC Regulations. All such ~~funds~~Client Funds must be held by the applicable FCM Clearing Member or deposited with ~~the Clearing House, any bank or trust company or another FCM Clearing Member~~a Permitted Depository, and such funds shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that they are segregated as required by the Rulebook and Part 22 of the CFTC Regulations. Each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment, in accordance with CFTC Regulations 22.5, 1.20 and/or 1.26 (as applicable) from

such Permitted Depository that it was informed that the funds deposited in the FCM Clearing Member Segregated Depository Accounts maintained by such Permitted Depository for the FCM Clearing Member are those of Clients and are being held in accordance with the provisions of the CEA, the CFTC Regulations and the Rulebook. ~~For the avoidance of doubt, all FCM Clearing Member Segregated Accounts maintained by an FCM Clearing Member shall be treated as segregated accounts and shall be subject to the requirements of the CEA and CFTC Regulations applicable to segregated accounts and to the applicable provisions of the Rulebook, regardless of the location of any such account. Without limitation of the foregoing, under no circumstances shall any portion of Client Funds held in FCM Clearing Member Segregated Accounts be obligated to the Clearing House, a Clearing Member, any depository, or any other person except to purchase, margin, guarantee, secure, transfer, adjust or settle trades, contracts or transactions of Clients. No person, including the Clearing House or any depository, that has received Client Funds for deposit in an FCM Clearing Member Segregated Account, as provided in this rule, may hold, dispose of, or use any such funds as belonging to any person other than the Clients of the FCM Clearing Member which deposited such funds.~~

(ii) All ~~Client Funds received~~Posted Collateral held or maintained by the Clearing House ~~from an FCM Clearing Member~~ to purchase, margin, guarantee, secure or settle Contracts of the Clients of FCM Clearing ~~Member's Clients~~Members and all money accruing to such Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such Clients, ~~treated as a Cleared~~and held in the LCH Swaps Client Segregated Depository Account ~~Class~~, in accordance with Section 4d(f) of the CEA and the CFTC Regulations, and the Clearing House shall not hold, use or dispose of such ~~Client Funds~~Posted Collateral except as belonging to such Clients. Without limitation, the applicable portion of the value of all such ~~funds~~Posted Collateral shall be reflected in the appropriate Client Segregated Sub-Account established for the appropriate Client. ~~Such Client Funds, when~~All Posted Collateral deposited by the Clearing House with a Permitted Depository~~,~~ shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that they are segregated as required by the Rulebook, the CEA and the CFTC Regulations. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, a written acknowledgment, in accordance with CFTC Regulation 22.5, 1.20 and/or ~~1/26~~1.26 (as applicable) from such Permitted Depository that it was informed that the funds deposited in any LCH Swaps Client Segregated Depository ~~Accounts and any PPS~~ Account~~(s)~~ maintained by the Clearing House are those of Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA, the CFTC Regulations and the Rulebook.

(iii) Each FCM Clearing Member shall treat and deal with Client Funds as belonging to the Client ~~depositing~~on whose behalf such Client Funds are deposited. All Client Funds shall be separately accounted for, and shall not be commingled with the money, securities or property of a Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one

for whom such Client Funds are held; provided, that all Client Funds ~~in respect of Contracts~~ may be physically commingled in the same ~~LCH~~FCM Swaps Client Segregated Depository Account subject to and in accordance with the CEA and the CFTC Regulations; provided, further, that Client Funds may be invested in accordance with Regulation 103(k) and CFTC Regulation 1.25.

(iv) In no event may Client Funds (deposited or held in connection with Contracts) be held or commingled and deposited with (A) Client Funds in the same account or accounts required to be separately accounted for and segregated pursuant to the provisions of Section 4d(a) of the CEA and the regulations thereunder, or (B) money, securities or property representing the foreign futures or foreign options secured amount held in accordance with CFTC Regulation 30.7.

(v) In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the ~~value of all collateral received on behalf of~~Margin value attributable to each Client as belonging to each such individual Client, and such amount shall be credited to such Client's applicable Client Segregated Sub-Account as provided in the Rulebook, and such amount shall not be used to margin, guarantee, or secure the Contracts or other obligations of the applicable FCM Clearing Member, other Clients or any other person. For the avoidance of doubt and notwithstanding the foregoing, the Clearing House is under no obligation to deal directly with the Client (under the terms of the Rulebook or otherwise) and the Clearing House may deal exclusively with the Clearing Members, and the Clearing House shall have no obligations to any Client under the Rulebook.

(g) Care of Money and Securities Accruing to Clients. All money received directly or indirectly by, and all money and securities accruing to, an FCM Clearing Member from the Clearing House or from any Clearing Member or from any other person incident to or resulting from any Contracts made by or through such FCM Clearing Member on behalf of any Client shall be considered as accruing to such Client within the meaning of the Rulebook. Such money and securities shall be treated and dealt with as belonging to such Client in accordance with the provisions of the CEA, the CFTC Regulations and the Rulebook. The value of money and securities accruing in connection with Clients' Contracts in an Omnibus Client Swaps Account with LCH shall be separately credited to such Client's Client Segregated Sub-Account.

(h) Use of Client Funds Restricted. No FCM Clearing Member shall use, or permit the use of, Client Funds to purchase, margin, or settle the trades, contracts or transactions of, or to secure or extend the credit of, any person other than its Clients. Client Funds held in an FCM Swaps Client Segregated Depository Account shall not be used to carry trades or positions of the same Client other than in connection with Contracts or other Cleared Swaps~~. In addition, Account Assets held in a Client Segregated Sub-Account shall not be used to margin or carry trades or positions of any Client other than the Client for which such Client Segregated Sub-Account is held~~.

(i) Interest of Clearing Members in Client Funds; Additions and Withdrawals. Regulation 103(f), which prohibits the commingling of Client Funds with the funds of a Clearing Member, shall not be construed to prevent an FCM Clearing Member from having a residual financial interest in Client Funds, segregated as required by the CEA, the CFTC Regulations and the Rulebook and set apart for the benefit of Clients; nor shall

such provisions be construed to prevent an FCM Clearing Member from adding to the segregated Client Funds such amount or amounts of money from its own funds or unencumbered securities from its own inventory, including Buffer, of the type permitted under Regulation 103(k), as it may deem necessary to ensure that its FCM Clearing Member Segregated Depository Accounts hold at all times, at a minimum, an amount equal to the amount required by the CEA, the CFTC Regulations and the Rulebook. The books and records of an FCM Clearing Member shall at all times accurately reflect its interest in the segregated Client Funds. An FCM Clearing Member may draw upon such Client Funds to its own order, to the extent of its actual interest therein, including the withdrawal of securities held in FCM Clearing Member Segregated Depository Accounts held by a Permitted Depository; provided, that any such withdrawals do not result in any such account holding less in segregated Client assets than such account is required to contain at such time. Such withdrawal shall not result in Client Funds being used to purchase, margin or carry the trades, contracts or transactions, or extend the credit of any other Client or other person.

(j) Funds Held in FCM Clearing Member Segregated Depository Accounts; Exclusions Therefrom. Money held in FCM Clearing Member Segregated Depository Accounts by an FCM Clearing Member shall not include (i) money invested in obligations or stocks of any clearing organization or in memberships in or obligations of any contract market or (ii) money held by any clearing organization which it may use for any purpose other than to purchase, margin, guarantee, secure, transfer, adjust, or settle the Contracts of the Clients of such FCM Clearing Member.

(k) Investments of Client Funds. An FCM Clearing Member ~~or~~may invest Client Funds, and the Clearing House may invest ~~Client Funds subject to~~Posted Collateral held on behalf of Client, as permitted by and in accordance with the terms and conditions set forth in CFTC Regulation 1.25, which regulation shall apply to such funds in accordance with the provisions of the CEA and the CFTC Regulations thereunder related to transactions in ~~the~~a Cleared Swaps Customer Account ~~Class~~. The investment of Client Funds in instruments permitted under this paragraph shall not prevent the Clearing Member or the Clearing House so investing such funds from receiving and retaining as its own any increment or interest resulting therefrom.

(l) Deposit of Instruments Purchased with Client Funds.

(i) Each FCM Clearing Member that invests Client Funds in instruments permitted under Regulation 103(k) shall separately account for such instruments and segregate such instruments as belonging to such Clients. Such instruments, when deposited with a Permitted Depository, shall be deposited under an account name which clearly shows that they belong to Clients and are segregated as required by the CEA, the CFTC Regulations and the Rulebook. Each FCM Clearing Member, upon opening an FCM Clearing Member Segregated Depository Account, shall obtain and retain in its files ~~an~~a written acknowledgment from such Permitted Depository that it was informed that the instruments belong to Clients and are being held in accordance with the CEA and the CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such Permitted Depository shall allow inspection of the records of such assets at any reasonable time by representatives of the Clearing House.

(ii) When it invests money belonging or accruing to Clients of its Clearing Members in instruments permitted under Regulation 103(k), the Clearing House shall separately account for such instruments and segregate such instruments as belonging to such Clients (provided that any such instruments may be held in commingled accounts, on behalf of all Clients of all FCM Clearing Members, at one or more Permitted Depositories). Such instruments, when deposited with a Permitted Depository, shall be deposited under an account name which will clearly show that they belong to Clients and are segregated as required by the CEA, the CFTC Regulations and the Rulebook. Upon opening any such account, the Clearing House shall obtain and retain in its files a written acknowledgment from such Permitted Depository that it was informed that the instruments belong to Clients of Clearing Members and are being held in accordance with the provisions of the CEA and the CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such Permitted Depository shall allow inspection of such instruments at any reasonable time by representatives of the Clearing House.

(m) The CFTC Regulations and Segregation of Client Funds. Without limitation of any other provisions of the Rulebook, FCM Clearing Members shall at all times comply in all respects with the applicable provisions of Part 22 and Part 190 of the CFTC Regulations, as well as any other applicable the CFTC Regulations.

Regulation 104 Proprietary Account Clearing

(a) If and to the extent permitted in the Procedures, ~~(i)~~ Clearing Members shall be permitted to enter into and clear Contracts for their own account and ~~(ii) FCM Clearing Members (but not other Clearing Members)~~ shall be permitted to enter into and clear Contracts for the accounts of their Affiliates, in each case through their Proprietary Accounts. The Clearing House may require that Clearing Members that are not FCM Clearing Member and that wish to clear Contracts on behalf of their Affiliates, do so only through SwapClear Dealer arrangements. An FCM Clearing Member wishing to provide Clearing Services to Affiliates shall enter into an agreement with each such Affiliate, or an Addendum to an existing agreement which, in either case, binds the Affiliate to the applicable provisions of the Rulebook by direct reference to the Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the FCM Clearing Member and the Affiliate, or as may be prescribed by the Clearing House. An FCM Clearing Member providing Clearing Services to its Affiliates shall notify the Clearing House of any Affiliates for which it provides Clearing Services.

(b) All Contracts cleared by Clearing Members in respect of Transactions executed by their affiliated SwapClear Dealers shall be cleared through such Clearing Members' Proprietary Accounts.

(c) In the event that more than one Proprietary Account is opened in respect of a Clearing Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the Clearing Member's Proprietary Accounts, treat all such accounts as a single account and set off any amount or amounts standing from time to time to the credit of any one or more of such accounts in or towards payment or satisfaction of all or any of the Clearing Member's liabilities to the Clearing House on any one or more of such accounts, or in or towards payment or satisfaction of any other obligations of the Clearing Member to the Clearing House, including but not limited to, obligations arising in connection with Client Business.

Regulation 105 General Provisions Regarding Clearing Member Accounts at the Clearing House

(a) Accounts shall be opened between each Clearing Member and the Clearing House in accordance with the Procedures. A Clearing Member shall be responsible to the Clearing House for all obligations owed to the Clearing House in respect of every account opened in respect of such Clearing Member.

(b) A Clearing Member shall designate the account of the Clearing Member in which a prospective Contract shall be registered in the manner and form and by the time prescribed by the Procedures. If the Clearing Member fails to so designate an account, the Clearing House may, at its discretion and in accordance with the Procedures, determine in which account of the Clearing Member the Contract shall be entered.

(c) Any rights of set-off, combination of accounts or appropriation which the Clearing House may have under these Regulations or otherwise shall apply whether or not accounts are denominated in the same currency.

(d) Interest calculated on a basis determined from time to time by the Clearing House in accordance with the Procedures may at the Clearing House's discretion (but subject to the provisions of the Default Fund Regulations) be paid on amounts standing to the credit of any of the Clearing Member's accounts. Subject to the provisions of the Default Fund Regulations, the Clearing House may at its absolute discretion alter the basis of calculating interest rates and such alteration shall be effective in respect of all current and future business on the date notified to Clearing Members in accordance with the Procedures.

(e) Debit balances due to the Clearing House on any account opened in respect of a Clearing Member are payable by such Clearing Member on demand and interest may at the Clearing House's discretion be charged on debit balances remaining unpaid (whether or not demand for payment is made) on a basis and at a rate determined from time to time by the Clearing House in accordance with the Procedures.

(f) Where a payment has been made to the Clearing House by a Clearing Member through ~~PPS Account~~the relevant account(s), that payment will only be credited to the account of the applicable Clearing Member with the Clearing House if it (i) is paid into an account of the Clearing House with an institution which is solvent, (ii) that institution has performed its concentration function (being the transfer of net funds from the institution to a central account in the name of the Clearing House) and (iii) that institution has made any relevant payments to other Clearing Members on the date when the payment was due to be received by the Clearing House.

Regulation 106 Margin; Other Obligations

(a) The Clearing House may in accordance with the Procedures require a Clearing Member to furnish it with Margin (by the deposit of Posted Collateral), and to keep the Clearing House furnished with Margin in an amount no less than the Required Margin at all times, ~~in an~~such amount determined by the Clearing House in accordance with the Rulebook, as security for the performance by such Clearing Member of its obligations to the Clearing House in respect of all Contracts from time to time registered, or to be registered, in its name. The obligation upon a Clearing Member to furnish Margin to the Clearing House pursuant to this paragraph shall be in addition to any other obligation of the Clearing Member to furnish Margin to the Clearing House pursuant to these Regulations.

(b) The Clearing House shall establish and modify margin requirements in respect of Contracts from time to time in its sole discretion and as set out in the Procedures. Margin shall be furnished by the Clearing Member in such form and manner and by such time or times as may be prescribed by the Procedures or otherwise communicated to a Clearing Member by the Clearing House.

(c) Beneficial Ownership of ~~Securities and Assets~~Posted Collateral Furnished.

(i) The Clearing House shall be entitled to assume that all ~~securities and other assets~~Posted Collateral furnished ~~or deposited~~ by a Clearing Member to ~~or with~~ the Clearing House ~~as~~for Margin pursuant to these Regulations or under the terms of any agreement made with the Clearing Member are the sole legal and beneficial property of the Clearing Member or are furnished ~~or deposited~~ for the purposes of these Regulations with the legal and beneficial owner's unconditional consent and with the authority granted to the Clearing Member to repledge such property to the Clearing House. A Clearing Member may not furnish ~~or deposit securities or other assets to or with~~Posted Collateral to the Clearing House ~~as Margin~~ otherwise than in ~~conformity to~~conformance with this paragraph. It shall be accepted by every person (including Clients and SwapClear Dealers) subject to or dealing on the terms of these Regulations that a Clearing Member has such person's unconditional consent to furnish ~~or deposit~~ to ~~or with~~ the Clearing House ~~as Margin for the purposes of these Regulations~~ any securities or other assets of such person in the Clearing Member's possession as Posted Collateral for Margin for the purposes of these Regulations.

(ii) Each Clearing Member represents and warrants to the Clearing House as at each date on which such Clearing Member furnishes ~~or deposits securities or other assets to or with~~Posted Collateral to the Clearing House ~~as~~for Margin pursuant to these Regulations (A) that such Clearing Member is the sole legal and beneficial owner of ~~those securities or other assets~~such Posted Collateral or, as the case may be, ~~those securities or other assets are~~such Posted Collateral is so furnished or deposited with the legal and beneficial owner's unconditional consent and with the authority granted to the Clearing Member to repledge such property to the Clearing House, and (B) that the provision to the Clearing House of such ~~securities or other assets~~Posted Collateral pursuant to these Regulations will not constitute or result in a breach of any trust, agreement or undertaking whatsoever.

(iii) The Clearing House may, in its absolute discretion and at any time, require a Clearing Member to furnish ~~or deposit~~ other securities or assets to ~~or with~~ the Clearing House in substitution of any ~~securities or assets deposited with~~Posted Collateral furnished to the Clearing House pursuant to this Regulation 106.

(d) The Clearing House shall be entitled to, in its absolute discretion in accordance with the Procedures and without assigning any reason and without prior notice to a Clearing Member, modify its margin requirements applicable to a Contract or to call for larger or additional amounts of Initial Margin to be furnished to it by a Clearing Member, either before registration of a Contract or at any time after registration. Without limitation of the foregoing, the Clearing House shall attempt to provide advance notice of the modified margin requirements to the applicable Clearing Member where reasonably practicable. Any Margin called by the Clearing House pursuant to this paragraph shall be furnished by the Clearing Member on demand and in such form as the Clearing House may require.

(e) The Clearing House shall be entitled at any time to demand immediate provision of Margin from a Clearing Member in an amount deemed necessary by the Clearing House without reference to an NPV in respect of any Contract in the Clearing Member's name, if, in the opinion of the Clearing House, the furnishing of such Margin by the Clearing Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the Clearing Member's performance of its obligations under the terms of such contracts or under the terms of any original or confirmed contract to which the member is party. In this paragraph, "immediate provision" means payment to the Clearing House within one hour of demand.

(f) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the Rulebook, the Clearing House may at its absolute discretion accept Posted Collateral for Margin in an agreed amount and in a form other than those specified in the Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of ~~Margin~~Posted Collateral in accordance with its standard risk management procedures and with any special arrangements which the Clearing House may prescribe in each case (including as to valuation and haircut). The Clearing House may at its discretion make an accommodation charge at a special rate.

(g) Excess Margin; Buffer; Unallocated Excess.

(i) ~~Excess Margin. If the NPV in respect of open Contracts indicate, or the Clearing House otherwise determines, that Excess Margin is maintained with the Clearing House by an FCM Clearing Member in respect of its Proprietary Account or a Client Segregated Sub-Account, then any such Excess Margin shall be subject to the provisions of this FCM Regulation 106(g) and the other provisions of the Rulebook.~~This Regulation 106(g) describes certain treatment of Excess Margin, Buffer and Unallocated Excess.

(ii) Excess Margin in Proprietary Accounts. A Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its Proprietary Account. A Clearing Member that is not a Defaulter may request the return of any such Excess Margin at any time, and upon such request the Clearing House

shall return such Excess Margin, except, in the case of a Clearing Member which is an FCM Clearing Member, where any Client Segregated Sub-Account of such FCM Clearing Member has insufficient Margin to satisfy the Required Margin applicable to it and such Clearing Member does not have sufficient Buffer posted with the Clearing House to satisfy any such deficit. Even where a Clearing Member has not requested the return of its Excess Margin held in a Proprietary Account, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable Clearing Member.

(iii) Restriction on Excess Margin in Client Segregated Sub-Accounts on a Day-to-Day Basis. Excess Margin is not permitted to be maintained in any Client Segregated Sub-Account on a day-to-day basis. However, a Client's Client Segregated Sub-Account is permitted to ~~hold~~maintain Excess Margin on an intraday basis. Any Excess Margin attributable to a Client's Client Segregated Sub-Account that exists in such sub-account following a daily close of the SwapClear US Service shall be transferred by the Clearing House into an Unallocated Excess sub-account of the applicable Omnibus Client Swaps Account with LCH (such sub-account, with respect to each FCM Clearing Member, the "**Unallocated Excess Sub-Account**") on the morning of the following Business Day (and as such, such Excess Margin shall become Unallocated Excess); provided, that all sums due from the relevant FCM Clearing Member at such time in respect of the Omnibus Client Swaps Account with LCH have been paid to the Clearing House. If at any time an FCM Clearing Member ~~posts~~furnishes Margin ~~with~~to the Clearing House on behalf of a Client in an amount which would cause such Client's Client Segregated Sub-Account to contain Excess Margin, the Clearing House shall be permitted to reject the deposit of any such Excess Margin or to immediately transfer any such Excess Margin back to the FCM Clearing Member.

(iv) FCM Buffer.

(A) An FCM Clearing Member is permitted to ~~deposit collateral~~furnish Posted Collateral that is the property of such FCM Clearing Member (and not any of its Clients) to the Clearing House to be applied to its Omnibus Client Swaps Account with LCH as excess cover for the benefit of all of its Clients (~~such collateral~~the value of such Posted Collateral at any given time, "**Buffer**"), and such Buffer shall be recorded by the Clearing House as attributable to such FCM Clearing Member (for the benefit of its Clients) in a sub-account of its Omnibus Client Swaps Account with LCH designated as ~~an~~a Buffer sub-account (such sub-account, with respect to each FCM Clearing Member, the "**Buffer Sub-Account**"). The Clearing House shall be permitted to apply any portion of an FCM Clearing Member's Buffer (any portion of Buffer when applied, "~~**Applied**~~**Encumbered Buffer**") to any Client Segregated Sub-Account of such FCM Clearing Member which is in or would become in default.

(B) At ~~any~~no time~~,~~ shall the Clearing House ~~shall never~~ apply Buffer in an amount that, in respect of a Client, would cause the sum of the Client's Client ~~Segregated~~ Sub-Account ~~balance~~Balance and the

~~Applied~~Encumbered Buffer applicable to such Client's Client Segregated Sub-Account at such time (if any) to exceed the amount of Required Margin applicable to it. In the event that any such excess exists (*e.g.*, due to a decrease in Required Margin, the ~~posting~~crediting of additional ~~Account Assets attributable~~Margin to such Client, or other reasons) with respect to a Client Segregated Sub-Account, the Clearing House shall reduce the amount of ~~Applied~~Encumbered Buffer applicable to such Client in an amount sufficient to remove any such excess, and any such reduced portion of ~~Applied~~Encumbered Buffer shall again ~~become~~constitute only Buffer ~~(and shall no longer be considered Applied~~and not Encumbered Buffer~~)~~.

(C) Any ~~Applied~~Encumbered Buffer that is applied to a Client Segregated Sub-Account on a Business Day and remains applied to such sub-account at the opening of the SwapClear US Service on the following Business Day (as necessary to satisfy the applicable Required Margin) shall, at such time, be deemed to become part of the ~~Account Assets deposited in~~Margin attributable to such Client's Client Segregated Sub-Account and thereafter shall no longer constitute ~~Applied~~Encumbered Buffer or Buffer.

(D) An FCM Clearing Member that is not a Defaulter may request the return of any of its Buffer that is not ~~Applied~~Encumbered Buffer at any time, and upon such request the Clearing House shall return such Buffer.

(E) In the event that an FCM Clearing Member ~~deposits with or transfers collateral~~furnishes Posted Collateral to be applied to its Omnibus Client Swaps Account with LCH but does not notify the Clearing House as to whether such ~~collateral should be considered Unallocated Excess or Buffer (and has not notified the Clearing House that the collateral is~~Posted Collateral should be attributable to one or more individual Clients~~)~~, should constitute Buffer, or should constitute Unallocated Excess, then the Clearing House shall treat such ~~collateral~~Posted Collateral as Buffer and credit it to the FCM Clearing Member's Buffer ~~sub-account~~Sub-Account.

(v) Unallocated Excess.

(A) The Clearing House shall ~~hold any funds deposited in~~maintain any Posted Collateral value attributable to an Unallocated Excess Sub-Account (the value of such ~~funds~~Posted Collateral, the "**Unallocated Excess**") for the benefit of the Clients of the applicable FCM Clearing Member as a class (the identities and amounts of which shall be recorded by such FCM Clearing Member and not the Clearing House in accordance with this Regulation 106 and other applicable provisions of the Rulebook), segregated in accordance with the CEA and the CFTC Regulations, including Part 22 of the CFTC Regulations. The Clearing House shall treat and record the Unallocated Excess in respect of an FCM Clearing Member on an unallocated basis, and the Clearing House shall not attribute any portions of such Unallocated Excess to the individual Clients of such FCM Clearing Member

(although the Unallocated Excess shall be held for the benefit of the applicable Clients as a class (in accordance with Part 22 of the CFTC Regulations), the records of which are kept by the applicable FCM Clearing Member).

(B) Each FCM Clearing Member that maintains Unallocated Excess in its Unallocated Excess Sub-Account on behalf of its Clients shall ensure that its books and records accurately reflect at all times the Client or Clients to which such Unallocated Excess is attributable and the amount attributable to each such Client.

(C) An FCM Clearing Member is permitted to ~~deposit additional collateral (i.e. collateral that does not already constitute Account Assets) belonging to~~furnish Posted Collateral on behalf of its Clients to be applied directly ~~into~~to its Unallocated Excess Sub-Account, upon its instruction and with the prior written approval of the Clearing House in accordance with the Procedures, and the value of any such ~~collateral so deposited~~Posted Collateral so furnished shall become Unallocated Excess.

(D) ~~The~~Subject to paragraph (F) below, the Clearing House shall not be permitted to, and shall not, at any time (x) apply any Unallocated Excess as Buffer or to the FCM Clearing Member's Proprietary Account, or (y) except in accordance with an instruction by the applicable FCM Clearing Member, apply it to a Client Segregated Sub-Account.

(E) Upon the request of an FCM Clearing Member, in accordance with the Procedures, the Clearing House will return Unallocated Excess to such FCM Clearing Member. The FCM Clearing Member shall be deemed to represent to the Clearing House, upon making any such request, that any such request complies with the CFTC Regulations and that the returned Unallocated Excess will remain segregated as required under the CFTC Regulations and the Rulebook.

(F) Upon the Default of an FCM Clearing Member, any Unallocated Excess in such FCM Clearing Member's Unallocated Excess Sub-Account shall be held by the Clearing House for the benefit of the applicable Clients in accordance with Part 190 of the CFTC Regulations and applicable law, and the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the FCM Clearing Member to the Clearing House (on behalf of its Clients or otherwise) except to the extent required by applicable law or directed by the applicable bankruptcy trustee or Regulatory Body in accordance with applicable law, or to the extent permitted by applicable law and by the applicable bankruptcy trustee or Regulatory Body.

(h) If, in the sole discretion of the Clearing House, any ~~security~~Posted Collateral which has been furnished to it by a Clearing Member ~~as~~for Margin pursuant to these Regulations is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further provision of Posted Collateral for Margin from such Clearing Member. Such ~~Margin~~Posted Collateral shall be furnished

by such Clearing Member on demand in a form prescribed by the Procedures; provided, that at any time the Clearing House shall be entitled to require the Clearing Member to furnish it with ~~Margin~~Posted Collateral in a specified form and to demand that the Clearing Member replace the whole or part of any ~~security~~Posted Collateral furnished by a Clearing Member pursuant to these Regulations ~~by Margin~~with collateral in the form of cash.

(i) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the Rulebook, and subject to paragraph (g) above and the settlement of any other obligations of a Clearing Member to the Clearing House, upon the close-out or termination of a Contract in accordance with the Rulebook, the Clearing House shall return all (or the applicable portion of) Initial Margin attributable to such Contract to the respective Clearing Member~~; provided, that no portion of such Initial Margin is required as Margin or otherwise required by the Rulebook for any other positions established by the Clearing Member with respect to its Proprietary Account (with respect to Initial Margin to be released in connection with positions for the Proprietary Account) or an applicable Client Segregated Sub-Account (with respect to Initial Margin to be released in connection with positions for such Client Segregated Sub-Account)~~ to the extent such Initial Margin has become Excess Margin following the close-out or termination of the relevant Contract; provided, that such Clearing Member is not a Defaulter.

(j) If the Clearing House takes any step ~~or steps~~ under the Default Regulations in relation to a Clearing Member, any sum (including ~~without limitation~~ the price due to be paid by the Clearing House in respect of the delivery of any property or currency by or on behalf of the Clearing Member) standing to the credit of any of the Clearing Member's accounts shall be treated as Margin; provided, that under no circumstances will any ~~assets~~Margin maintained in an Omnibus Client Swaps Accounts with LCH (in the case of an FCM Clearing Member) be applied to ~~the satisfaction of~~satisfy proprietary obligations of the FCM Clearing Member or any other obligations not related to such FCM Clearing Member's Client Business.

(k) Each Clearing Member shall be entitled to the return of any amounts due to it (after all obligations of such Clearing Member to the Clearing House have been satisfied) pursuant to the Rulebook.

(l) Unless the Clearing House otherwise agrees in writing, ~~Margin~~Posted Collateral provided to the Clearing House ~~by way~~in the form of cash shall not be capable of assignment by any person. Any purported assignment by a Clearing Member (whether by way of security or otherwise) of ~~cash Margin provided to the Clearing House~~Posted Collateral in the form of cash shall be void. A Clearing Member shall not otherwise encumber (or seek to encumber) any ~~cash Margin provided to the Clearing House~~Posted Collateral in the form of cash.

(m) Creation of Security Interest. Each Clearing Member hereby grants the Clearing House a first priority security interest in and a first priority and unencumbered first lien upon any and all Posted Collateral, Margin, cash, securities, receivables, rights and intangibles and any other collateral or assets deposited with or transferred to the Clearing House, or otherwise held by the Clearing House (including without limitation all property deposited in or attributable to a Proprietary Account ~~or in~~, an Omnibus Client Swaps Account with LCH, the LCH Swaps Client Segregated Depository

Account, or any amounts owing to a Clearing Member in a Proprietary Account), including all substitutions for and proceeds of, any such property, in connection with any Contracts cleared for such Clearing Member, its Affiliates or its Clients, as security for unconditional payment and satisfaction of the obligations and liabilities of the Clearing Member to the Clearing House. The Clearing Member agrees to take any and all actions, including but not limited to the execution of any and all documents, requested by the Clearing House in order to perfect, maintain or enforce the security interest granted to the Clearing House hereunder. The Clearing House may exercise any and all rights available to it with respect to the security interest granted hereunder, in accordance with the Rulebook and applicable laws. Notwithstanding the foregoing, in no event shall the Clearing House's security interest in the property attributable to a Clearing Member's Omnibus Client Swaps Accounts with LCH be exercised to satisfy any obligations or liabilities of: (i) such Clearing Member other than in connection with obligations or liabilities relating to such Clearing Member's Omnibus Client Swaps Accounts with LCH; or (ii) a Client with a Client Segregated Sub-Account by application of ~~Account Assets held in~~Posted Collateral attributable to the Client Segregated Sub-Account of another Client.

(n) Each FCM Clearing Member shall ensure that where a Transaction results in the registration of a Contract on behalf of a Client that is of a "non-hedging nature" (as such term is used in Part 39 of the CFTC Regulations), it shall collect and/or remain furnished with additional ~~Margin~~Client Funds from the relevant Client in respect of such non-hedging Contract in an amount which shall be no less than the minimum percentage as required by the Clearing House and as notified to the relevant FCM Clearing Member from time to time, as further specified in the Procedures.

(o) Where the amount of Required Margin applicable to the Contracts of a Clients is increased by the Clearing House, the obligation of the applicable FCM Clearing Member to ~~provide~~furnish additional Margin to the Clearing House to satisfy such increased Required Margin shall be discharged by:

(i) if and to the extent that there is Excess Margin available that is attributable to such Client's Client Segregated Sub-Account, deduction by the Clearing House of amounts from such Excess Margin;

(ii) if the applicable of clause (i) above is insufficient, by the application of any available Buffer of the applicable FCM Clearing Member (in accordance with the Procedures and Regulation 106(g)(iv)) and/or by delivery by the applicable FCM Clearing Member to the Clearing House of additional Margin on behalf of such Client; and

(iii) if the obligation of the FCM Clearing Member to satisfy the Required Margin has not been fully discharged pursuant to clauses (i) and (ii) above, by other means (if any) available to the Clearing House in accordance with the Rulebook.

(p) Where the amount of Required Margin applicable to the Contracts of a Clearing Member's Proprietary Account is increased by the Clearing House, the obligation of the applicable Clearing Member to provide additional Margin to the Clearing House to satisfy such increased Required Margin shall be discharged by:

(x) if and to the extent that there is Excess Margin available in the Clearing Member's Proprietary Account, deduction by the Clearing House of amounts from such Excess Margin;

(y) delivery by the Clearing Member to the Clearing House of additional Margin; and

(z) in the obligation of the Clearing Member to satisfy the Required Margin has not been fully discharged pursuant to clauses (x) and (y) above, by other means (if any) available to the Clearing House in accordance with the Rulebook.

(q) Clients and Contract positions established for Clients shall be subject to gross margin requirements on all such positions, and each Clearing Member shall require its Clients to satisfy such gross margin requirements. Contract positions established in a Clearing Member's Proprietary Account on its own behalf and for its Affiliates shall be subject to net margin requirements, such that a Clearing Member shall be required to deposit a net margin amount with the Clearing House in connection with all of the Contract positions of itself and its Affiliates. A Clearing Member may impose margin requirements on its Affiliates for which it provides Clearing Services on a net basis, netting the positions and related margin requirements with respect to a single Affiliate or across multiple Affiliates, or a Clearing Member may impose such margin requirements on a gross basis.

(r) ~~(p)~~ A Clearing Member shall provide the Clearing House with all information required under the Procedures regarding its Contracts ~~and~~, Client Funds and Posted Collateral, and shall instruct the Clearing House as to the Contracts and ~~Account Assets~~Posted Collateral to be reflected in ~~each corresponding~~the applicable Client Segregated Sub-Account. In addition, a Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the Clients or Affiliates of the Clearing Member, or the clearing of Contracts by such Clearing Member on behalf of its Clients, its Affiliates, or on its own behalf.

(s) ~~(q)~~ No Clearing Member may withdraw any amount from its Omnibus Client Swaps Account with LCH or its Proprietary Account if such withdrawal would cause the account's Margin balance to be less than the Required Margin then attributable to such Omnibus Client Swaps Account with LCH or Proprietary Account, as applicable, as determined by the Clearing House in accordance with the provisions of the Rulebook; provided, further, that the Clearing House may prohibit an FCM Clearing Member from withdrawing any amount from its Proprietary Account if the ~~account balance~~Client Sub-Account Balance in any of its Client Segregated Sub-Accounts would be less than the Required Margin then attributable to any such Client Segregated Sub-Account and there is an insufficient amount of Buffer available to offset any such deficiencies.

(t) ~~(r)~~ Each FCM Clearing Member shall ensure that no Client withdraws ~~Margin~~Client Funds from the FCM Swaps Client Segregated Depository Account unless the "net liquidating value" (as such term is used in Part 39 of the CFTC Regulations) plus the ~~Margin~~Client Funds attributable to such Client remaining in the FCM Swaps Client Segregated Depository Account after such withdrawal is sufficient to meet the level of

Required Margin, as calculated by the Clearing House in respect of all Contracts entered into on behalf of that Client.

Regulation 107 Net Present Value

(a) The Clearing House may determine the NPV for the purposes of the Rulebook in such manner and at such times as may be prescribed in the Procedures. Except as prescribed in the Procedures, an NPV is binding on a Clearing Member and may in no circumstances be disputed, challenged or contested.

(b) For the avoidance of doubt, the calculation of NPVs by the Clearing House shall not affect or modify the validity of or terms of any Contracts in any way.

(c) The Clearing House shall not be responsible for and does not warrant the accuracy of any NPV where the Clearing House relies on a price determined by a third party for purposes of determining the NPV or where the calculation of the NPV by the Clearing House is derived from information provided or made available by third parties.

Regulation 108 Transfers of Client and Proprietary Positions

(a) Transfer of Client Contracts and ~~Account Assets~~Posted Collateral. A Receiving FCM Clearing Member may, upon the instruction or at the request of a Client, request (in the manner set out in the Procedures) that the Clearing House transfer to the Receiving FCM Clearing Member some or all of a Client's Contracts registered to its Client Segregated Sub-Account with a Carrying FCM Clearing Member (such Contracts subject to transfer, the "**Porting Contracts**"). Where the Porting Contracts constitute the entire portfolio of a Client's Contracts registered with the Carrying FCM Clearing Member (and only in such case), the Receiving FCM Clearing Member may also request in connection with such transfer the transfer of the ~~Account Assets~~Posted Collateral attributable to such Client's Client Segregated Sub-Account (such ~~Account Assets~~Posted Collateral, the "**Porting ~~Account Assets~~Collateral**"). It is a condition precedent to any transfer described in this paragraph that:

(i) the Client has not become insolvent (such Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House);

(ii) neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a Defaulter (or would become a Defaulter upon the consummation of the transfer);

(iii) the Receiving FCM Clearing Member has consented to ~~such~~the transfer~~, including with respect to the~~ of Porting Contracts and, if applicable, the Porting ~~Account Assets~~Collateral;

(iv) the Clearing House determines that following the transfer, the Receiving FCM Clearing Member shall have satisfied the Required Margin in respect of the Porting Contracts;

(v) in the event that the transfer would lead to an increase in Required Margin due from the Carrying FCM Clearing Member to the Clearing House, the Carrying FCM Clearing Member provides sufficient Margin to the Clearing House to satisfy such requirement; and

(vi) the Carrying FCM Clearing Member has not rejected such transfer (it being presumed by the Clearing House that the Carrying FCM Clearing Member has not rejected the transfer unless it has rejected it in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House).

For purposes of clause (vi) above, the Carrying FCM Clearing Member will be entitled to reject the transfer only if (A) the applicable Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer (for this purpose, "obligations" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the Porting Contracts of the Client which are being transferred, or the Client's related collateral), (B) the transfer of the Porting Contracts would result in the Client breaching exposure limits with, and/or other risk

parameters set by, the Carrying FCM Clearing Member and/or its Affiliates, or (C) such rejection is otherwise in accordance with terms agreed as between the Carrying FCM Clearing Member and the relevant Client.

(b) Additional Provisions Relating to Transfers of Client ~~Account Assets~~Posted Collateral. In order to facilitate a transfer pursuant to paragraph (a) above that includes the transfer of Porting ~~Account Assets~~Collateral, the Carrying FCM Clearing Member shall notify the Clearing House of the specific ~~Account Assets~~Posted Collateral which should constitute the Porting ~~Account Assets~~Collateral. The Receiving FCM Clearing Member shall take such actions and provide such information in connection with the transfer as may be required under the Procedures. In the event that the Carrying FCM Clearing Member fails to notify the Clearing House of the specific ~~Account Assets~~Posted Collateral which should constitute the Porting ~~Account Assets~~Collateral, the Clearing House shall identify and select (in the manner set out in the Procedures) the ~~Account Assets~~Posted Collateral it deems appropriate.

Once the Porting ~~Account Assets have~~Collateral has been identified as set out in the above paragraph, the Receiving FCM Clearing Member may elect to reject the transfer of some or all of the Porting ~~Account Assets~~Collateral. Any such rejection in and of itself shall not prevent the transfer of the Porting Contracts, provided, that the conditions set out in clauses (i) through (vi) of Regulation 108(a) are satisfied in relation to such transfer. Following an acceptance by the Receiving FCM Clearing Member to receive a transfer of the Porting ~~Account Assets~~Collateral, the Clearing House shall transfer the Porting ~~Account Assets~~Collateral that ~~have~~has been identified to and consented by the Receiving FCM Clearing Member. In the event that, for whatever reason, the Clearing House is unable to transfer the Porting ~~Account Assets~~Collateral that ~~have~~has been accepted by the Receiving FCM Clearing Member, the Clearing House will not proceed with the transfer of the Porting Contracts.

(c) Additional Provisions Relating to Transfers of Client Positions.

(i) Further to the satisfaction of the conditions set out in Regulation 108(a) and (b), and provided that the Clearing House does not determine, in its sole discretion, that a transfer pursuant to Regulation 108(a) cannot be effected under the Rulebook, the Clearing House shall transfer the Porting Contracts into the name of the Receiving FCM Clearing Member on behalf of the relevant Client. The transfer of the Porting Contracts shall occur by novation of all of the Carrying FCM Clearing Member's rights and obligations in respect of such Porting Contracts to the Receiving FCM Clearing Member.

(ii) In the case where a transfer pursuant to Regulation 108(a) will include the transfer of Porting ~~Account Assets~~Collateral in addition to the transfer of Porting Contracts:

(A) Upon completion of the transfer, the Porting ~~Account Assets~~Collateral deposited with or transferred to the Clearing House by the Carrying FCM Clearing Member and held by the Clearing House in respect of the Porting Contracts shall, without limitation, be deemed to have been delivered by the Receiving FCM Clearing Member to the Clearing House and subject to the security interest granted by the Receiving FCM Clearing Member pursuant to Regulation 109(n) and pursuant to its

Clearing Membership Agreement. Furthermore, and for the avoidance of doubt, the Carrying FCM Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the Porting ~~Account Assets~~Collateral transferred.

(B) Where all or a portion of the Porting ~~Account Assets~~Collateral have been accepted by the Receiving FCM Clearing Member, the transfer of the Porting Contracts and the accepted Porting ~~Account Assets~~Collateral shall be deemed to occur simultaneously, and the transfer of the Porting Contracts shall be conditioned on the transfer of the accepted Porting ~~Account Assets~~Collateral, and vice versa.

(C) If the transfer of all Porting Contracts and (if applicable) all accepted Porting ~~Account Assets~~Collateral is not completed for any reason, then any actual transfer of Porting ~~Account Assets~~Collateral or Porting Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of Porting ~~Account Assets~~Collateral or Porting Contracts that has occurred shall be immediately unwound.

(d) Transfers of Contracts between Proprietary Accounts and Client Accounts of same FCM Clearing Member. If and to the extent permitted under the Procedures, a Clearing Member may transfer Contracts between its Proprietary Account and accounts of its Clients, and vice versa, upon a client default or otherwise as permitted under and subject to applicable provisions of the CEA and the CFTC Regulations regarding segregation of assets, and in accordance with the Procedures.

(e) Transfers between Proprietary Accounts of Two Clearing Members. To the extent permitted by and in accordance with the Procedures, a Clearing Member may transfer a Contract registered in its Proprietary Account to another Clearing Member's Proprietary Account. In addition to any other requirements or conditions set forth in the Procedures or required by the Clearing House (in its sole discretion), any such transfer is subject to the following conditions:

(i) the Clearing House shall have received the consent of both Clearing Members to the transfer;

(ii) neither Clearing Member shall be a Defaulter (or would become a Defaulter upon the consummation of the transfer); and

(iii) the Clearing House shall have determined that the Clearing Member that is the transferee has sufficient Margin ~~deposited with the Clearing House~~ to register such transferred Contract.

(f) Transfers between Client Accounts and Proprietary Accounts of a different Clearing Member. To the extent permitted by and in accordance with the Procedures, Contracts registered on behalf of Clients may be transferred to the Proprietary Account of a different Clearing Member.

(g) ~~(f)~~ Clearing Member Instructions.

(i) Subject to paragraph (ii) below, but otherwise notwithstanding anything to the contrary in the Rulebook, in making any transfer of Porting Contracts and Porting ~~Account Assets~~Collateral pursuant to this Regulation 108, the Clearing House shall be authorized and entitled to rely conclusively on the instructions of and information provided by the relevant Clearing Member(s), which shall be solely responsible for all such instructions and information, including (A) ensuring that the transfer is properly authorized or rejected (as the case may be) and (B) the transfer is being made from the appropriate Client Segregated Sub-Account and that the appropriate account, Contracts and ~~Account Assets have~~Posted Collateral has been identified, the Clearing House shall have no responsibility or liability therefor.

(ii) The Clearing House shall verify that the Porting Contracts identified to it by the applicable FCM Clearing Member as being the subject of such a transfer correspond to Contracts which, according to its records, are registered in the name of the Carrying FCM Clearing Member on behalf of the relevant Client. In the event that the Clearing House identifies a discrepancy, it will notify the relevant FCM Clearing Member(s) and no transfer will occur pursuant to this Regulation 108 until such time as the Porting Contracts identified to the Clearing House by the relevant FCM Clearing Member(s) can be verified by the Clearing House.

(h) ~~(g)~~ No Assignment of Rights under a Contract. Except as may be permitted by ~~paragraph (d~~paragraphs (d), (e) and (f) above, expressly permitted by other parts of the Rulebook or as may otherwise be expressly permitted by the Clearing House in writing, rights under a Contract shall not be capable of assignment by a Clearing Member. Any such purported assignment by a Clearing Member, or any purported transfer that is not in compliance with this Regulation 108, shall be void.

(i) ~~(h)~~ Indemnity. The Carrying FCM Clearing Member agrees to indemnify the Clearing House in respect of all liabilities, costs, loss, fees, damages or expenses suffered or incurred by the Clearing House (howsoever arising or occurring) by reason of a proposed transfer being rejected by the Carrying FCM Clearing Member other than pursuant to the grounds set out in the final paragraph of Regulation 108(a).

Regulation 109 Market Disorder or Trade Emergency; Force Majeure; Offsetting of Contracts

(a) Market Disorders or Trade Emergencies. If the Clearing House determines that one of the following conditions exists:

(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 a 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 a Contract; or

(iii) the U.S., the EU or any international 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 a Contract; or has given notice of its intention to do so or appears to be about to do so;

then:

(iv) in respect of any or all such Contracts which are specified by the Clearing House in a notification to the affected Clearing Members, the Clearing House shall be entitled to offset such Contracts in accordance with paragraph (c) below at a price determined by the Clearing House or to require such Clearing Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such Contracts. Accounts shall be made up by the Clearing House for each Clearing Member who is a party to Contracts that are offset pursuant to this paragraph. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such Contracts offset notwithstanding any further change of circumstances.

(b) Force Majeure.

(i) None of the Clearing House, any affiliate of the Clearing House or any 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 Regulations or of any 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 paragraphs (a)(i), (ii) and (iii) above, terrorist or other criminal action, sabotage, civil unrest, embargoes, blockades, fire, flood, earthquake, tornado, tsunami, other natural disasters, explosion, epidemics or plagues, 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.

(ii) On the happening of any one or more of the events or circumstances referred to in paragraph (b)(i) above, which shall immediately be notified by the party prevented, hindered or delayed from performing any of the obligations referred to in paragraph (b)(i) above to the other in respect of affected Contracts, the Clearing House shall be entitled to require any of the affected Contracts to be performed in accordance with directions issued by the Clearing House, or shall be entitled to require the Clearing Member to take such action as the Clearing House may direct in respect of such Contracts (including offsetting such Contracts as set forth in paragraph (c) below).

(c) Offsetting Contracts.

(i) Where Contracts are offset pursuant to paragraphs (a) or (b) above (or otherwise), such offsetting shall be carried out by the Clearing House by effecting and registering opposite contracts between itself and the Clearing Member at the price referred to in the relevant Regulation or in paragraph (c)(ii) below, and thereupon settling such Contracts against such opposite contracts. Additionally, the Clearing House shall register opposite contracts between itself and such other Clearing Members as the Clearing House may select in its absolute discretion, in proportion to the net position of Contracts in their names on the same Contract Terms as the Contracts that are offset.

(ii) Opposite contracts effected and registered by the Clearing House pursuant to paragraph (a) and (b) above shall (subject to paragraph (a) above in the case of an opposite contract registered pursuant to paragraph (a) above) be at a price determined by the Clearing House, and shall be binding as a final settlement upon the parties effected by the offsetting Contracts. This paragraph (c)(ii) shall be without prejudice to any further liability of a Defaulter to the Clearing House or to any additional rights which the Clearing House may have against a Defaulter whether under these Regulations, at law or otherwise.

(iii) In this subsection (c):

(A) "net position" means one or more Contracts against which the Clearing Member in whose name they are registered has no offsetting Contracts on the same Economic Terms; and

(B) "opposite contract" means a Contract on the same terms, except as to price, as the Contract to be offset in accordance with this Regulation 109(c), but where a Clearing Member has position "X" in respect of a Contract to be offset (where such Contract consists of positions "X" and "Y"), such Clearing Member shall have position "Y" in respect of the opposite contract and vice versa.

Regulation 110 Currency Conversion

For the purpose of exercising any rights under these Regulations, the Clearing House shall be entitled in its discretion to convert monies standing to the debit or credit of a Clearing Member's accounts (including FCM Swaps Client Segregated Depository Accounts and Omnibus Client Swaps Accounts with LCH) into such other currency or currencies as it thinks fit, such conversion to be effected at such reasonable rate or rates of exchange as the Clearing House may determine in accordance with the Procedures.

Regulation 111 Fees and Other Charges

(a) The Clearing House shall be entitled to levy fees in respect of such matters and at such rates as may from time to time be prescribed. Such fees shall be payable by such Clearing Members, by such times, and in such manner as may be prescribed by the Procedures.

(b) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and specified in the Procedures, in respect of any security furnished to it as ~~Margin~~Posted Collateral in a form prescribed by the Procedures. Any alteration in the basis of calculating the rates of accommodation charge shall become effective in respect of all current and future business by the time specified in the Procedures.

Regulation 112 Records and Recordkeeping

(a) Trading Information. The Clearing House shall make available to a Clearing Member in the manner and by the time prescribed by the Procedures, such details of original contracts presented for registration in the name of that Clearing Member, Contracts registered in that Clearing Member's name, and ~~Margin~~Posted Collateral furnished by that Clearing Member as may be prescribed in the Procedures.

(b) Each Clearing Member shall maintain appropriate books and records identifying all pertinent information regarding its Clients and any Affiliates for which it provides Clearing Services and regarding trades made on its own behalf through its Proprietary Account, the Contracts cleared for such Clients, Affiliates, or on its own behalf, as applicable, and the Posted Collateral and Margin balances held in respect of such cleared Contracts. Without limitation of the foregoing, each FCM Clearing Member shall ensure that its books and records accurately reflect at all times the Contracts and ~~Account Assets~~Posted Collateral maintained in connection with each Client Segregated Sub-Account for the relevant ~~Client~~Clients.

(c) A Clearing Member shall not be entitled to the return of any particulars, notices or any other documentation presented to the Clearing House pursuant to the Rulebook.

(d) Record of Investments Regarding Client Funds.

(i) Each FCM Clearing Member that invests Client Funds shall keep a record showing the following:

(A) The date on which such investments were made;

(B) The name of the person through whom such investments were made;

(C) The amount of money or current market value of securities so invested;

(D) A description of the instruments in which such investments were made, including the CUSIP or ISIN numbers;

(E) The identity of the depositories or other places where such instruments are held;

(F) The date on which such investments were liquidated or otherwise disposed of and the amount of money or current market value of securities received of such disposition, if any;

(G) The name of the person to or through whom such investments were disposed of; and

(H) Daily valuation for each instrument and readily available documentation supporting the daily valuation for each instrument. Such supporting documentation must be sufficient to enable auditors to verify the valuations and the accuracy of any information from external sources used in those valuations.

(ii) When the Clearing House receives documents from its FCM Clearing Members representing or evidencing investment of Client Funds, the Clearing House shall keep a record showing separately for each FCM Clearing Member the following:

(A) The date on which such documents were received from the FCM Clearing Member;

(B) A description of such documents, including the CUSIP or ISIN numbers; and

(C) The date on which such documents were returned to the FCM Clearing Member or the details of disposition by other means.

(iii) Such records shall be retained in accordance with CFTC Regulation 1.31. No such investments shall be made except in instruments permitted under Regulation 103(k).

(e) Recordation of Valuation of Instruments Purchased with Client Funds. FCM Clearing Members that invest Client Funds in instruments permitted under Regulation 103(k) shall include such instruments in their FCM Clearing Member Segregated Depository Account records and reports at values which at no time exceed their then current market value, determined as of the close of the market on the date for which such computation is made.

(f) FCM Clearing Member Segregated Depository Accounts; Daily Computation and Record.

(i) Each FCM Clearing Member must compute as of the close of the previous Business Day:

(A) the aggregate amount of Client Funds on deposit in its FCM Clearing Member Segregated Depository Accounts on behalf of Clients~~, including the amount attributable to each individual Client Segregated Sub-Account~~;

(B) the amount of such Client Funds required by the CEA, the CFTC Regulations and the Rulebook to be on deposit in its FCM Clearing Member Segregated Depository Accounts on behalf of such Clients~~, including the amount so required to be on deposit in each individual Client Segregated Sub-Account~~; and

(C) the amount of the FCM Clearing Member's residual interest in such Client Funds.

(ii) In computing the aggregate amount of funds required to be in its FCM Clearing Member Segregated Depository Accounts~~ (including each individual Client Segregated Sub-Account)~~, an FCM Clearing Member may offset any net deficit in a particular Client's account against the then current market value of readily marketable securities, less applicable percentage deductions (i.e., "securities haircuts") as set forth in Rule 15c3–1(c)(2)(vi) of the Securities and Exchange

Commission (17 CFR § 241.15c3–1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with a Permitted Depository. For purposes of this section, a security will be considered "readily marketable" if it is traded on a "ready market" as defined in Rule 15c3–1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3–1(c)(11)(i)).

(iii) The daily computations required by this Regulation 112(f) must be completed by the FCM Clearing Member prior to noon on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.

(g) Classification of Positions. Each FCM Clearing Member shall maintain, as provided in CFTC Regulation 1.31, a record of all securities and property received from Clients in lieu of money to margin, purchase, guarantee or settle the cleared Contracts of such Clients. Such record shall show separately for each Client: a description of the securities or property received; the name and address of such Client; the dates when the securities or property were received; the identity of the Permitted Depositories or other places where such securities or property are segregated; the dates of deposits and withdrawals from such Permitted Depositories; and the dates of return of such securities or property to such Client, or other disposition thereof, together with the facts and circumstances of such other disposition.

Regulation 113 Alteration of Rulebook; Interpretation; Validity; Change in Law or CFTC Regulations

(a) Alteration.

(i) Unless these Regulations otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time, by notice delivered to Clearing Members, amend or extend these Regulations and such amendment or extension may be made with immediate effect or with such deferred effect as the Clearing House shall determine. Any amendment or extension to these Regulations may take effect so as to apply to Contracts registered in a Clearing Member's name at the time such amendment or extension comes into effect if the Clearing House so determines.

(ii) Unless these Regulations or the Procedures otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time amend or extend the Procedures by notice to such Clearing Members as may be affected.

(iii) Where the Clearing House proposes to amend the Regulations or the Procedures and any such changes are posted publicly on the website of the Clearing House, the Clearing House shall notify the Clearing Members of such proposed changes by circular or otherwise.

(iv) The accidental omission to give notice under this Regulation 113(a) to, or the non-receipt of notice under this Regulation 113(a) by, any Clearing Member shall not invalidate the amendment or extension with which the notice is concerned.

(b) Conflict. The Procedures shall take effect and shall be binding on Clearing Members as if they formed part of these Regulations except that, in the event of any conflict between the provisions of these Regulations and the Procedures, the provisions of these Regulations shall prevail. In the event of inconsistency between the provisions of these Regulations or the Procedures and the rules or regulations or other contractual provisions of any trading platform or other undertaking the provisions of these Regulations and the Procedures shall prevail.

(c) No Third Party Rights. Nothing contained in these Regulations or the Rulebook, express or implied, is intended by the Clearing House or any Clearing Members to confer any rights, benefits or remedies to any person other than the Clearing House and Clearing Members.

(d) Headings. The headings to these Regulations and the Procedures are for convenience only and shall not affect their interpretation.

(e) Waiver. No failure by the Clearing House to exercise, nor any delay on its part in exercising, any of its rights (in whole or in part) under these Regulations or the Procedures shall operate as a waiver of the Clearing House's rights or remedies upon that or any subsequent occasion, nor shall any single or partial exercise of any right or remedy prevent any further exercise thereof or any other right or remedy.

(f) Validity. If at any time any provision of these Regulations or the Procedures becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of these Regulations or the Procedures nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

(g) Change in Law or CFTC Regulations. The Clearing House shall enforce the rules set forth in the Rulebook at all times in accordance with and subject to the CEA and the CFTC Regulations. In the event that a change in law or in the CFTC Regulations occurs but has not yet been reflected appropriately in the Rulebook, the CFTC Regulations and applicable law will prevail, the provisions of this Rulebook shall be deemed to be modified accordingly and the Clearing House will enforce these Regulations in accordance with the CFTC Regulations and applicable law~~; provided, that with respect to Part 22 of the CFTC Regulations, compliance is not required under these Regulations (except to the extent the substance of Part 22 is explicitly embodied in these Regulations without reference to Part 22) until compliance with Part 22 becomes mandatory under the CFTC Regulations~~.

Regulation 114 Confidentiality

(a) The Clearing House shall have authority to supply any information whatsoever concerning a Clearing Member and its trading to (i) the U.S. Internal Revenue Service or any Regulatory Body which reasonably requests or is entitled to receive any such details or information, (ii) any affiliate of the Clearing House including ~~without limitation~~ LCH.Clearnet Group Limited, LCH.Clearnet Limited and LCH.Clearnet SA, and (iii) any other person or body to which the Clearing House is, in its reasonable opinion, legally required to disclose the same.

(b) The Clearing House shall also be entitled to supply any information whatsoever concerning a Clearing Member to any person (and the Clearing House will solicit an undertaking from any such person that such person will keep such information confidential) who has provided or may be contemplating entering into arrangements to provide the Clearing House directly or indirectly with stand-by or other finance, insurance cover, guarantee or other financial backing, which the Clearing House has been requested or is legally required to disclose to assist such person in relation to the provision of, or continued provision of, such finance, insurance cover, guarantee or financial backing.

(c) Except as otherwise set forth in the Rulebook, otherwise agreed or permitted, or otherwise required by applicable law or regulation, and in all respects subject to Regulation 116, the Clearing House shall treat confidential proprietary information received from Clearing Members as confidential.

Regulation 115 Governing Law and Jurisdiction

(A) THE RULEBOOK AND EACH CONTRACT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY CONFLICTS OF LAWS PRINCIPLES, AND IN ACCORDANCE WITH THE LAWS OF THE UNITED STATES OF AMERICA, INCLUDING THE CEA AND APPLICABLE BANKRUPTCY AND INSOLVENCY LAWS.

(B) THE CLEARING HOUSE AND EVERY CLEARING MEMBER 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 AMERICA AND (II) THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIM OR MATTER ARISING FROM OR IN RELATION TO THE RULEBOOK OR ANY CONTRACT, AND EACH CLEARING MEMBER IRREVOCABLY SUBMITS TO SUCH JURISDICTION AND WAIVES ANY OBJECTION WHICH IT MIGHT OTHERWISE HAVE TO SUCH COURTS BEING A CONVENIENT AND APPROPRIATE FORUM; PROVIDED, THAT THIS SUBMISSION TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, BOROUGH OF MANHATTAN AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK SHALL NOT (AND SHALL NOT BE CONSTRUED 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 TAKING OF ACTION IN ANY OTHER JURISDICTION, WHETHER CONCURRENTLY OR NOT.

(C) THE CLEARING HOUSE AND EACH CLEARING MEMBER HEREBY IRREVOCABLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE RULEBOOK OR ANY CONTRACT.

(D) EACH CLEARING MEMBER IRREVOCABLY WAIVES, WITH RESPECT TO ITSELF AND ITS REVENUES AND ASSETS, ALL IMMUNITY ON THE GROUNDS OF SOVEREIGNTY OR OTHER SIMILAR GROUNDS FROM SUIT, JURISDICTION OF ANY COURT, RELIEF BY WAY OF INJUNCTION, ORDER FOR SPECIFIC PERFORMANCE OR FOR RECOVERY OF PROPERTY, ATTACHMENT OF ITS ASSETS (WHETHER BEFORE OR AFTER JUDGMENT) AND EXECUTION OR ENFORCEMENT OF ANY JUDGMENT TO WHICH IT OR ITS REVENUES OR ASSETS MIGHT OTHERWISE BE ENTITLED IN ANY PROCEEDINGS IN THE COURTS OF ANY JURISDICTION AND IRREVOCABLY AGREES THAT IT WILL NOT CLAIM ANY SUCH IMMUNITY IN ANY PROCEEDINGS.

Regulation 116 Exclusion of Liability

(A) NEITHER THE CLEARING HOUSE NOR ANY OF ITS AFFILIATES (INCLUDING THEIR RESPECTIVE OFFICERS, EMPLOYEES, AGENTS AND REPRESENTATIVES) SHALL ~~HAVE ANY LIABILITY~~BE LIABLE TO A CLEARING MEMBER OR ANY OTHER PERSON IN RESPECT OF ANY DISPUTE ARISING FROM OR IN RELATION TO ANY CONTRACT, INCLUDING BUT NOT LIMITED TO, ANY DISPUTE AS TO THE VALIDITY OR OTHERWISE OF SUCH CONTRACT, THE TERMS OF SUCH CONTRACT OR WHETHER ANY ALLEGED AGREEMENT OR ARRANGEMENT CONSTITUTES A CONTRACT.

(B) THE CLEARING HOUSE SHALL NOT BE LIABLE FOR ANY OBLIGATIONS OF OR TO A PERSON WHO IS NOT A CLEARING MEMBER (INCLUDING A CLIENT OR AFFILIATE OF A CLEARING MEMBER), NOR ANY OBLIGATIONS OF A CLEARING MEMBER TO ANOTHER CLEARING MEMBER WHO IS ACTING AS A BROKER FOR THE FIRST CLEARING MEMBER, NOR SHALL THE CLEARING HOUSE BECOME LIABLE TO MAKE DELIVERIES OR ACCEPT DELIVERIES FROM A CLIENT OR AFFILIATES OF AN FCM CLEARING MEMBER.

(C) ~~(b)~~ WITHOUT PREJUDICE TO THE PROVISIONS OF REGULATION 101 AND REGULATION 116(D), NEITHER THE CLEARING HOUSE NOR ANY OF ITS AFFILIATES (INCLUDING THEIR RESPECTIVE OFFICERS, EMPLOYEES, AGENTS AND REPRESENTATIVES) SHALL ~~HAVE ANY LIABILITY~~BE LIABLE WHATSOEVER TO ANY CLEARING MEMBER, OR TO ANY OTHER PERSON 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 ANY NATURE WHATSOEVER SUFFERED OR INCURRED AS A RESULT OF: ANY SUSPENSION OF CLEARING SERVICES, WHETHER FOR A TEMPORARY PERIOD OR OTHERWISE, A STEP TAKEN BY THE CLEARING HOUSE UNDER REGULATIONS 109 OR 401(G) 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.

(D) ~~(c)~~ WITHOUT PREJUDICE TO REGULATION 116(B) AND REGULATION 116(D), 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 OF ITS AFFILIATES (INCLUDING THEIR RESPECTIVE OFFICERS, EMPLOYEES, AGENTS AND REPRESENTATIVES) SHALL ~~HAVE ANY LIABILITY~~BE LIABLE UNDER ANY CIRCUMSTANCES (INCLUDING~~, WITHOUT LIMITATION,~~ AS A RESULT OF ANY NEGLIGENCE BY THE CLEARING HOUSE, ANY OF ITS AFFILIATES OR ANY OF THEIR

RESPECTIVE OFFICERS, EMPLOYEES, AGENTS OR REPRESENTATIVES) TO ANY CLEARING MEMBER OR ANY OTHER EXECUTING PARTY 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 CLEARING MEMBER OR OTHER EXECUTING PARTY 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 ITS AFFILIATES, OR ANY OF THEIR RESPECTIVE OFFICERS, EMPLOYEES, AGENTS OR REPRESENTATIVES.

(E) ~~(d)~~ NOTHING IN THIS REGULATION 116 SHALL BE CONSTRUED AS AN ATTEMPT BY THE CLEARING HOUSE TO EXCLUDE ANY LIABILITY FOR ANY FRAUD, FRAUDULENT MISREPRESENTATION OR WILLFUL 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 WILLFUL DEFAULT ON THE PART OF THE CLEARING HOUSE.

(f) ~~(e)~~ WITHOUT PREJUDICE TO THE PROVISIONS OF REGULATION 101 AND REGULATION 116(D), NEITHER THE CLEARING HOUSE NOR ANY OF ITS AFFILIATES (INCLUDING THEIR RESPECTIVE OFFICERS, EMPLOYEES, AGENTS AND REPRESENTATIVES) SHALL ~~HAVE ANY LIABILITY~~BE LIABLE WHATSOEVER TO ANY CLEARING MEMBER OR TO ANY OTHER PERSON (INCLUDING~~, WITHOUT LIMITATION,~~ ANY 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 CLEARING MEMBER OR ANY OTHER PERSON, AS THE CASE MAY BE, AS A RESULT OF THE FAILURE OF ANY SYSTEMS, COMMUNICATION FACILITIES OR TECHNOLOGY.

Regulation 117 Default or Bankruptcy of the Clearing House

(a) Clearing House Default. Each of the following events shall constitute an "**LCH Default**":

(i) the Clearing House fails to make an undisputed payment or collateral delivery to a Clearing Member (other than a Clearing Member that is a Defaulter) that is due and payable or deliverable under a Contract in accordance with the Rulebook and such Clearing Member has delivered written notice to the Clearing House of such failure, and either (A) such failure has not been remedied by the close of business (as specified in Section 2A.2.2 of the Procedures) on the thirtieth day (or, in the event that such thirtieth day is not a Business Day, the immediately following Business Day) following the date when the obligation to pay fell due (such time on such day, the "**End of Day**") or (B) the Clearing House has provided written notice (by electronic circular) to all Clearing Members that it cannot remedy such failure and that it intends to pursue a bankruptcy or liquidation; or

(ii) the Clearing House commences a voluntary case or other procedure seeking or proposing liquidation, administration, receivership, voluntary arrangement or a scheme of arrangement, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if the Clearing House takes corporate action to authorize any of the foregoing in any such case other than for the purposes of corporate restructuring (including any consolidation, amalgamation or merger); or

(iii) if any of the foregoing cases or procedures referred to in paragraph (ii) above is commenced in relation to the Clearing House, and any such procedure (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for the winding-up or liquidation of the Clearing House or (B) is not dismissed, discharged, stayed or restrained within 30 days of the institution of such procedure.

For the avoidance of doubt, a payment or delivery to a Clearing Member by the Clearing House under a Contract is due and payable in accordance with the Rulebook, for purposes of paragraph (i) above, only to the extent that the obligations of the Clearing House in respect of such Contract are not limited, modified, cancelled, terminated, discharged or otherwise altered by any applicable provisions of the Rulebook (including, *e.g.*, Regulation 109, Regulation 320 and the Default Regulations).

(b) Default Notice; LCH Default Time; Termination Date.

(i) Notice. The Clearing House shall publish notice of an LCH Default (and specifying the Termination Date in accordance with paragraph (iii) below) by electronic circular simultaneously to all Clearing Members, and shall promptly thereafter publish notice of such LCH Default prominently on its website:

(A) in the case of an LCH Default under Regulation 117(a)(i)(A), at the End of Day, or, at the discretion of the Clearing House, at an earlier time on such day;

(B) in the case of an LCH Default under Regulation 117(a)(i)(B), at the time the Clearing House provides the notice referred to therein;

(C) in the case of an LCH Default under Regulation 117(a)(ii), as promptly as practicable following the event referred to in Regulation 117(a)(ii); or

(D) in the case of an LCH Default under Regulation 117(a)(iii), as promptly as practicable following the event referred to in Regulation 117(a)(iii).

(ii) LCH Default Time. The "**LCH Default Time**" means:

(A) in the case of an LCH Default under Regulation 117(a)(i)(A), at the time of transmission of the electronic notice delivered in accordance with paragraph (i)(A) above, or, in the event that no such notice is delivered despite the requirement of the Clearing House to so deliver it in accordance with paragraph (i)(A) above, at the End of Day;

(B) in the case of an LCH Default under Regulation 117(a)(i)(B), at the time of transmission of the electronic notice delivered in accordance with such Regulation 117(a)(i)(B);

(C) in the case of an LCH Default under Regulation 117(a)(ii), at the time the event referred to in Regulation 117(a)(ii) occurs, notwithstanding whether or not the Clearing House has published notice in accordance with paragraph (i)(C) above; or

(D) in the case of an LCH Default under Regulation 117(a)(iii), at the time the event referred to in Regulation 117(a)(iii) occurs, notwithstanding whether or not the Clearing House has published notice in accordance with paragraph (i)(D) above.

(iii) Termination Date. The "**Termination Date**" shall be the first Business Day immediately following the date of the LCH Default Time determined in accordance with paragraph (ii) above.

(c) Upon the LCH Default Time. Effective as of the LCH Default Time:

(i) the Clearing House shall no longer accept Transactions submitted to it for clearing or register any Contracts;

(ii) all open Contracts, regardless of whether such Contracts are related to House Business or Client Business, shall be terminated immediately upon and as of the LCH Default Time;

(iii) ~~(ii)~~ neither the Clearing House nor any Clearing Member shall be obliged to make any further payments or deliveries under any Contract between them which would, but for this Regulation 117, have accrued on or after the LCH Default Time other than by settlement of the Termination Amount, and any obligations to make further payments or deliveries which would otherwise have accrued shall be satisfied by settlement (whether by payment, set off or otherwise) of the Termination Amount; and

(iv) ~~(iii)~~ all other payment and delivery obligations, present or future, (other than as set out in paragraph (ii) above) in relation to any Contracts and any other obligations pursuant to the Rulebook shall be payable or deliverable as of the Termination Date and in accordance with the provisions of this Regulation 117.

The Clearing House shall, to the extent possible, return or redeliver all amounts received after the LCH Default Time in respect of a Clearing Member's attempted registration of any Contract after the LCH Default Time.

(d) Set Off and Netting. Following an LCH Default in accordance with this Regulation 117:

(i) Each Clearing Member shall, as promptly as reasonably practicable on or after the Termination Date, but in any event within ninety days of the Termination Date (such ~~thirtieth~~ninetieth day, the "**Final Calculation Date**"), determine as of the Termination Date, (A) the value of each Contract (including its losses or gains associated with each Contract) and (B) the value of all other amounts which it owes to the Clearing House and which the Clearing House owes to it, in each case whether present or future, liquidated or unliquidated, actual or contingent, pursuant to the Contract Terms and in accordance with this Regulation 117(d), and promptly provide such determination to the Clearing House. In the case of an FCM Clearing Member, all obligations between the Clearing House and the FCM Clearing Member in respect of the FCM Clearing Member's Omnibus Client Swaps Account with LCH shall be set off and netted separately on a Client Segregated Sub-Account by Client Segregated Sub-Account basis, in accordance with the CEA and the CFTC Regulations, from any other obligations between the Clearing House and such FCM Clearing Member.

(ii) Each Clearing Member shall calculate the value, as of the Termination Date, of:

(A) the ~~repayment by~~obligation of the Clearing Member or the Clearing House ~~of~~to pay Variation Margin;

(B) the ~~repayment or redelivery of all Initial Margin~~obligation of the Clearing House to repay or redeliver any Posted Collateral, without applying any haircuts to the valuation of the applicable collateral held as ~~Initial Margin~~Posted Collateral;

(C) the obligation of the Clearing House~~'s obligation~~ to repay such Clearing Member an amount equal to its Contribution, as adjusted in accordance with the Default Fund Regulations;

(D) in the event that the Clearing Member is a Cash Gainer as at the last successful ~~payment of Margin~~margin run prior to the LCH Default Time, the ~~repayment~~value of any Cash Gainer Adjustments ~~pursuant to~~under Regulation 318; and

(E) any other amounts that may be due to or from either the Clearing Member or the Clearing House to or from the other in relation to the Rulebook.

(iii) The value of the loss or gain (as the case may be) associated with each Contract as referred to in paragraph (d)(i)(A) above shall include (i) losses or gains in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the Termination Date; and (ii) any loss of bargain, cost of funding or, without duplication, loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position, as a result of the termination, pursuant to the Rulebook, of each payment which would otherwise have been required to be made under such Contract. Amounts determined pursuant to paragraphs (d)(i) to (ii) above shall be expressed in the lawful currency of the United States (the "**Base Currency**") or the currency of the Relevant Contract where agreed by the Clearing House and the Clearing Member~~,~~. For the purposes of any calculation required to be made under this Regulation 117, the Clearing Member may convert amounts denominated in any other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select.

(iv) On the basis of the values determined pursuant to paragraphs (d)(i) to (iii) above, an account shall be taken by each Clearing Member (as at the Termination Date) of what is due from that Clearing Member to the Clearing House and from the Clearing House to that Clearing Member and the sums so due shall be set off against each other and only the balance of the account shall be payable by the party having the claim valued at the lower amount pursuant to the foregoing (such balance, the "**Termination Amount**"). If for any reason one or more Clearing Members fails to determine and notify the applicable Termination Amount to the Clearing House by the Final Calculation Date, the Clearing House shall post a notice on its website of such failure and shall make its own determination of any such Termination Amount(s) in respect of each such Clearing Member within thirty days of the Final Calculation Date. Following the calculation by the Clearing House of any such Termination Amounts which it is required to determine in accordance with the preceding sentence, the Clearing House shall promptly notify all Clearing Members that it has completed all such calculations and shall post such notice on its website. The date on which the Clearing House provides such notice shall be referred to as the "**Late Final Calculation Date**".

(v) The Termination Amount in respect of each Clearing Member shall be due and payable (by the party which owes the relevant Termination Amount) by no later than the second Business Day following the Final Calculation Date or, where a Late Final Calculation Date is applicable, no later than the second Business Day following the Late Final Calculation Date.

(e) Rights not Exclusive. The Clearing Member's rights under this Regulation 117 shall be in addition to, and not in limitation or exclusion of, any other rights which the Clearing Member may have (whether by agreement, operation of law or otherwise). This Regulation 117 is without prejudice to the rights that the Clearing House may have pursuant to the Rulebook against any Clearing Member prior to the occurrence of the LCH Default.

(f) Interpretation in Relation to FDICIA. The Clearing House and each Clearing Member intend that certain provisions of the Rulebook (including this Regulation 117) be interpreted in relation to certain terms that are defined in ~~the Federal Deposit Insurance Corporation Improvement Act of 1991,~~FDICIA, as follows:

(i) The Clearing House is a "clearing organization".

(ii) An obligation of a Clearing Member to make a payment to the Clearing House, or of the Clearing House to make a payment to a Clearing Member, subject to a netting contract, is a "covered clearing obligation" and a "covered contractual payment obligation".

(iii) An entitlement of a Clearing Member to receive a payment from the Clearing House, or of the Clearing House to receive a payment from a Clearing Member, subject to a netting contract, is a "covered contractual payment entitlement".

(iv) The Clearing House is a "member", and each Clearing Member is a "member".

(v) The amount by which the covered contractual payment entitlements of a Clearing Member or the Clearing House exceed the covered contractual payment obligations of such Clearing Member or the Clearing House after netting under a netting contract is its "net entitlement".

(vi) The amount by which the covered contractual payment obligations of a Clearing Member or the Clearing House exceed the covered contractual payment entitlements of such Clearing Member or the Clearing House after netting under a netting contract is its "net obligation".

(vii) The Regulations and the Procedures, including this Regulation 117, constitute a "netting contract".

(viii) For purposes of this Regulation 117(f), the term "payment" means "a payment of United States dollars, another currency, or a composite currency, and a noncash delivery, including a payment or delivery to liquidate an unmatured obligation."

Regulation 118 Acknowledgements and Agreements of Clients and Affiliates

Each Client and Affiliate, by participating in Transactions and entering Contracts through its respective Clearing Member(s), shall be deemed to understand, acknowledge and agree that:

(a) the services provided by the Clearing House with regard to the Clearing Services will be subject to and governed by the Rulebook between the Clearing House and the Clearing Member;

(b) the Regulations shall govern the registration of Contracts and all transactions between a Client or Affiliate and its Clearing Member resulting in the registration of Contracts, and at the time of registration of a Contract the Client or Affiliate on whose behalf it was registered will be deemed to be bound by the relevant Contract on the terms entered into between the Clearing Member and the Clearing House (including, without limitation, all applicable terms of the Regulations and the schedules thereto) automatically and without any further action by such Client or Affiliate or by its Clearing Member, and such Client or Affiliate agrees to be bound by the applicable provisions of the Regulations and by the terms of the applicable Contracts in all respects;

(c) the provisions of Regulation 116 (Exclusion of Liability) shall apply to each Client and Affiliate *mutatis mutandis* as though entered into by each Client and Affiliate directly with the Clearing House;

(d) the Clearing House shall be under no obligation to deal directly with any Client or Affiliate, and the Clearing House may deal exclusively with the Clearing Members;

(e) the Clearing House shall have no obligations to any Client or Affiliate with respect to any Contract or Contracts held by the relevant Clearing Member on behalf of such Client or Affiliate, including but not limited to any repayment or redelivery obligations;

(f) no Client or Affiliate shall have any right to receive from the Clearing House, and not right to assert any claim against the Clearing House with respect to, nor shall the Clearing House be liable to any Client or Affiliate for, any payment or delivery obligation in connection with any Contract held by the relevant Clearing Member on behalf of such Client or Affiliate and the Clearing House shall make any such payments or redeliveries solely to the Clearing Member;

(g) ~~(e)~~ upon the default of a Client's or Affiliate's Clearing Member, if the Clearing House is required to do so by any Regulatory Body or applicable laws or regulations, or determines in its discretion that it is necessary for its protection, the Clearing House may close out and terminate the Client's or Affiliate's Contracts entered into by such Clearing Member, subject to applicable law, regardless of whether such Client or Affiliate had itself defaulted, and in certain circumstances the Clearing House will not transfer or otherwise re-establish such positions;

(h) ~~(f)~~ the Clearing House will not hold any assets transferred to it on behalf of any individual Client or an Affiliate;

(i) ~~(g)~~ where a Clearing Member provides a Client's or Affiliate's securities or other assets to the Clearing House as ~~collateral~~Posted Collateral, such securities and other assets

shall be held by the Clearing House in accordance with the Rulebook and applicable law, and Clients and Affiliates shall not be entitled to assert any equitable or other claim to any such securities or assets in circumstances where the assertion of such a claim would delay or inhibit (x) the disposal by the Clearing House of such securities or assets and/or (y) the application of the proceeds of sale of such securities or assets, in each case in accordance with the provisions of the Rulebook and applicable law; and

(j) ~~(h)~~ each Client and Affiliate provides its respective Clearing Member(s) with its unconditional consent for such Clearing Member(s) to furnish or deposit to or with the Clearing House any securities or other assets of such Client or Affiliate in the Clearing Member's possession, and to repledge such property to the Clearing House, as Margin for the purposes of clearing Contracts entered on behalf of the Client or Affiliate.

CHAPTER 2 – DEFAULT REGULATIONS

Regulation 201 Applicability

Except as otherwise expressly stated, the Default Regulations and the Default Fund Regulations (which consist of Chapter 2 and Chapter 3, respectively, of these Regulations) are effective with respect to all Clearing Services offered by the Clearing House. In the Default Regulations and the Default Fund Regulations, the terms "trustee" or "receiver" have the meanings assigned to them under Chapter 7 of the Bankruptcy Code.

Regulation 202 Steps to Take in the Event of a Default

In the event the Clearing House determines, in its sole discretion, that a Clearing Member is unable to, or is likely to become unable to, meet its obligations in respect of one or more Contracts, the Clearing House may (or upon the occurrence of an Automatic Early Termination Event, in which case such Contracts will automatically terminate, the Clearing House shall) take such steps listed in Regulation 204 as under the circumstances appear to the Clearing House to be best suited to:

(a) discharge all the Clearing Member's rights and liabilities under or in respect of all Contracts to which it is party or upon which it is or may be liable, and

(b) complete the process set out in Regulation 205.

Before taking any such step the Clearing House shall consider the interests of the members of any market that the Clearing Member may belong to and shall, where in the circumstances it is reasonably practicable to do so without prejudice to those interests if applicable or the interests of the Clearing House, consult any relevant rules of Approved Trade Source System(s). As soon as practicable after the Clearing House has elected to take any such step in relation to a Clearing Member (or in the case of an Automatic Early Termination Event as soon as practicable after the occurrence of such event) the Clearing House shall send to such Clearing Member a notice of such step being taken or notice of the occurrence of an Automatic Early Termination Event (a "**Default Notice**"), and shall publish a copy of such Default Notice; provided, however, that the Clearing House shall ~~have no liability~~not be liable whatsoever for any failure to deliver such notices.

The general steps which may be taken by the Clearing House in accordance with the foregoing in respect of a Defaulter or otherwise and with respect to SwapClear Contracts are:

(i) to register a Contract in the name of the Defaulter or to decline to register a Contract in the name of the Defaulter or otherwise to exercise the Clearing House's discretion with regard to the Defaulter under Regulation 401(h);

(ii) to effect a closing-out of a Contract of the Defaulter (whether by registering an offsetting Contract or otherwise) and at the option of the Clearing House to settle such Contracts or to effect the transfer or termination, close-out and cash-settlement of a Contract of the Defaulter by applying a price determined by the Clearing House in its discretion subject to the requirements of Part 190 of the CFTC Regulations;

(iii) to sell any security deposited by the Defaulter (including on behalf of a Client or an Affiliate) with the Clearing House in respect of Contracts, or in respect of any agreement made between the Defaulter and the Clearing House by public or private sale for account of the Defaulter without being obliged to obtain the Defaulter's consent or any order of a court of law, and to appoint any person to execute any document for such purpose in the name and on behalf of the Defaulter;

(iv) to transfer a Contract of the Defaulter to the account of another Clearing Member or to close out and terminate such Contract and re-establish it with another Clearing Member, being a Clearing Member entitled and willing to

have such Contract registered in its name or to transfer a Contract from the account of another Clearing Member to the account of the Defaulter for the purposes of closing out a Contract registered in an account of the Defaulter or for any other reason which the Clearing House considers appropriate in the circumstances without requiring the consent of any relevant Approved Trade Source System or other person;

(v) to take such steps as may be desirable, to the extent permitted by applicable law, including crediting or debiting of accounts (including Margin accounts), entry into new Contracts, transfer of existing Contracts, reversal of Contracts, or termination, close-out and re-establishment of Contracts, or any other step, to preserve as far as possible the position of any Client of the Clearing Member. Where a Contract is transferred or closed-out, terminated, and re-established under paragraph (iv) above, without requiring the consent of any relevant Approved Trade Source System or other person, to transfer (whether by way of transfer or by way of termination, close-out and re-establishment of positions) to the Clearing Member to whom the Contract is transferred (or with whom the replacement Contract is re-established) such ~~Margin~~Posted Collateral held as security for the Defaulter's obligations to the Clearing House on that account as the Clearing House may deem appropriate;

(vi) to make or procure the making of one or more Contracts, including ~~(without limitation)~~ Contracts for the purpose of hedging market risk to which the Defaulter is exposed, and to register the same in the Defaulter's name ~~under the Rulebook~~to the extent permitted under applicable law, including applicable bankruptcy law;

(vii) to make or procure the making of one or more Contracts with a Non-Defaulting Clearing Member, including Contracts for the purpose of hedging market risk to which the Defaulter is exposed, and to register the same in the name of the Clearing House;

(viii) ~~(vii)~~ to designate a currency as a currency of account, and at the Defaulter's expense to convert any sum payable by or to the Defaulter in another currency into the currency of account;

(ix) ~~(viii)~~ without prejudice to any other right of the Clearing House under the Rulebook, to take such action as the Clearing House may deem necessary for its protection in the name and at the expense of the Defaulter with regard to any Contract standing in its name;

(x) ~~(ix)~~ in respect of Contracts standing in the Defaulter's name, to charge to its account the amount (or, if the amount is not finally known, the estimated amount) of any expenses incurred by the Clearing House with regard to or in consequence of the circumstances mentioned in Regulation 202 or the steps which are or may be taken under this Regulation 204 or any provision of the Rulebook and any expenses incurred with regard thereto under Regulation 207;

(xi) ~~(x)~~ any other step calculated by the Clearing House to complete the process set out in Regulation ~~405~~205; and

(xii) ~~(xi)~~ to obtain such advice or assistance, whether legal advice or otherwise, as the Clearing House may in its sole discretion deem necessary and at the expense of the Defaulter for any matter arising out of or in connection with the Default.

In exercising any of the foregoing in connection with SwapClear Contracts, the Clearing House shall take any such steps in a manner that is consistent with the provisions of Regulation 204.

Regulation 203 Event of Default

Without limiting the Clearing House's discretion under Regulation 202, the Clearing House may take into account any or all (or none) of the events listed below to determine whether a Clearing Member is unable to, or is likely to become unable to, meet its obligations in respect of one or more Contracts:

(a) the Clearing Member fails duly to perform or is in breach of the Regulations, the Procedures, or any of the terms of any agreement, understanding or arrangement with the Clearing House;

(b) the Clearing Member is in breach of the terms of membership of, or is declared to be in default by, or is suspended or expelled from membership of, an Approved Trade Source System or any other similar facility;

(c) the Clearing Member is in breach of any rules of an Approved Trade Source System or the rules of any similar facility;

(d) the Clearing Member is in breach of the terms of membership of, or is refused an application for or is suspended or expelled from membership of, a Regulatory Body or is in breach of the rules of a Regulatory Body to which it is subject or its authorization by a Regulatory Body is suspended or withdrawn;

(e) the CFTC or any other Regulatory Body takes or threatens to take action against or in respect of the Clearing Member under any statutory provision, regulation or process of law;

(f) the Clearing Member is in default in the payment of any sum whatsoever due and payable to the Clearing House;

(g) the Clearing Member fails to pay any sum due and payable, or is otherwise in default under the terms of any agreement or threatens to suspend payment or to default under the terms of any agreement;

(h) in respect of the Clearing Member, a bankruptcy petition is filed or a bankruptcy order made or a voluntary arrangement is approved;

(i) in respect of the Clearing Member, a receiver, conservator or trustee is appointed by a court;

(j) an assignment or composition is made by the Clearing Member for the benefit of creditors or any of them;

(k) a petition is presented for, an order is made for or a resolution is passed for the winding up of the Clearing Member (other than for the purpose of an amalgamation, merger or reorganization unrelated to a bankruptcy);

(l) in respect of the Clearing Member, a petition is presented or order made for the appointment of a trustee, conservator or receiver;

(m) the Clearing Member is wound up, dissolved, terminated, liquidated or otherwise ceases to exist due to any action of similar import;

(n) any step analogous to those mentioned in paragraphs (i) to (n) above is taken in respect of the Clearing Member in any jurisdiction; or

(o) any distress, execution or other process is levied or enforced or served upon or against any property of the Clearing Member.

Regulation 204 Default Management Process

(a) Scope and Interpretation.

(i) This Regulation 204 sets forth the steps that may be taken pursuant to Regulation 202 in respect of a Defaulter or otherwise, and which constitute the fundamentals of the Default Management Process which will apply to Contracts following the issue of a Default Notice relating to a Clearing Member. The fundamental principles of the Default Management Process are elaborated to the fullest extent possible in this Regulation 204. Where exhaustive detail cannot be laid out in the provisions of this Regulation 204, the process described herein will be undertaken on the basis of the principles contained herein.

(ii) The Clearing House has an obligation to ensure the on-going integrity of the Clearing House's clearing services and registered Contracts in the interests of the Non-Defaulting Clearing Members. When a Clearing Member defaults, Non-Defaulting Clearing Members are required to supply impartial expertise through the DMG and to bid for the Auction Portfolios of a Defaulting Clearing Member, as laid out in this Regulation 204. In addition, most Clearing Members or their Affiliates have direct interests in that integrity, notably as contributors to the various default funds of the Clearing House and its affiliates. Each Clearing Member shall take all steps and execute all documents necessary or required by the Clearing House to comply with its obligations as a Clearing Member arising out of this Regulation 204.

(iii) The initial margining of Contracts will be such so as to ensure that the acceptance of bids for the Auction Portfolios of a Defaulting Clearing Member will recognize risk premiums, and that equivalent premiums will be paid by the Clearing House in closing-out large positions in other Contracts traded on Approved Trade Source Systems or markets.

(iv) For the avoidance of doubt, and without limitation of the provisions of this Regulation 204 and the other Default Regulations, the Clearing House shall have no recourse to the process of offsetting Contracts in connection with the Default Management Process, except to the extent that offsetting would otherwise apply under the circumstances pursuant to Regulation 109.

(b) House Business. The Default Management Process in respect of House Business shall involve the stages described in this Regulation 204(b).

(i) Portfolio Splitting. The Clearing House, in consultation with and the assistance of the DMG, shall determine the composition of each Auction Portfolio and shall have the discretion to divide a Portfolio into two or more individual Auction Portfolios with the aim of facilitating the efficiency of, and reducing the risk associated with, the auction process provided for in Regulation 204(b)(iii). The overriding principle is that the Clearing House will structure Auction Portfolios with the intention of ensuring the Default Management Process best protects the resources of the Clearing House, subject to compliance with applicable provisions of the CEA and the CFTC Regulations regarding segregation of client assets. Therefore, nothing in this Regulation 204(b) shall

be deemed to imply: (x) that the Clearing House is under any obligation to split a particular Portfolio of a Defaulting Clearing Member (regardless of the number of Contracts that such Portfolio contains); or (y) any particular requirements as to the composition of an individual Auction Portfolio, except that, subject to overriding risk procedures it is broadly anticipated that the parameters of any Auction Portfolio shall not be materially different to those set out in the Clearing House's fire drill.

(ii)

(iii) Risk Neutralization. The Clearing House will, in consultation with and with the assistance of the DMG, reduce the market risk associated with a Defaulting Clearing Member's obligations to the Clearing House so far as is reasonably practicable by hedging the Clearing House's exposure in Contracts to which the Defaulting Clearing Member is party. All such hedging shall be undertaken by the Clearing House with Clearing Members, on the basis of separate agreements between the Clearing House and each such Clearing Member. The aim of Risk Neutralization is to reduce market exposure to within defined tolerance limits expressed as deltas or other measures of market risk and as established from time to time by the Clearing House in consultation with the DMG or as may reasonably be determined by the Clearing House in consultation with the DMG once a Default has been declared under the Default Regulations. For the avoidance of doubt, Risk Neutralization may happen prior to, concurrently with and/or subsequently to the splitting of a Portfolio pursuant to Regulation 204(b)(i) above.

(iv) Auction.

(A) Following the completion of Risk Neutralization, the Clearing House shall auction each Auction Portfolio to Non-Defaulting Clearing Members. The Clearing House, in consultation with the DMG, shall prescribe such procedures (in addition to those set out herein) for the conduct of the auction process as it considers reasonably appropriate from time to time.

(B) The Clearing House shall notify each Clearing Member of all details that may be reasonably required in relation to an Auction Portfolio prior to the relevant Auction.

(C) The auction process may take place over a number of days and Auctions of different Auction Portfolios may take place at different times.

(D) Clearing Members will submit bids to the Clearing House representatives on the DMG, who will ensure that the identities of the bidders are not revealed to the Clearing Member representatives on the DMG. For the avoidance of doubt, a Clearing Member shall be entitled to submit a bid on behalf of one or more affiliated Clearing Members. The DMG will oversee the bidding process in a manner which it considers best protects the resources of the Clearing House and ensures an orderly process.

(E) The Clearing House in consultation with the DMG shall have full discretion in deciding whether or not to accept a particular bid in an Auction and, in so deciding, will take into account the relevant factors that determine risk premiums, as well as the range of bids received relative to ~~initial margin~~Initial Margin held and, subject to their availability, the Clearing House resources as set out in Regulation 302. In the event that more than one Clearing Member submits a bid of the same value (each an "**Equal Bid**"), the Clearing House will, subject to its discretion to reject all such Equal Bids, select the bid which was received first in time.

(F) In the case of an Auction in which no bid is accepted or received (as the case may be), one or more further Auctions will be held in relation to the relevant Auction Portfolio. As soon as practicable following an Auction:

(1) in the event that a bid was accepted, the Clearing House will notify those Currency Participants in the relevant Auction Currency together with any other Clearing Members who participated in the Auction that a bid was accepted and shall notify the Clearing Member who submitted the accepted bid that its bid was accepted;

(2) in the event that no bid was accepted, the Clearing House will notify all Clearing Members of the details of any further Auction.

(G) The Clearing Member agrees to use all reasonable efforts to make a bid in an Auction for an Auction Portfolio in respect of which such Clearing Member is a Currency Participant.

(v) Auction Incentive Pools.

(A) Before commencing the auction process, the Clearing House will calculate an auction incentive pool (each an "**AIP**") for each individual Auction Portfolio for the purposes of providing an initial allocation of the resources potentially available to it to satisfy any loss incurred in the Auction of each such Auction Portfolio. Notwithstanding such initial allocation, any resources utilized by the Clearing House will be allocated in accordance with Regulation 204(b)(vi) below.

(B) For each AIP, the resources shall be allocated as follows:

(1) the resources of the Defaulting Clearing Member (in the form of: (i) that part of the Margin Cover for the Contracts of the Defaulting Clearing Member pursuant to Regulation 302(1) and (ii) the Contribution made by the Defaulting Clearing Member to the Default Fund) available pursuant to Regulation 302(2) at the time of the auction process will be allocated to the AIPs based on the proportion that (x) the risk of the relevant Auction Portfolio bears to (y) the aggregate of the risks (on an absolute

basis) for all Auction Portfolios; the portion of the Capped Amount applied to the Defaulting Clearing Member pursuant to Regulation 302(3) will be allocated to the AIPs based on the proportion that (A) the risk of the relevant Auction Portfolio bears to (B) the aggregate of the risks (on an absolute basis) for all Auction Portfolios; and

(2) the Non-Defaulters' Contributions and the total value of the Unfunded Contributions which would be callable but have not been called by the Clearing House from the relevant Clearing Member in respect of the relevant Default in accordance with Regulation 315 (the "**Potential Unfunded Contributions**") will, subject to Regulation 204(b)(iv)(C) below, be allocated between the AIPs relating to the Auction Portfolios in which the relevant Clearing Member is a Currency Participant based on the proportion that: (x) the risk of the Contracts of such Clearing Member denominated in the relevant currency bears to (y) the aggregate of the amounts calculated in (x) in respect of each currency in which the relevant Clearing Member is a Currency Participant.

(C) Where a Portfolio for a particular Contract currency has been split into two or more Auction Portfolios, the Non-Defaulters' Contributions and Potential Unfunded Contributions allocated to the AIP related to the relevant Portfolio will be further divided for the purposes of allocation into AIPs relating to the relevant Auction Portfolios based on the proportion that (x) the risk of the Contracts in each such Auction Portfolio bears to (y) the aggregate of the amounts calculated in (x) for each of the Auction Portfolios in the relevant currency.

(vi) Loss Attribution.

(A) Following the completion of all Auctions of all Auction Portfolios of the Defaulting Clearing Member, the Clearing House will determine whether losses incurred by it as a result of such Auctions are such that the Non-Defaulters' Contributions must be utilized. Where applicable, such losses will be allocated to Non-Defaulters' Contributions in accordance with the loss attribution process described in this Regulation 204(b)(v).

(B) For each Auction Portfolio, losses to the Clearing House will be met using the resources as set out in Regulation 303. In applying those resources, the Clearing House will allocate the losses in respect of each Auction Portfolio (the "**Auction Losses**") by reference to the resources allocated to the AIPs related to such Auction Portfolios in accordance with Regulation 204(b)(iv). Where there are no Auction Losses in respect of an Auction Portfolio or the Auction Losses in respect of an Auction Portfolio do not require the full amount of the resources referred to in Regulation 204(b)(iv)(B) allocated to the AIP related to the relevant Auction Portfolio (the "**Initial Resources**") to be fully utilized, the relevant surplus Initial Resources will be allocated pro rata

between those AIPs relating to Auction Portfolios in respect of which there are Auction Losses requiring the utilization of resources beyond the Initial Resources available in the relevant AIP in accordance with Regulations 302(1), 302(2) and 302(3) until such time as all Initial Resources have been fully utilized.

(C) In the case of each Auction for which there are Auction Losses in respect of which the Non-Defaulters' Contributions must be utilized, those Non-Defaulter's Contributions, not including, for these purposes, any part of such Non-Defaulters' Contributions that reflect any Unfunded Contribution ~~deposited with~~since paid to the Clearing House pursuant to the Default in respect of which the relevant Auction was held (the "**Original Contributions**") and which have been allocated to the AIP relating to the relevant Auction Portfolio (the "**Relevant Original Contributions**") will be used first in the following order:

(1) The Auction Losses will be attributed to the Relevant Original Contributions of those Clearing Members who are Currency Participants in the Auction Currency and who did not bid in the relevant Auction. Auction Losses will be attributed to the Relevant Original Contribution of an individual Clearing Member pursuant to this sub-paragraph (1) based upon the proportion that: (x) the value of the Relevant Original Contribution of such Clearing Member bears to (y) the total value of the Relevant Original Contributions of all Clearing Members who are Currency Participants in the Auction Currency and who did not bid in the relevant Auction;

(2) If and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph (1) above, those Auction Losses will be attributed to the Relevant Original Contributions of the Short Bidders. For the purposes of this sub-paragraph (2) and sub-paragraph (1) of Regulation 204(b)(v)(F), the term "**Short Bidder**" means any Clearing Member who is a Currency Participant in the Auction Currency and who submitted an unsuccessful bid in the relevant Auction save for any Clearing Member who submitted a higher bid in an Auction than the bid accepted by the Clearing House in accordance with Regulation 204(b)(iii)(D) (each such Clearing Member, a "**Higher Bidder**" and each such bid, a "**Higher Bid**");

Auction Losses will be attributed to an individual Short Bidder pursuant to this sub-paragraph (2) based upon the proportion that (x) the variance of the bid of such Short Bidder from the winning bid (denominated in units of the relevant Auction Currency) bears to (y) the sum of the variances of the bids of all Short Bidders from the winning bid (denominated in units of the relevant Auction Currency);

Where the value of the Auction Losses attributed to an individual Short Bidder pursuant to this sub-paragraph (2) is greater than the value of the Relevant Original Contribution of such Short Bidder, the relevant excess Auction Losses will be attributed to each Short Bidder whose Relevant Original Contribution exceeds the value of the Auction Losses which have been attributed to it pursuant to this sub-paragraph (2) (each a "**Remaining Original Short Bidder**") by (x) calculating the amount which is the bid of the relevant Remaining Original Short Bidder divided by the sum of the bids of all Remaining Original Short Bidders; and (y) multiplying such amount by the value of the relevant excess Auction Losses;

The Clearing House will repeat the loss attribution process described in this sub-paragraph (ii) until the first to occur of (x) the Auction Losses being fully met; and (y) the Relevant Original Contributions of all Short Bidders being fully attributed; and

(3) If and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph (2) above, those Auction Losses will be attributed to the Relevant Original Contribution of the Clearing Member who submitted the winning bid, together with, where applicable, the Relevant Original Contribution of any Clearing Member who submitted a bid which is an Equal Bid or a Higher Bid in relation to that winning bid. The outstanding Auction Losses will be attributed to the Relevant Original Contribution of an individual Clearing Member pursuant to this sub-paragraph (3) based upon the proportion that: (x) the value of the Relevant Original Contribution of such Clearing Member bears to (y) the total value of the Relevant Original Contributions of (I) the Clearing Member who submitted the winning bid; (II) any Clearing Members who submitted an Equal Bid to such winning bid; and (III) any Clearing Members who were Higher Bidders, in the relevant Auction.

If, for an Auction Portfolio, there remain Auction Losses outstanding after the attribution process referenced to in sub-paragraph (iii) above, and there are AIPs relating to other Auction Portfolios in the same Auction Currency in which the Relevant Original Contributions have not been fully utilized, the Clearing House shall attribute the remaining Auctions Losses amongst such remaining Original Contributions through the attribution process set out in sub-paragraphs (1) to (3) above.

(D) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Regulation 204(b)(v)(C) above, those Auction Losses will be attributed to the Original Contributions of those Clearing Members who are Currency Participants in any other

Auction Currency in relation to which Auction Losses have arisen to the extent that Non-Defaulters' Contributions must be utilized (each a "**Losing Currency**") and whose Original Contributions have not yet been fully utilized (each a "**Losing Currency Original Clearing Member**"). Such remaining Auction Losses will be attributed to any remaining Original Contribution of each such Clearing Member pursuant to this Regulation 204(b)(v)(D) based upon the proportion that: (x) the risk of all of the Contracts of such Clearing Member denominated in each of the Losing Currencies bears to (y) the aggregate of the amounts calculated in (x) for all Losing Currency Original Clearing Members. The Clearing House will repeat the loss attribution process described in this Regulation 204(b)(v)(D) until the first to occur of (x) the Auction Losses being fully met; and (y) the Original Contributions of all Losing Currency Original Clearing Members being fully attributed.

(E) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Regulation 204(b)(v)(D) above, those remaining Auction Losses will be allocated to the Original Contributions of each Clearing Member who is not a Currency Participant in any of the Losing Currencies based upon the proportion that (x) the value of each such Original Contribution bears to (y) the aggregate of the amounts calculated in (x) for each of such Clearing Members.

(F) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Regulation 204(b)(v)(E) above, the Unfunded Contributions which have been allocated to the AIP relating to the relevant Auction Portfolio (the "**Relevant Unfunded Contributions**") will be used first in the following order:

(1) The Auction Losses will be attributed to the Relevant Unfunded Contributions of those Clearing Members who are Currency Participants in the Auction Currency and who did not bid in the relevant Auction. Auction Losses will be attributed to the Relevant Unfunded Contributions of an individual Clearing Member pursuant to this sub-paragraph (1) based upon the proportion that: (x) the value of the Relevant Unfunded Contribution of such Clearing Member bears to (y) the total value of the Relevant Unfunded Contributions of all Clearing Members who are Currency Participants in the Auction Currency and who did not bid in the relevant Auction;

(2) If and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph (1) above, those Auction Losses will be attributed to the Relevant Unfunded Contributions of the Short Bidders in the relevant Auction. Auction Losses will be attributed to an individual Short Bidder pursuant to this sub-paragraph (2) based upon the proportion that (a) the variance of the bid of such Short Bidder

from the winning bid (denominated in units of the relevant Auction Currency) bears to (b) the sum of the variances of the bids of all Short Bidders from the winning bid (denominated in units of the relevant Auction Currency);

Where the value of the Auction Losses attributed to an individual Short Bidder pursuant to this sub-paragraph (2) is greater than the value of the Relevant Unfunded Contribution of such Short Bidder, the relevant excess Auction Losses will be attributed to each Short Bidder whose Relevant Unfunded Contribution exceeds the value of the Auction Losses which have been attributed to it pursuant to this sub-paragraph (2) (each a "**Remaining Unfunded Short Bidder**") by (x) calculating the amount which is the bid of the relevant Remaining Unfunded Short Bidder divided by the sum of the bids of all Remaining Unfunded Short Bidders; and (x) multiplying such amount by the value of the relevant excess Auction Losses;

The Clearing House will repeat the loss attribution process described in this sub-paragraph (2) until the first to occur of (x) the Auction Losses being fully met; and (y) the Relevant Unfunded Contributions of all Short Bidders being fully attributed; and

(3) If and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph (2) above, those Auction Losses will be attributed to the Relevant Unfunded Contribution of the Clearing Member who submitted the winning bid, together with, where applicable, the Relevant Unfunded Contribution of any Clearing Member who submitted a bid which is an Equal Bid or a Higher Bid in relation to that winning bid. The outstanding Auction Losses will be attributed to the Relevant Unfunded Contribution of an individual Clearing Member pursuant to this sub-paragraph (3) based upon the proportion that: (x) the value of the Relevant Unfunded Contribution of such Clearing Member bears to (y) the total value of the Relevant Unfunded Contributions of (I) the Clearing Member who submitted the winning bid; (II) any Clearing Members who submitted an Equal Bid to such winning bid; and (III) any Clearing Members who were Higher Bidders, in the relevant Auction.

If, for an Auction Portfolio, there remain Auction Losses outstanding after the attribution process referenced to in sub-paragraph (3) above, and there are AIPs relating to other Auction Portfolios in the same Auction Currency in which the Relevant Unfunded Contributions have not been fully utilized, the Clearing House shall attribute the remaining Auctions Losses amongst such Remaining Unfunded Contributions

through the attribution process set out in sub-paragraphs (1) to (3) above.

(G) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Regulation 204(b)(v)(F) above, those Auction Losses will be attributed to the Unfunded Contributions of those Clearing Members who are Currency Participants in any other Losing Currency and whose Unfunded Contributions have not yet been fully utilized (each a "**Losing Currency Unfunded Clearing Member**"). Such remaining Auction Losses will be attributed to any remaining Unfunded Contributions of each such Clearing Member pursuant to this Regulation 204(b)(v)(G) based upon the proportion that: (x) the risk of all of the Contracts of such Clearing Member denominated in each of the Losing Currencies bears to (y) the aggregate of the amounts calculated in (x) for all Losing Currency Unfunded Clearing Members. The Clearing House will repeat the loss attribution process described in this Regulation 204(b)(v)(G) until the first to occur of (s) the Auction Losses being fully met; and (t) the Unfunded Contributions of all Losing Currency Unfunded Clearing Members being fully attributed.

(H) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Regulation 204(b)(v)(G) above, those remaining Auction Losses will be allocated to the Unfunded Contributions of each Clearing Member who is not a Currency Participant in any of the Losing Currencies based upon the proportion that (x) the value of each such Unfunded Contribution bears to (y) the aggregate of the amounts calculated in (x) for each of such Clearing Members.

(vii) For the purposes of Regulation 204(b)(iv) and 204(b)(v) above, all references to the risk associated with an Auction Portfolio or with all of the Contracts of a Non-Defaulting Clearing Member denominated in a particular currency shall be references to such risk as determined by the Clearing House in its sole discretion on the basis of Worst Case Loss.

(c) Default Management in respect of Client Business. The Default Management Process in respect of any Contract in respect of Client Business shall be conducted in accordance with this Regulation 204(c). Subject to the limitations set forth in this subsection (c), the Default Management Process in respect of Client Business shall be conducted in accordance with the provisions of Regulation 204(b) (to the extent applicable). Notwithstanding the foregoing sentence, (A) the Default Management Process in respect of Client Business shall be separate from the Default Management Process in respect of House Business to the extent required by applicable law, (B) the Clearing House shall conduct the Default Management Process in respect of Client Business in a manner that is at all times in accordance with the CEA, the CFTC Regulations and applicable bankruptcy or other laws, and (C) the Clearing House may conduct the Default Management Process in respect of Client Business as requested by any applicable Regulatory Body or bankruptcy trustee. In conducting the Default Management Process in respect of Client Business in accordance with the foregoing

sentence, the Clearing House may take any actions not prohibited by applicable law regarding the liquidation or transfer of Contracts carried on behalf of its Clients.

To the extent ~~possible~~practicable under applicable laws and regulations and the Default Regulations, the Clearing House shall undertake to dispose of open Contracts held by Clients of the Defaulter in accordance with the instructions of such Clients, either by liquidating Contracts or by transferring such Contracts to the Clearing Member designated by such Clients; provided, that the Clearing House shall at all times act in accordance with the Default Regulations, the requirements of the CEA, the CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of Contracts; provided, further, that the Clearing House shall have no liability whatsoever for any action taken or not taken with respect to the accounts and Contracts of Clients of the Defaulter in accordance with such laws or regulations or the directions of any Regulatory Body or bankruptcy trustee. In the event that the Clearing House does not receive instructions from Clients in a timely manner, or the Clearing House for any reason deems it necessary or appropriate for its protection, or the protection of market participants, the Clearing House may take any action permitted under applicable law with respect to the open Contracts of Clients of the Defaulter that it determines to be appropriate in its sole discretion.

(d) Transfer of Cash Flows and Registration of Positions.

(i) Following the disposal of an Auction Portfolio by way of Auction (and notwithstanding that other Auction Portfolios of the Defaulting Clearing Member may not yet have been auctioned) the Clearing House, will, with the co-operation of the Clearing Members, transfer to the Clearing Member whose bid won that Auction Portfolio the rights and obligations, from the Defaulting Clearing Member, arising out of the positions which that Clearing Member has successfully bid for under the Default Management Process. Such transfer may take place by way of registration of new positions with the Clearing House in the name of the relevant Clearing Member, or novation of rights and obligations to the ~~relevant~~winning Clearing Member. In the event that the Defaulter is the subject of an insolvency proceeding under U.S. law, the transfer of rights and obligations resulting from the successful bid for Contracts related to the Defaulter's House Business will be effected by way of registration of new Contracts with the Clearing House in the name of the winning Clearing Member. All such registrations shall be made in a way that recognizes the ~~variation margin~~Variation Margin paid or received in relation to the Contracts of the Defaulting Clearing Member representing such new positions.

(ii) In order to effect the transfer of ~~positions~~the rights and obligations arising out of the positions for which the Clearing Member has successfully bid, the Clearing House shall prescribe such procedures and timetable as it considers reasonably appropriate in the circumstances. Clearing Members will be required to exercise best efforts to comply with such requirements as may be established by the Clearing House, after consultation with the DMG, to effect the transfer of positions, including but not limited to the payment of any sums due as a result of the winning bid and the provision of Margin in an amount required by the Clearing House for Initial Margin and Variation Margin in respect of positions which are to be registered in their names. The Clearing House agrees that in

such procedures it shall make provision for set-off by the Clearing House of amounts owed by the Clearing House to the Clearing Member as a result of the operation of the Default Management Process against sums owed by the Clearing Member to the Clearing House in respect thereof.

(iii) Where, as a result of an Auction, the Clearing House is required to make a payment to a Clearing Member in respect of a winning bid, the Clearing House shall not be permitted to register any position, whether as a new position or as a novation of existing rights and obligations, to any such Clearing Member if the Clearing House does not simultaneously credit that Clearing Member with the requisite amount. If any position is so registered without such payment, such registration shall be deemed void ab initio and unenforceable against the relevant Clearing Member. For the avoidance of doubt, the Clearing House will utilize the resources available to it pursuant to Regulation 302 for the purposes of making such a payment notwithstanding that other Auction Portfolios of the Defaulting Clearing Member may not yet have been auctioned and that the loss attribution process provided for by Regulation 204(b)(v) has not yet occurred.

(e) Information Regarding the Default Management Process. Whenever the Default Management Process is implemented by the Clearing House in respect of a Defaulting Clearing Member, the Clearing House will, with the assistance of the DMG, provide such ongoing information to Clearing Members as the Clearing House deems reasonably appropriate in respect of the progress of the Default Management Process.

Nothing in this Regulation 204(e) shall require the Clearing House to disclose information in respect of the Default Management Process which, in the reasonable opinion of the Clearing House, may be subject to obligations of confidentiality, may constitute market sensitive data or is, in the Clearing House's reasonable opinion, inappropriate for disclosure to Clearing Members.

(f) Bankruptcy Code and Related Issues. Notwithstanding any other provision of the Rulebook, in the event of a Default by a Clearing Member, the completion of any and all actions, including but not limited to any transfers or transactions, permitted or required to be taken by the Clearing House hereunder shall be subject in all respects to the provisions of the Bankruptcy Code, Part 190 of the CFTC Regulations, the CEA, FDICIA, and any other applicable law, and the receipt of any approvals required under the Bankruptcy Code ~~or such regulations~~, the CFTC Regulations or any other applicable law.

(g) Procedures Subject to CEA and the CFTC Regulations. Notwithstanding any other provision of this Regulation 204 in the event of a Default by a Clearing Member, the operation of this Regulation 204 shall in all respects be subject to applicable provisions of the CEA and the CFTC Regulations regarding the handling, custody, liquidation, transfer and disposition of Client positions and assets, including but not limited to those provisions requiring segregation of Client assets and prohibiting application of the assets of non-defaulting Clients to amounts owed by defaulting Clients.

(h) Miscellaneous.

(i) Subject to Regulations 204(b)(iv) and 204(b)(v), the resources available to the Clearing House and their order of use are described in Regulation 302 and the other applicable Default Fund Regulations.

(ii) The Clearing House may from time to time supplement the details of any of the stages set out in Regulation 204(b) or any other aspects of the Default Management Process, in consultation with the DMG, either by way of further Guidance or immediately on notice to Clearing Members on a case-by-case basis where the Clearing House deems it appropriate to do so in the circumstances of the Default; provided, that the Clearing House may not take any such action that effects a material change to the terms of this Regulation 204 without the written consent of 50% of all Clearing Members unless such change is invoked unilaterally against all Clearing Members and is necessary to manage the Clearing House's risk or otherwise to meet the Clearing House's continuing regulatory obligations including those applicable to it as a Derivatives Clearing Organization. The Clearing House agrees that, in the ordinary course, it shall discuss any such Guidance with the DMG prior to bringing the Guidance into effect except that it shall not be required to do so where (x) the Guidance is not material to the rights and obligations of the Clearing Members or (y) the Clearing House deems it inappropriate to do so in the circumstances of the Default and it is not possible to convene the DMG in timely fashion.

(iii) The timetable for implementation of the stages of the Default Management Process following issue of a Default Notice by the Clearing House shall be either (x) as prescribed by the Clearing House from time to time in consultation with the DMG and set out in Guidance; or (y) imposed by the Clearing House without prior notice to the Clearing Members on a case-by-case basis where the Clearing House, in consultation with the DMG, deems it appropriate to do so in the circumstances of the Default.

(i) Role and Constitution of the DMG.

(i) Joint Nature of DMG. The DMG is a single body, established jointly by the Clearing House and LCH.Clearnet Ltd., in order to assist with the default manage process in respect of the Clearing House's SwapClear US Service and in respect of the SwapClear service of LCH.Clearnet Ltd. Both Clearing Members and clearing members of LCH.Clearnet Ltd. participating in its SwapClear service (including its FCM SwapClear service) shall serve on the DMG. This Regulation 204(i) shall be read to include references to processes or events that may occur in connection with LCH.Clearnet Ltd.'s SwapClear service. For example, references herein to "Default Management Process" shall also be read to include the default management process of LCH.Clearnet Ltd. relating to its SwapClear service.

(ii) The DMG shall meet at regular intervals in order to:

(A) keep under review the Default Management Process, together with any Guidance issued in respect thereof;

(B) keep under review the terms of reference of the DMG to ensure they remain appropriate;

(C) consider appropriate supplements or amendments to the Default Management Process and/or Guidance in order to improve the procedures in place; and

(D) consider any other business relevant to the Default Management Process which any member of the DMG from time to time sees fit to raise at such meetings.

(iii) The members of the DMG shall also meet within one hour, or as soon as reasonably practical, following notification by the Clearing House that a Default Notice has been served upon a Clearing Member, and at sufficiently frequent intervals thereafter for so long as may be necessary to assist the Clearing House in the implementation of the Default Management Process as contemplated under this Agreement. Such implementation shall include~~, without limitation,~~ the provision of general default management advice with regard to: (x) the ongoing obligations of the Clearing House to its Non-Defaulting Clearing Members; (y) the neutralization and closing-out of the individual obligations of the Defaulting Clearing Member; and (z) the splitting of Portfolios and the disposal of Auction Portfolios in accordance with the Default Management Process. Where it is not possible or practicable for the Clearing Member to provide its nominated representative within an appropriate time frame, it shall provide an alternate of suitable experience and expertise to participate on the DMG.

(iv) The DMG shall be made up of the following individuals who, unless stated otherwise, shall be appointed by the Clearing House, which shall ensure that the composition is such as to provide effective review of the Default Management Process and suitable expertise and representation of market-making capacity in the event of a Default:

(A) in the event of the issuance of a Default Notice, the chief executive or deputy chief executive of the Clearing House, who shall act as chairman;

(B) representatives of at least five Clearing Members, being senior executives with appropriate skills and expertise;

(C) at least one director (staff member of director grade) of the Clearing House's Risk Management department; and

(D) such other individuals as the DMG considers appropriate from time to time in relation to individual meetings, including representatives of clearing members of LCH.Clearnet Ltd.

(v) For the purpose of DMG meetings convened to deal with a specific Defaulting Clearing Member, the Clearing House may, after consultation with the DMG, invite the Defaulting Clearing Member to nominate one or more representatives to join the DMG to assist it in carrying out its functions in the Default

Management Process for that Defaulting Clearing Member, and also request representatives from any other Clearing Members. In the event of receiving such request, the Clearing Member shall be obliged to provide its nominated representative, or an alternate with appropriate skills, experience and expertise, as if the Clearing Member were a member of the DMG.

(vi) In establishing the DMG, the Clearing House agrees that in the normal course of events (not including the Clearing House's declaration of a Default and the invocation of the processes as outlined in Regulations 204(b), 204(c) and 204(d)) it will, as far as practicable, and in accordance with the terms of reference of the DMG, rotate the membership of the DMG on a regular basis and amongst all Clearing Members. The Clearing Member agrees that, when requested to do so by the Clearing House, it will make available a representative to participate in the DMG. The Clearing House shall agree with the Clearing Member the identity of such representative and shall be able to request a substitute where it believes the Clearing Member's nominated representative does not have the requisite skills or expertise.

(vii) Each Clearing Member who makes available a representative to serve on the DMG agrees, and shall procure that, to the extent applicable, its representative agrees:

(A) to ensure that such representative will be fully available, at any time and for such periods of time as the Clearing House may require during the course of a Default, to perform his function as a member of the DMG including attending meetings, considering and advising the Clearing House upon aspects of the Default Management Process. The Clearing Member shall ensure that a representative's other work commitments do not affect his availability for this purpose;

(B) to take all steps to respect the confidential capacity in which such a representative receives information through the DMG and to establish adequate procedures to prevent the disclosure or use for any commercial purpose outside the scope of the Default Management Process of any such confidential information by the Clearing Member or its representative. Such procedures shall normally include, without limitation, the establishment of information "firewall" within the Clearing Member; and

(C) to be bound by and to ensure that it and any of its executives or directors serving on the DMG complies with the requirements contained in the Procedures.

(viii) Each Clearing Member shall accept that:

(A) representatives of Clearing Members serving on the DMG are doing so in order to assist the Clearing House in ensuring the on-going integrity of the Clearing House's Clearing Services in the interests of Non-Defaulting Clearing Members; and

(B) representatives of Clearing Members serving on the DMG and their employers shall have no liability for any disinterested advice or actions, mandated or otherwise, that are undertaken as part of the Default Management Process; provided, however, that nothing in this Regulation 204(i)(vii) shall exclude the liability of such representatives and employers for any personal injury or death caused by their negligence or for any fraud or willful default on the part of such representatives and employers.

(ix) The Clearing House agrees that, in exercising its rights and obligations in consulting with the DMG pursuant to this Agreement, it will use its commercially reasonable efforts to agree a common position with the DMG, provided, that nothing in this Regulation 204 shall prevent the Clearing House acting in a way which it reasonably determines necessary to manage its risk or otherwise meet its continuing regulatory obligations including those applicable to it as a Derivatives Clearing Organization.

Regulation 205 Discharge of Defaulter's Rights and Liabilities; Multiple Accounts; Treatment of Variation Margin

(a) Upon the discharge of the Defaulter's rights and liabilities under or in respect of all Contracts to which it is party the ~~following~~ process set forth in this Regulation 205 shall, subject to any contrary provision in Regulation 301, be completed by the Clearing House~~:~~.

~~(i) there shall be brought into account all sums payable:~~

~~(A) by or to a Defaulter in respect of Contracts (other than Contracts held on behalf of Clients);~~

(i) ~~(B)~~ There shall be calculated all sums payable by or to the Defaulter in respect of the Clients of the Defaulter and each corresponding Client Segregated Sub-Account ~~(and in~~, separately on a Client Segregated Sub-Account by Client Segregated Sub-Account basis. In connection therewith the Clearing House shall have sole discretion with respect to the allocation of any available Buffer or the reallocation of any ~~Applied~~Encumbered Buffer in calculating such net ~~sum);~~sums.

(ii) There shall be calculated all sums payable, other than in connection with Clients, by or to the Defaulter:

(A) in respect of all Contracts (other than Contracts held on behalf of Clients);

(B) ~~(C)~~ in respect of any other sum due under the Rulebook;

(C) ~~(D) any sum due~~ in respect of any sum due relating to any breach of the Rulebook; and

(D) ~~(E) and/or~~in respect of any amount due from the Defaulter to the Clearing House in ~~respect of~~connection with any other business between the Defaulter and the Clearing House~~;~~.

(iii) ~~(ii) the~~The sum or sums so payable calculated under paragraphs (i) and (ii) above shall be aggregated or set off so as to produce ~~a net sum or~~ as many net sums as required by ~~Regulation~~Regulations 205(b) and (c) below~~;~~ and as required by applicable law.

(iv) ~~(iii) such net sum, or each~~Each such net sum:

(A) if payable by the Defaulter to the Clearing House, shall be set off against any Margin standing to the credit of the Defaulter's applicable account so as to produce a further net sum, or shall be aggregated with any debit balance of the Defaulter's applicable account, or

(B) if payable by the Clearing House to the Defaulter, shall be aggregated with any Margin standing to the credit of the Defaulter's applicable account, or shall be set off against any debit balance of the Defaulter's applicable account so as to produce a further net sum~~;~~.

(v) ~~(iv) where~~Where an amount is payable by the Clearing House to the Defaulter in respect of a balance on its Proprietary Account(s), and there are amounts due to the Clearing House in respect of one or more Omnibus Client Swaps Accounts with LCH of such Defaulter, the balance of the Proprietary Account(s) may be applied to meet the shortfall in any such Omnibus Client Swaps Accounts with LCH in any way the Clearing House may determine in its sole discretion;

(vi) ~~(v) in~~In the event that the Clearing House elects to close out and liquidate Contracts attributable to Clients of the Defaulter, the Clearing House shall allocate any costs associated with such closing out and liquidation process (including hedging costs (including gains and losses associated with hedging transactions) and liquidation/auction costs and losses) among Clients whose positions were liquidated, by allocation to such Clients' Client Segregated Sub-Accounts in the manner set out in Section 2A.17.6 of the Procedures and in accordance with ~~Part~~Parts 22 and ~~Part~~ 190 of the CFTC Regulations and any other applicable law; and

(vii) ~~(vi) with~~With respect to any Unallocated Excess ~~deposited~~maintained in the Unallocated Excess Sub-Account of the Defaulter, the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the Defaulter to the Clearing House (on behalf of the Defaulter's Clients or otherwise) or take any such Unallocated Excess into account for purposes of determining net sums under this Regulation 205, except to the extent required or permitted by applicable law or directed by the applicable bankruptcy trustee or Regulatory Body in accordance with applicable law.

(b) Further Interpretation of this Regulation 205.

(i) For the purposes of paragraph (a)(~~i~~ii) of this Regulation 205 the Clearing House may assess the sum payable by or to the Defaulter in respect of any breach of the Rulebook in such reasonable manner as it thinks fit, subject to the CFTC Regulations or other applicable law.

(ii) In Regulation 205(a)(~~ii~~iv) the "Defaulter's applicable account" means:

(A) with regard to a net sum produced by reference to Contracts registered in one or more ~~Omnibus Client Swaps Accounts with LCH~~Client Segregated Sub-Account held on behalf of an individual Client of the Defaulter, ~~that Omnibus~~such Client ~~Swaps~~ Segregated Sub-Account ~~with LCH~~, or (if there is more than one) all ~~those Omnibus~~such Client ~~Swaps~~ Segregated Sub-Accounts ~~with LCH~~ combined;

(B) with regard to a net sum produced by reference to Contracts registered in one or more Proprietary Accounts of the Defaulter, that Proprietary Account or those Proprietary Accounts combined and (if the Clearing House has elected in accordance with Regulation 205(c) below) any other accounts of the Defaulter with the Clearing House; and

(C) with regard to a net sum produced by reference to one or more accounts of the Defaulter other than Omnibus Client Swaps Accounts with LCH

and other than Proprietary Accounts, such other account or those other accounts combined, and (if the Clearing House has elected in accordance with Regulation 205(c) below) Proprietary Accounts.

(c) Multiple Accounts of Defaulter.

(i) Where the Defaulter has more than one account with the Clearing House, the Defaulter's accounts shall be combined for the purpose of Regulations 205 and 206 as follows:

(A) an account which is an Omnibus Client Swaps Account with LCH of the Defaulter may only be combined with other Omnibus Client Swaps Accounts with LCH of the Defaulter; provided, that no account which is a Client Segregated Sub-Account of a Client may be combined with any other account, including any Client Segregated Sub-Account of another Client of the Defaulter, other than another Client Segregated Sub-Account of the same Client held with the Defaulter; and

(B) an account which is a Proprietary Account of the Defaulter may be combined with any other Proprietary Accounts of the Defaulter and (if the Clearing House so elects) any other accounts of the Defaulter relating to any other business between the Defaulter and the Clearing House (subject to Regulations 205(a)(~~iv~~v) and 205(c)(ii)).

Notwithstanding anything in the Rulebook to the contrary, in no circumstances may an account which is an Omnibus Client Swaps Account with LCH of the Defaulter (or any other type of account for a Client) be combined with any other account of the Defaulter, other than, to the extent permitted by the CEA and the CFTC Regulations, other Client accounts of the Defaulter that are in the same customer account class (as such term is used in the CEA and the CFTC Regulations).

(ii) Notwithstanding any provisions in the Rulebook to the contrary, any loss which relates to business between the Defaulter and the Clearing House which is not related to Contracts and is not otherwise governed by the Rulebook may not be treated as a Default Loss, whether or not Margin has been applied in respect of such loss. Nothing in this Regulation 205(c)(ii) requires the Clearing House to apply Margin in respect of any such loss instead of any other amount referred to in Regulation 205(a)(i) or (a)(ii), except that the Clearing House may not apply Margin in respect of any such loss to the extent that doing so would give rise to an Excess Loss.

(d) ~~Treatment of~~ Variation Margin Payments ~~in Respect of Contracts of Clients of a Defaulter~~Following Default of FCM Clearing Member. Following a Default by an FCM Clearing Member, all Variation Margin obligations between the Defaulter and the Clearing House shall continue to be satisfied on a net basis (with respect to each Omnibus Client Swaps Account with LCH of the Defaulter) and as conducted prior to the default (in accordance with the FCM Rulebook), except to the extent otherwise required by applicable law (including Part 190 of the CFTC Regulations and applicable bankruptcy law) or as directed by the bankruptcy trustee, the CFTC or other applicable Regulatory Body. Notwithstanding the foregoing, the Clearing House may, in its sole

discretion, and to the extent permitted by applicable law (including Part 190 of the CFTC Regulations and applicable bankruptcy law) and approved or permitted by the bankruptcy trustee, the CFTC and any other relevant Regulatory Body, modify the process for discharging Variation Margin obligations between the Defaulter and the Clearing House in order to attempt to provide a more equitable outcome (as determined in the Clearing House's sole discretion) to the Clients of the Defaulter in respect of the relevant Variation Margin obligations.

~~(i) Porting. Where a Contract held on behalf of a Client is transferred to a transferee Clearing Member (in accordance with the Rulebook including Regulation 204(c)) for such Client, the Clearing House shall, subject to the limitations of Regulation 205(d)(iii) below, ensure that an amount equal to the net Variation Margin that has accrued in favor of the Client under such Contract (including before and after the relevant default) through the time such Contract is transferred, but which has not yet been paid by the Clearing House, is credited by the Clearing House on its books (but not yet paid or transferred to the Defaulter, the Client or any other person) for the benefit of the relevant Client. Upon the transfer of all relevant Contracts of a Client to a transferee Clearing Member, the Clearing House shall attribute any amounts (in respect of Variation Margin) so credited on the books of the Clearing House to the relevant Client Segregated Sub-Account(s) of such Client with the applicable transferee Clearing Member; provided, that the Client has provided instructions, in form and substance reasonably satisfactory to the Clearing House, for payment and completed or supplied any agreement, form, representation or other information that the Clearing House may reasonably require in its sole discretion.~~

~~(ii) Liquidation and Close Out. Where a Contract held on behalf of a Client is closed out and liquidated in accordance with the Rulebook (including the Default Regulations and Section 2A.17.6 of the Procedures, as applicable), the Clearing House shall, subject to the limitations of Regulation 205(d)(iii) below, ensure that an amount equal to the net Variation Margin that has accrued in favor of the Client under such Contract (including before and after the relevant default) through the time the relevant Contract is closed out and liquidated, but which has not yet been paid by the Clearing House, is credited (but not yet paid or transferred to the Defaulter, the Client or any other person) by the Clearing House on its books for the benefit of such Client. Following certification pursuant to Regulation 206 of the net sum payable in respect of the relevant Client Segregated Sub-Account of such Client in which some or all of the Contracts are closed out and liquidated, where (A) such Client is not in default as described in Regulation 205(d)(iii)(A) below, and (ii) the Clearing House has credited, in the aggregate (netting all payments due or payable in respect of such Client's Client Segregated Sub-Account and any Variation Margin accrued but not paid in respect of such Client), a positive value (*i.e.*, payable by the Clearing House) of accrued but unpaid Variation Margin on its books for the benefit of the Client pursuant to this Regulation 205(d)(ii), the Clearing House shall, subject to the limitations of Regulation 205(d)(iii) below, pay an amount equal to any Variation Margin so credited for the benefit of the Client directly to such Client; provided, that the Client has provided instructions, in form and substance reasonably satisfactory to the Clearing House, for payment and~~

~~completed or supplied any agreement, form, representation or other information that the Clearing House may reasonably require in its sole discretion.~~

~~(iii) Certain Limitations.~~

~~(A) Where a Client has defaulted with respect to its obligations to the Defaulter, the Clearing House may determine, in its sole discretion, to make, or to refuse to make, any payments or credits to or on behalf of such Client in respect of Variation Margin pursuant to this Regulation 205(d), or may retain such amounts to the extent necessary to offset any unsatisfied obligations of such Client to the Defaulter or of the Defaulter to the Clearing House in respect of such Client, or any other obligations in respect of Clients of the Defaulter to the extent permitted by applicable law.~~

~~(B) For the avoidance of doubt, where Contracts in respect of a Client are closed out and liquidated and/or are transferred to a Hedged Account, and the gains and losses (including hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) that are allocated to such Client in connection therewith (pursuant to the Rulebook, including Section 2A.17.6 of the Procedures and the Default Regulations) exceed the amount of cover deposited with the Clearing House on behalf of such Client, the Clearing House shall be permitted to set off (in whole or in part, as applicable) any payments or credits in respect of Variation Margin owed by the Clearing House in respect of such Client under this this Regulation 205(d) against any such excess costs.~~

~~(iv) Notwithstanding anything to the contrary in the Rulebook, each Client of a Defaulter is hereby expressly made a third party beneficiary of the provisions of this Regulation 205(d), solely for purposes of the Clearing House's obligations to such Clients under this this Regulation 205(d).~~

Regulation 206 Clearing House Certification

Upon completion of the process set out in Regulation 205, the Clearing House shall certify either (x) ~~the sum, or~~ each sum~~,~~ finally payable by the Defaulter to the Clearing House (including any sums payable to the Defaulter for the benefit of one or more of its Clients) or finally payable by the Clearing House to the Defaulter or (y) the fact that no ~~sum is~~sums are finally payable by either party to the other. The certificate of the Clearing House under this Regulation 206 shall be conclusive as to the discharge of the Defaulter's rights and liabilities in respect of the Contracts to which it relates. The Clearing House shall, as soon as practicable after issuing a Default Notice in respect of a Clearing Member, appoint a day on which any net sums certified under this Regulation 206 to be due to the Defaulter are to be paid by the Clearing House. The day so appointed may fall before or after the effective date of termination of the Defaulter's Clearing Membership Agreement but shall not fall on a day before the process specified in Regulation 205 can be completed.

Regulation 207 Appointment of Persons

Without further authorization, permission or cooperation from the Defaulter, the Clearing House may appoint any person to take or assist it in taking any step under these Default Regulations or to complete or assist it in completing the process set out in Regulation 205.

Regulation 208 Clearing House Cooperation with Regulators

The Clearing House may co-operate, by the sharing of information and otherwise, with any Regulatory Body or relevant Approved Trade Source System, any other clearinghouse or exchange, any trustee, conservator, receiver or similar appointee acting in relation to the Defaulter or its estate and any other authority or body having responsibility for, or any Clearing Member having an interest in, any matter arising out of or connected with the circumstances mentioned in Regulation 202.

Regulation 209 Clearing House Reports

The Clearing House shall report to the Defaulter, or any trustee, conservator, receiver or similar appointee acting in relation to the Defaulter or its estate, on steps taken in relation to the Defaulter under Regulation 204.

CHAPTER 3 – DEFAULT FUND REGULATIONS

Regulation 301 Applicability; Default Fund

(a) Applicability. Except as otherwise expressly stated, the Default Regulations and the Default Fund Regulations (which consist of Chapter 2 and Chapter 3, respectively, of these Regulations) are effective with respect to all Clearing Services offered by the Clearing House. In the Default Regulations and the Default Fund Regulations, the terms "trustee" or "receiver" have the meanings assigned to them under Chapter 7 of the Bankruptcy Code.

(b) Default Fund. The Clearing House shall maintain a default fund (the "**Default Fund**") which shall consist of cash or other assets in an amount equal to the aggregate amount of the Contributions of the Clearing Members (as adjusted from time to time in accordance with the Default Fund Regulations), and which shall be maintained in accordance with the Default Fund Regulations and the other applicable provisions of the Rulebook and in accordance with the CEA and the CFTC Regulations. The assets allocated by the Clearing House to the Default Fund account shall be separated from all other assets or accounts of the Clearing House or the Clearing Members, but there shall be no segregation or separation in respect of the amounts of any individual Contributions by Clearing Members. In the event that the value of the assets in the Default Fund falls below the aggregate amount of the Contributions of the Clearing Members (as adjusted from time to time in accordance with the Default Fund Regulations) due to investment losses realized on such assets, the Clearing House shall add cash or other assets to the Default Fund account in an amount sufficient to make the value of the Default Fund account at least equal to such aggregate amount.

In accordance with Regulation 303, the assets of the Default Fund shall be the sole property of the Clearing House and no Clearing Members or other persons shall have any legal or equitable interest therein except for the security interest as set forth in Regulation 322. Without limitation of the foregoing, the Clearing House shall not be limited in its use or investment of its assets held in the Default Fund other than (i) as required by the CEA, the CFTC Regulations or other applicable law, or (ii) where the application or repayment of assets held in the Default Fund is required by the Default Fund Regulations. For the avoidance of doubt, (x) in respect of any investment of assets held in the Default Fund, the Clearing Members shall have no right, interest, participation, risk or liability in any gains or losses in respect of any investment or use of the assets held in the Default Fund by the Clearing House, which gains or losses shall be solely for the risk or benefit of the Clearing House, and (y) in the event that the value of the Clearing House's assets held in the Default Fund exceed the aggregate amount of the Contributions of the Clearing Members, the Clearing House may remove any such excess at any time.

Clearing Members shall be provided a security interest in the assets held in the Default Fund account through the DF Security and Intercreditor Agreement, as described in Regulation 322.

Regulation 302 Reduction of Losses on Default

Subject to any contrary provision in 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 following manner:

(1) first, to the extent the Clearing House determines appropriate, in applying any Margin and any other sum owed to the Defaulter other than any Contribution (together, "**Margin Cover**");

(2) second, by recourse to the Defaulter's Contribution. The Clearing House will exercise its rights of recourse under this Regulation 302(2) by set-off against the Clearing House's obligation to repay an amount equal to the Contribution to the Defaulter;

(3) third, by payment from the Clearing House's own account of an amount up to a maximum of $2 million (or such greater amount (if any) as may be determined from time to time by the Clearing House) (such amount, the "**Capped Amount**"). For the avoidance of doubt, amounts will only be paid under this stage (3) if and to the 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 amounts equal to the Contributions of all Clearing Members);

(4) fourth, by recourse to any insurance cover or analogous arrangement (to the extent that it is available);

(5) fifth, by recourse to the indemnities given under Regulation 310 by Clearing Members other than the Defaulter (which shall be satisfied by set-off against the Clearing House's obligation to repay amounts equal to the relevant Contributions of such Clearing Members); and

(6) sixth, by recourse to any other indemnities, guarantees, undertakings or monies provided by Clearing Members.

Regulation 303 Contributions; Contractual Right of Repayment; Determining Required Amount of Contribution.

Contributions and Right of Repayment. Each Clearing Member shall, from time to time, pay to the Clearing House one or more sums of cash (each a "**Contribution**") in an amount calculated by the Clearing House in accordance with these Default Fund Regulations. Where the context requires, references in the Rulebook or other related documents to a Clearing Member's "Contribution" means, as of any given time, an amount equal to (x) the amount such Clearing Member has actually paid to the Clearing House as Contributions *less* (y) any repayments by the Clearing House to such Clearing Member in respect of its Contributions *less* (z) any amounts in respect of such Contributions that have been applied by the Clearing House to one or more Defaults pursuant to these Default Fund Regulations (or otherwise set off in accordance with the Rulebook). Each Clearing Member's Contribution represents a payment to the Clearing House and upon its payment becomes the sole property of the Clearing House and no Clearing Member shall have any right or interest (whether at law or in equity) in such Contribution.

Each Clearing Member shall have, in respect of its Contribution from time to time, a contractual right (under these Regulations) of repayment from the Clearing House of an amount equal to its Contribution paid to the Clearing House from time to time, at the times and on the terms and subject to the conditions and adjustments as set forth in these Default Fund Regulations and other applicable provisions of the Rulebook. For the avoidance of doubt, the contractual right of a Clearing Member to a repayment of an amount equal to its Contribution referred to above shall be accounted for by the Clearing House solely as a contingent account payable and no assets of the Clearing House (whether held in the Default Fund or otherwise) shall be required to be segregated or separated in respect of Contributions (other than the general separation of the Clearing House's assets held in the Default Fund from the Clearing House's other assets, pursuant to Regulation 301(b)).

Determination of Required Contribution. Each Clearing Member's required Contribution from time to time (not including any required payment of an 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 a Clearing Member becomes admitted as a Clearing Member, and~~ at the close of business on the first Business Day of each ~~subsequent~~ month, and otherwise in accordance with paragraph (~~l~~q) below (each a "**Determination Date**"); ~~provided, however, that following a Default, any such~~. In addition, the amount payable in respect of the Contribution of a Clearing Member which is a New Member will be determined on the date that the relevant New Member joins the Clearing Service. Notwithstanding the foregoing, following a Default, any determinations on a Determination Date and any such Determination Date which might otherwise have occurred under this Regulation 303 shall be suspended for the duration of the period (the "**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 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 end of the period referred to in (i) above (or such period as has already been extended pursuant to this sub-paragraph (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 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) 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 Contract Business (for a given scenario).

(c) The "**Fund Amount**" shall be denominated in U.S. Dollars, and, for a given Determination Date, shall be the largest of the 60 Combined Loss Values (determined under paragraph (b) above) plus 10%. The Fund Amount for a given Determination Date shall not be less than the amount calculated by multiplying the number of Clearing Members on the relevant date by the Minimum Contribution (the "**Fund Floor**") and shall not be more than $5,000,000,000 (the "**Fund Cap**").

(d) The "**Tolerance Amount**" shall be the value of that portion of the Default Fund which relates to those Default Fund resources which have been determined by the Clearing House as being required in relation to SwapClear Tolerance.

(e) The "**Tolerance Weight**" of a Clearing Member (other than a Clearing Member which is a New Member) shall be calculated by dividing (i) the average Tolerance Utilization of the relevant Clearing Member during the 20 Business Day period preceding the relevant Determination Date in respect of all Contracts to which such Clearing Member clears, which average shall be calculated by adding together the peak Tolerance Utilization of such Clearing Member for each relevant Business Day and then dividing such sum by 20; provided, that: for Clearing Member where the peak Tolerance Utilization does not yet exist or is otherwise unavailable in respect of a Business Day, the Clearing House shall estimate the relevant peak Tolerance Utilization by reference to the actual or expected level of clearing activity of the relevant Clearing Member in relation to Contracts; by (ii) the total of such average Tolerance Utilizations of all Non-Defaulting Clearing Members other than New Members.

(f) The value of the "**Tolerance Contribution Amount**" of: (i) a Clearing Member (other than a New Member) shall be calculated by multiplying the Tolerance Amount by the Clearing Member's Tolerance Weight, provided that (A) where that calculation results in a value which is less than or equal to $10,000,000 (or such lower amount as the Clearing House may establish), or in the case of a New Member, the value of the relevant Clearing Member's Tolerance Contribution Amount shall be $10,000,000 (or such lower amount as the Clearing House may establish); and (B) where that calculation results in a value which is greater than or equal to $40,000,000, the value of the relevant Clearing Member's Tolerance Contribution Amount shall be $40,000,000; and (ii) a New Member shall be $10,000,000 (or such lower amount as the Clearing House may establish); provided further, that where, as a result of the adjustments in individual Clearing Member Tolerance Contribution Amounts as described in this paragraph, the aggregate of the Tolerance Contribution Amounts is greater or less than the Tolerance Amount the Clearing House will adjust each Clearing Member's

individual Tolerance Contribution Amounts such that the aggregate of the Tolerance Contributions equals the Tolerance Amount.

(g) The "**Non-Tolerance Amount**" shall be the value of that portion of the Default Fund which relates to Default Fund resources other than those which have been determined by the Clearing House as being required in relation to SwapClear Tolerance.

(h) ~~(d)~~ The "**Non-Tolerance Weight**" of a Clearing Member~~'s "**Margin Weight**"~~ (other than a New Member) shall be calculated by dividing (i) the average daily ~~requirement for Initial~~Required Margin (as calculated under the ~~Rulebook and as set forth by the Clearing House) which has applied to the~~Procedures or other arrangements applicable) applicable to such Clearing Member during the 20 ~~Business Day~~business day period preceding the relevant Determination Date in respect of all Contracts ~~to~~ which such Clearing Member ~~is a party~~clears by (ii) the total of such average daily ~~requirements~~Required Margin applied to all Non-Defaulting Clearing Members (other than New Members).

(i) ~~(e)~~ The ~~Clearing Member's "**Preliminary**~~"**Non-Tolerance Contribution**~~"~~ **Amount**" of a Clearing Member other than a New Member shall be calculated by multiplying ~~the Fund Amount by the~~that Clearing Member's ~~Margin~~Non-Tolerance Weight~~;~~ by the Non-Tolerance Amount.

(j) For the avoidance of doubt, the required Contribution of a Clearing Member at any given time, other than a New Member, is equal to the sum of the Non-Tolerance Contribution Amount and the Tolerance Contribution Amount applicable to such Clearing Member at such time. The required Contribution applicable to a New Member shall be calculated in accordance with paragraph (r) below.

(k) ~~(f)~~ If ~~the~~a Clearing Member's ~~Preliminary~~Non-Tolerance Contribution Amount (calculated in accordance with paragraph (i) above) is below the Minimum Non-Tolerance SwapClear Contribution for the time being, the Clearing Member's Non-Tolerance Contribution Amount shall be adjusted so as to be the Minimum ~~Contribution.~~Non-Tolerance Contribution; provided, that where, as a result of the adjustments in individual Clearing Member Non-Tolerance Contributions Amounts as described in this paragraph the aggregate of the Non-Tolerance Contribution Amounts of all Clearing Members is greater than the Non-Tolerance Amount, the Clearing House will adjust individual Non-Tolerance Contribution Amounts such that the aggregate of the Non-Tolerance Contributions equals the Non-Tolerance Amount;

(l) ~~(g)~~ The "**Actual Total**" shall be calculated by adding together (i) the amount which is the product of the Minimum Non-Tolerance Contribution and the number of Minimum Contribution Members; ~~and~~ (ii) the aggregate ~~Preliminary Contributions~~Non-Tolerance Contribution Amounts (calculated in accordance with paragraph (i) above) of those Clearing Members which are not Minimum Contribution Members; (iii) the aggregate Tolerance Contribution Amounts of all Clearing Member other than New Members; and (iv) the aggregate Contributions of all New Members.

(m) ~~(h)~~ Where the Actual Total is greater than the Fund Cap, the "**Excess**" shall be the arithmetical difference between the Actual Total and the Fund Cap.

(n) ~~(i)~~ Where the Actual Total is less than the Fund Floor, the "**Shortfall**" shall be the arithmetical difference between the Fund Floor and the Actual Total.

(o) ~~(j)~~ For each Clearing Member other than a Minimum Contribution Member or New Member: (i) the Clearing Member's "**Discount**" (if any) shall be such Clearing Member's *pro rata* share of the Excess calculated as the proportion of such Clearing Member's ~~Preliminary~~Non-Tolerance Contribution Amount relative to the aggregate ~~Preliminary Contributions~~Non-Tolerance Contribution Amounts of all Clearing Members other than Minimum Contribution Members and New Members; and (ii) the Clearing Member's "**Increase**" (if any) shall be such Clearing Member's *pro rata* share of the Shortfall calculated as the proportion of such Clearing Member's ~~Preliminary~~Non-Tolerance Contribution Amount relative to the aggregate ~~Preliminary~~Non-Tolerance Contributions of all Clearing Members other than Minimum Contribution Members and New Members.

(p) ~~(k)~~ For each Clearing Member other than a Minimum Contribution Member or a New Member, the Clearing Member's Non-Tolerance Contribution Amount shall be ~~the Preliminary Contribution (i) less~~adjusted by (i) the subtraction of any Discount applicable to the Clearing Member or (ii) ~~plus~~the addition of any Increase applicable to the Clearing Member; provided, that if the application of any Discount would result in a Non-Tolerance Contribution ~~amount~~Amount of a Clearing Member that is less than the Minimum Non-Tolerance Contribution, such Clearing Member shall pay the Minimum Non-Tolerance Contribution with respect to the Non-Tolerance Contribution Amount applicable to it, notwithstanding that the arithmetical sum of Contributions paid by all Clearing Members may thereby exceed the Fund Cap.

(q) ~~(l)~~ The Clearing House may recalculate the Fund Amount and the Contributions due from each Clearing Member on any Business Day if the largest of the 60 Combined Loss Values (determined under paragraph (b) above) on that day differs by more than 25% from the Combined Loss Value on which the previous Contribution determination was based and, on such Business Day, the Clearing House shall be entitled to require those Clearing Members whose portfolios have caused the increase in the Combined Loss Value to pay an additional amount in respect of their required Contributions.

(r) ~~(m)~~ New Member Contribution. Without prejudice to any other requirements which the Clearing House may impose, the required amount of the Contribution of a New Member shall be the sum of (a) the Minimum Non-Tolerance Contribution; (b) the Tolerance Contribution Amount; and (~~b~~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.

(s) ~~(n)~~ For the purposes of the calculations made under this Regulation 303:

(i) references to Clearing Members do not include references to Defaulting Clearing Members (apart from any Defaulting Clearing Member in respect of which the Clearing House permits the application of this Regulation) or persons which were formerly Clearing Members but are not Clearing Members at the Determination Date at which the relevant determination is made;

(ii) the amount of required Contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand Dollars, notwithstanding that the arithmetical sum of Contributions paid by all Clearing Members may thereby exceed the Fund Cap; and

(iii) no account shall be taken, in calculating Initial Margin or ~~Margin~~Non-Tolerance Weight of any offsets in the Initial Margin required for Contracts from a Clearing Member, which may otherwise be permissible under the Procedures or other applicable arrangements.

Regulation 304 Payment of Contributions

Upon determination of the amount of a required Contribution in accordance with Regulation 303:

(a) If the amount of the required Contribution of a Clearing Member immediately before close of business on the relevant Determination Date exceeds the amount of the Clearing Member's Contribution as determined under Regulation 303 as at close of business on that day, an amount equal to the excess shall be repaid by the Clearing House to such Clearing Member in the manner set forth in the Procedures, and upon such repayment both the value of such Clearing Member's Contribution and the value of its contractual right (pursuant to these Regulations) to receive a repayment of an amount equal to its Contribution shall be reduced by the amount of such repayment by the Clearing House.

(b) If the amount of the required Contribution of a Clearing Member immediately before close of business on the relevant Determination Date is the same as the amount of the Clearing Member's Contribution as so determined, no sum shall then be payable by or to such Clearing Member in respect of its Contribution.

(c) If the amount of the required Contribution of a Clearing Member immediately before close of business on the relevant Determination Date is less than the amount of the Clearing Member's Contribution as so determined, an amount equal to the shortfall shall be paid by such Clearing Member to the Clearing House in the manner set forth in the Procedures, and upon such payment the paid amount shall become a part of such Clearing Member's Contribution.

The provisions of this Regulation 304 do not apply to a Defaulting Clearing Member, unless the Clearing House so permits in any particular case.

Regulation 305 Certain Terms Applicable to Contributions

(a) Subject to Regulations 305(b) and 305(c), and subject to Regulation 316, an amount equal to the outstanding balance of a Clearing Member's Contribution (or, as appropriate, part thereof) shall be repayable to the Clearing Member on the earliest to occur of the following events:

(i) if the Clearing Member is not a Defaulter, the effective date of termination of the Clearing Member's status;

(ii) if the Clearing Member has become a Defaulter, the date or event appointed by the Clearing House for repayment of sums due to the Clearing Member under Regulation 206;

(iii) the amount of the required Contribution being reduced by virtue of the recalculation of its amount in accordance with Regulation 303; provided, that in this case the Clearing House shall only repay to the Clearing Member an amount equal to such reduction;

(iv) the Clearing House making an Insufficient Resources Determination pursuant to Regulation 320; and

(v) the expiry of a period of 50 years from the date on which the Contribution was paid to the Clearing House.

(b) If a Clearing Member becomes a Defaulter, the Clearing House shall as soon as practicable after any Margin Cover has been applied pursuant to Regulation 302, certify one or more net sums then payable by the Defaulter to the Clearing House (a "**Default Loss**"), disregarding for this purpose any of the Defaulting Clearing Member's Contributions. If the Clearing House certifies any Default Loss, an amount equal to the Defaulting Clearing Member's Contributions shall immediately become due and payable to the Clearing House, but only in an amount not exceeding the total Default Loss.

(c) If an amount becomes payable by the Clearing Member under Regulation 310, the portion of the Clearing Member's Contribution equal to such amount shall immediately become due and repayable to the Clearing House as a further required Contribution.

Regulation 306 Interest Payable in Respect of Contributions

Interest shall accrue on an amount equal to the Clearing House's contingent obligation to repay a Clearing Member's Contribution from the time such Contributions are paid until such time that they are repaid to the Clearing Member or until such time that they (or any portion thereof) are applied or offset under Regulation 308, Regulation 310 or as otherwise provided under the Rulebook, in such manner as provided by the Procedures, and at a rate of interest linked to the Fed Funds Rate published on a particular day (or, in relation to any day for which a Fed Funds Rate is not available, the Fed Funds Rate most recently published before such day), but determined by the Clearing House in its sole discretion in light of market conditions at each applicable time by the Clearing House, and notified by the Clearing House to the Clearing Members. In the event that the Fed Funds Rate is negative, interest shall be payable by the Clearing Members to the Clearing House.

Interest shall be payable by the Clearing House to the Clearing Members in arrears and shall be paid on the date or dates specified by the Procedures. In these Default Fund Regulations any interest which has accrued under this Regulation shall not be regarded as part of the Contribution of any Clearing Member.

Regulation 307 No Assignment of Right to Receive Repayment; No Encumbering of Contributions

A Clearing Member's right to repayment of an amount equal to its Contribution or any part of it shall not be capable of assignment by the Clearing Member to any other person. As set forth in Regulation 303, each Clearing Member's Contribution represents a payment to the Clearing House and upon payment becomes the sole property of the Clearing House and no Clearing Member shall have any right or interest in such Contribution except for the security interest as set forth in Regulation 303. As such, Contributions are not capable of being charged or subject to any other form of security interest, other than by the Clearing House to the Clearing Members as expressly set forth in Regulation 303. Any purported charge or assignment by a Clearing Member (whether by way of security or otherwise) of its Contributions shall be void, and shall be considered a breach of the Rulebook. A Clearing Member shall not otherwise encumber (or seek to encumber) its Contributions.

Without prejudice to any other right of set-off or application of funds to which the Clearing House may be entitled, in the event of a Default and the certification by the Clearing House of a Default Loss under Regulation 305(b) in respect thereof, the Clearing House shall without notice set off in or towards satisfaction of any sums payable to the Clearing House by the Defaulter under Regulation 305(b) by cancelling such Defaulter's contractual right to receive repayment from the Clearing House in respect of its Contribution. If the Clearing House is to have recourse, in accordance with Regulation 302, to the indemnities, guarantees, undertakings or monies provided by Clearing Members other than the Defaulter, as soon as practicable the Clearing House shall certify (by a "**Recourse Certificate**"):

(a) the amount of the Defaulter's Contribution applied under this Regulation and the net sum (if any), or each net sum (if more than one), then immediately payable by the Defaulter to the Clearing House, taking into account for this purpose the Defaulter's Contribution; and

(b) the extent to which any sums so payable by the Defaulter to the Clearing House but unpaid may be claimed by the Clearing House under a policy of insurance or analogous instrument relating to Default Losses.

The Clearing House may issue more than one Recourse Certificate in relation to losses arising upon any Default. Where a Recourse Certificate is to be issued, the Clearing House may assume that no further recoveries will be made in respect of obligations of the Defaulting Clearing Member beyond the value obtained by the Clearing House by setting off any repayment obligation of the Clearing House to the Defaulting Clearing Member in respect of its Contribution.

Regulation 309 Exercise of Clearing House Rights under Regulation 308

The Clearing House may in the exercise of the right conferred by Regulation 308 set off the amount repayable (in accordance with Regulation 305(b)) to a Defaulter in respect of the Defaulter's Contribution or any part thereof against sums owing to the Clearing House on any account of such Defaulter (including any Omnibus Client Swaps Accounts with LCH), and the Clearing House shall have unfettered discretion in this regard; provided, that the Clearing House shall not set off any repayment obligation to a Defaulter in respect of the Defaulter's Contribution in connection with its application of the Defaulter's Contribution to any Omnibus Client Swaps Account with LCH of the Defaulter except to the extent that any Default Loss certified under Regulation 305(b) arises in relation to an Omnibus Client Swaps Account with LCH and the Clearing House so requires.

Regulation 310 Application of Fund and Indemnity

By virtue of the Clearing Membership Agreement and the Rulebook, and subject to Regulation 311, each Clearing Member indemnifies the Clearing House in respect of the aggregate of the Excess Losses calculated in respect of the Defaults of Clearing Members occurring in a Default Period in an aggregate amount not exceeding the amount due from it as its Contribution on the Determination Date immediately prior to the commencement of the relevant Default Period together with any Unfunded Contribution that the Clearing House has called or would be entitled to call from such Clearing Member during such Default Period.

The amount owed by a Clearing Member to the Clearing House in respect of each Excess Loss shall be as determined in accordance with the Clearing Member's *pro rata* share of such loss arising upon the relevant Default calculated as the proportion of such Clearing Member's relevant required Contribution relative to the aggregate relevant required Contributions of all Clearing Members other than the relevant Defaulter at the time of the relevant Default. Such amount so due shall become immediately payable automatically (without any obligation on the part of the Clearing House to make demand on the Clearing Member) upon the issue by the Clearing House of the applicable Recourse Certificate, and such payment to the Clearing House shall occur automatically by immediately reducing the amount that the Clearing House is contractually required to repay (pursuant to these Default Fund Regulations) to such Clearing Member in respect of its Contribution (without prejudice to any other right of set-off or application of funds to which the Clearing House may be entitled); provided, that to the extent that such amount due to the Clearing House exceeds the current amount that the Clearing House is required to repay to the Clearing Member, then such excess shall be immediately due and payable by the Clearing Member to the Clearing House. Without prejudice to any other right of set-off or application of funds to which the Clearing House may be entitled, the Clearing House shall forthwith without notice set off any amount due in accordance with Regulation 305 to a Clearing Member in respect of the relevant Contribution of such Clearing Member in or towards satisfaction of the amount payable by such Clearing Member under this Regulation 310.

Regulation 311 Additional Excess Losses Due to Additional Defaults

This Regulation applies to a first Defaulter (the "**First Defaulter**") where an amount equal to the Contribution of the First Defaulter has not been repaid to the First Defaulter or applied by the Clearing House under Regulation 307, and Excess Losses arise upon the Defaults of other Clearing Members. Where this Regulation applies, Regulation 309 shall have effect with the following modifications:

(a) the balances (if any) of the First Defaulter's Contribution may be applied under Regulation 310 in respect of such relevant Excess Losses up to and including the date three months after the date of issue of the Default Notice in respect of the First Defaulter's Default; and

(b) after the date three months after the date of issue of such Default Notice, the balances (if any) of the First Defaulter's Contribution may not be applied under Regulation 310 in respect of such relevant Excess Losses, but they may be retained on account of losses arising upon the First Defaulter's own Default, and for the purposes of Regulation 310 they shall be disregarded.

Regulation 312 Notice

The Clearing House shall give notice to each Clearing Member as soon as practicable after an amount has become due in accordance with Regulation 310 and of the manner in which it has been satisfied.

Regulation 313 Delay in Clearing House's Ability to Issue Recourse Certificates

If, in relation to a Default, the Clearing House has been unable to certify in any Recourse Certificates issued on or before the Determination Date immediately after the Default all sums which may be or become due to the Clearing House from the Defaulter (because such sums will not or may not become liquidated or for any other reason payable until a later date), the Clearing House shall be permitted to defer repayment of any portion of a Contribution otherwise due to a Clearing Member under the Rulebook and further as Margin for the performance by such Clearing Member of its obligation to indemnify the Clearing House in relation to any Excess Loss not yet certified. In fulfillment of this requirement the Clearing House may take any step which appears to the Clearing House to be appropriate, and the steps so taken may include the estimation of the amount of Excess Losses which may become certified after the relevant Determination Date as appropriate, and application of Regulation 310 as if such estimated amount were already realized as an Excess Loss. The Clearing House shall notify Clearing Members of any steps taken under this Regulation.

Regulation 314 Reduction of Fund Amount and Contributions

Where, after a Default, the Clearing House has applied part or all of a Contribution under Regulation 308 or Regulation 310 (by cancellation of the Clearing House's obligation to repay a Clearing Member in respect of such Contribution), the Fund Amount shall be reduced forthwith by the aggregate amount of the Contributions or parts of Contributions so applied and the amount of the Contribution payments that each Clearing Member must maintain with the Clearing House shall be reduced by the amount of its Contribution which has been applied pursuant to Regulation 310, in each case until the next Determination Date. Unless and until the Clearing House has repaid an amount equal to a Defaulter's Contribution (or remaining portion thereof, as applicable), the Fund Amount shall be treated as having been reduced by the amount of the Defaulter's Contribution (if any), regardless of whether the Clearing House has applied part or all of that Contribution under Regulation 308.

Regulation 315 Payment of Unfunded Contributions

Where, after a Default, the Clearing House determines that (i) by reason of a reduction in accordance with Regulation 314, the value of the Fund Amount has been reduced by at least 25%; or (ii) by the time of the Default Management Process Completion Date in relation to the relevant Default the value of the Fund Amount will be reduced by at least 25%, the Clearing House may, by notice in writing (the "**Unfunded Contribution Notice**"), require each Non-Defaulting Clearing Member to pay an amount to the Clearing House (each an "**Unfunded Contribution**") in accordance with the following provisions:

(a) Unfunded Contributions will only be payable in circumstances where the relevant Unfunded Contribution Notice is delivered by the Clearing House to Clearing Members prior to the Default Management Process Completion Date in relation to the relevant Default;

(b) the value of the Unfunded Contribution payable by each individual Clearing Member shall be the product of (x) the percentage by which the value of the Fund Amount has been reduced and (y) the value of the Contribution of such Clearing Member as at the last Determination Date prior to the date when the relevant Default occurred;

(c) the Clearing House may, by the delivery of one or more further Unfunded Contribution Notices, require each Non-Defaulting Clearing Member to pay one or more further Unfunded Contributions in respect of the same Default; provided, that the total value of the Unfunded Contributions payable by an individual Clearing Member in respect of a particular Default (determined in accordance with paragraph (b) above) may not exceed the value of the Contribution of such Clearing Member as at the last Determination Date prior to the date when the relevant Default occurred; and

(d) following a Default in respect of which Unfunded Contributions were paid (the "**First Default**"), the Clearing House may require the payment of further Unfunded Contributions in respect of subsequent Defaults, (which, for the avoidance of doubt, can never be a First Default), provided, that Unfunded Contributions will not be payable in respect of any more than three Defaults in any six month period (commencing on the date of delivery of the first Unfunded Contribution Notice in respect of the First Default).

Clearing Members will be required to pay the full amount of their Unfunded Contributions (without exercising any rights of set-off or counterclaim) with the Clearing House on the Business Day following receipt of an Unfunded Contribution Notice. Upon payment by a Clearing Member of an amount equal to its Unfunded Contribution, such amount shall be deemed to be a part of such Clearing Member's Contribution and shall be treated as such for purposes of Regulation 303 and all other provisions of the Rulebook.

For the avoidance of doubt, references to Clearing Members for the purposes of this Regulation 315 include any Clearing Member (other than a Defaulting Clearing Member) who is a Retiring Member but whose status as a Clearing Member has not yet been terminated.

Regulation 316 Cessation of Clearing Member Status

(a) Subject to Regulation 316(b), if a Determination Date occurs after the giving of notice by or in respect of any Retiring Member, and before the termination of such Retiring Member's Clearing Member status:

(i) if the Retiring Member is not a Defaulter, the amount of such Retiring Member's required Contribution shall be determined by the Clearing House on the basis set out in Regulation 303 without regard to the impending termination of such Retiring Member's Clearing Member status, and the provisions of Regulation 304 shall apply in respect of such Contribution accordingly;

(ii) if the Retiring Member is a Defaulter, the balance of that Retiring Member's Contribution after any part of it has been applied under Regulation 308 or Regulation 310 shall not be subject to adjustment under Regulation 303, and Regulation 304 shall not apply to such Retiring Member.

Notwithstanding the foregoing, in such circumstances the amounts of the respective Contributions of all Clearing Members other than any Retiring Member shall be determined by the Clearing House on the basis set out in Regulation 303, but disregarding for all purposes any Clearing Member which is a Retiring Member, in particular disregarding such Clearing Member's daily ~~requirement for~~aggregate Required Margin and such Clearing Member's daily number of Contracts and treating any such Retiring Member as no longer being a Clearing Member.

(b) This Regulation applies at the Determination Date after a Retiring Member has given notice of termination of its Clearing Member status, where another Clearing Member (the "**Continuing Member**") has arranged to undertake clearing on behalf of the Retiring Member. If, in the opinion of the Clearing House, the required Contribution of the Continuing Member determined under the Regulation 303 does not fairly reflect the Continuing Member's share of clearing activity, the Clearing House may determine the required Contribution of the Continuing Member as if the ~~Margin~~Non-Tolerance Weight of the Retiring Member were part of the ~~Margin~~Non-Tolerance Weight of the Continuing Member. If the Clearing House determines the required amount of a Continuing Member's Contribution under this Regulation, the Clearing House shall give notice to the Continuing Member, and the provisions of Regulation 316(a) shall not apply.

(c) A Retiring Member shall, until the completion of the process set out in Regulation 205 in relation to any Default, continue to be liable under its Regulation 310 indemnity in respect of Excess Losses arising upon such Default, notwithstanding that the Clearing Member status of the Retiring Member has terminated before that time. While a Retiring 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 Excess Losses not yet certified, subject to such cover not exceeding the Retiring Member's required Contribution at the time of the termination of its clearing membership. In fulfillment 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 an amount equal to the Retiring Member's Contribution. The Clearing House shall notify the Retiring Member of any steps taken under this Regulation.

Regulation 317 Recoveries from Defaulters

In the event that all or part of the Contributions of any Clearing Member have been applied in accordance with Regulation 310 and there is subsequently a Net Recovery actually received by the Clearing House from the relevant Defaulter, the Clearing House shall deposit an amount equal to Net Recovery into the Default Fund or, if the amount of the Net Recovery exceeds the amounts applied in accordance with Regulation 310 in relation to the relevant Default, the Clearing House shall deposit an amount equal to such lower amount. Upon such a deposit, the Clearing House shall apply the amount of the deposit *pro rata* to each Clearing Member (whether or not it remains at the relevant time a Clearing Member of the Clearing House) in accordance with the amounts of each such Clearing Member applied in accordance with Regulation 310, by adjusting the applicable Contributions and the corresponding contractual rights of repayment applicable to each such Clearing Member.

Regulation 318 Loss Distribution Process

Where, after a Default, the Clearing House determines that the Excess Loss resulting from the Default will exceed the amounts to be applied to it under Regulation 302(1) to Regulation 302(6), the Clearing House may implement the process (the "**Loss Distribution Process**") described in this Regulation 318.

(a) For the purposes of this Regulation 318 and for Regulation 320, the following definitions will apply:

"**Actual Base Currency Gains, Losses and Realized Cash Flows by Cash Payment**" means, in respect of each Cash Payment and any Business Day, the sum of the Pre Haircut Base Currency Gains, Losses and Realized Cash Flows by Cash Payment and any Cash Gainer Base Currency Adjustment to Cash Payment or Cash Loser Base Currency Adjustment to Cash Payment.

"**Available Resources**" means, in respect of any Loss Distribution Period, the amounts available to the Clearing House for application in meeting any loss suffered or incurred by the Clearing House in accordance with Regulation 302(1) to Regulation 302(6) as at the relevant Last Call Prior to Default.

"**Cash Gain**" means, in respect of any Cash Gainer and any Loss Distribution Day, the amount of positive Cumulative Pre Haircut Base Currency Gains Losses and Realized Cash Flows in respect of such Cash Gainer in respect of such Loss Distribution Day.

"**Cash Gainer**" means, in respect of any Loss Distribution Day, each Margin Account in respect of which the value of the Cumulative Pre Haircut Base Currency Gains Losses and Realized Cash Flows on such Loss Distribution Day is greater than zero.

"**Cash Gainer Base Currency Adjustment to Cash Payment**" has the meaning set out in paragraph (b)(i) of this Regulation 318.

"**Cash Gainer Payment Currency Adjustment to Cash Payment**" has the meaning set out in paragraph (b)(i) of this Regulation 318.

"**Cash Loser**" means, in respect of any Loss Distribution Day, each Margin Account in respect of which the value of the Cumulative Pre Haircut Base Currency Gains Losses and Realized Cash Flows on such Loss Distribution Day is equal to or less than zero.

"**Cash Loser Base Currency Adjustment to Cash Payment**" has the meaning set out in paragraph (b)(ii) of this Regulation 318.

"**Cash Loser Payment Currency Adjustment to Cash Payment**" has the meaning set out in paragraph (b)(ii) of this Regulation 318.

"**Cash Payment**" means, in respect of any Business Day, the aggregated amount which would be paid by the Clearing House to a Non-Defaulting Clearing Member (expressed as a positive number) or by such Clearing Member to the Clearing House (expressed as a negative number) in respect of a Cash Payment Type in a Cash Payment Currency on such Business Day.

"**Cash Payment Currency**" means each of the 17 currencies in which payments made between the Clearing House and a Clearing Member may be denominated.

"**Cash Payment Type**" means each of the Price Alignment Interest, coupon payments, consideration (fee) payments and ~~variation margin~~Variation Margin payable in respect of a Margin Account of a Non-Defaulting Clearing Member.

"**Cumulative Actual Base Currency Gains, Losses and Realized Cash Flows**" means, in respect of each Margin Account of each Non-Defaulting Clearing Member and any Business Day, the sum of the Cumulative Actual Base Currency Gains, Losses and Realized Cash Flows by Cash Payments payable on such Margin Account.

"**Cumulative Actual Base Currency Gains, Losses and Realized Cash Flows by Cash Payment**" means, in respect of each Cash Payment and any Business Day, the aggregate amount, if any, paid by the Clearing House to a Non-Defaulting Clearing Member (expressed as a positive number) or by such Clearing Member to the Clearing House (expressed as a negative number) in respect of Actual Base Currency Gains, Losses and Realized Cash Flows by Cash Payment from but excluding the relevant Last Call Prior to Default to and including such Business Day.

"**Cumulative LCH Transfer Cost**" means, on any Business Day during any Loss Distribution 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.

"**Cumulative Pre Haircut Base Currency Gains Losses and Realized Cash Flows**" means, in respect of each Margin Account of each Non-Defaulting Clearing Member and any Business Day, the sum of the Cumulative Pre Haircut Base Currency Gains Losses and Realized Cash Flows by Cash Payments payable on such Margin Account.

"**Cumulative Pre Haircut Base Currency Gains Losses and Realized Cash Flows by Cash Payment**" means, in respect of each Cash Payment and any Business Day, the sum of the Pre Haircut Base Currency Gains, Losses and Realized Cash Flows by Cash Payment for such Cash Payment for each day from but excluding the relevant Last Call Prior to Default to and including such Business Day.

"**Distribution Haircut**" or "**DH**" means, on each Loss Distribution Day, the fraction determined by the Clearing House in accordance with the following formula:

$$DH(t) = LUL(t) / TCG(t)$$

where:

"**LUL**" means the LCH Uncovered Loss; and

"**TCG**" means the Total Cash Gains.

"**Last Call Prior to Default**" means the most recent Business Day on which payments of Margin required to be made by Clearing Members were made in full.

"**LCH Transfer Cost**" means the cost (converted, where applicable, into U.S. dollars at a rate of exchange determined by the Clearing House in its sole discretion) to the Clearing House of transferring the rights and obligations arising out of the Auction Portfolios of a Defaulting Clearing Member to those Clearing Members who have successfully bid for such Auction Portfolios in Auctions.

"**LCH Uncovered Loss**" means, in respect of the Clearing House on any Business Day in any Loss Distribution Period, the amount calculated in accordance with the following formula:

LCH Uncovered Loss(t) = Max (0, (TCPH (t) + CLC(t) - TAR))

where:

"**TCPH**" means the Total Cumulative Pre Haircut Base Currency Gains losses and Realized Cash Flows;

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

"**TAR**" means the Total Available Resources; 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 Clearing Member and any Loss Distribution Period, an amount equal to the higher of (i) $100,000,000; (ii) the product of (a) 100 per cent. and (b) the Contribution of such Non-Defaulting Clearing Member as at the last Determination Date prior to the date when the Default occurred at the beginning of that Loss Distribution Period; and (iii) any adjusted cap as may be agreed pursuant to paragraph (d) of this Regulation 318.

"**Loss Distribution Day**" means any Business Day in a Loss Distribution Period on which the Clearing House, in consultation with the DMG, prior to calling for: (i) Margin in accordance with the provisions of the Procedures; and (ii) Required Margin, 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 a Clearing Member to but excluding the earlier of: (i) the Business Day on which (a) the rights and obligations arising out of the Auction Portfolios of the Defaulting Clearing Member are transferred to those Clearing Members which have successfully bid for such Auction Portfolios in Auctions, or, if any Default occurs with respect to any other Clearing Member prior to the end of a Loss Distribution Period, the rights and obligations arising out of the Auction Portfolios of any subsequent Defaulting Clearing Member are transferred to those Clearing Members who have successfully bid for such Auction Portfolios in Auctions and (b) all payments required to be made by such Clearing Members and/or the Clearing House in respect of such Auction(s) have been made in full; or (ii) any Loss Distribution Day in respect of which the Clearing House determines that the Clearing Member Adjustment Amount for any Clearing Member would be equal to or greater than the Loss Distribution Cap Amount for such Loss Distribution Day.

"**Margin Account**" means each Proprietary Account or Omnibus Client Swaps Account with LCH of a Clearing Member.

"**Payment Currency Adjustment to Cash Payment**" means one or more Cash Gainer Payment Currency Adjustment to Cash Payment(s) and/or one or more Cash Loser Payment Currency Adjustment to Cash Payment(s).

"**Pre Haircut Base Currency Gains, Losses and Realized Cash Flows by Cash Payment**" means, in respect of each Cash Payment and any Business Day, the amount (converted, where applicable, into dollars at the Rate of Exchange) which would be paid by the Clearing House to

a Non-Defaulting Clearing Member (expressed as a positive number) or by such Clearing Member to the Clearing House (expressed as a negative number) on such Business Day in the absence of the application of the Distribution Haircut.

"**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.

"**Clearing Member Adjustment Amount**" means in respect of the Margin Account(s) of any Non-Defaulting Clearing Member and any Loss Distribution Day, an amount equal to the sum of the Cumulative Pre Haircut Base Currency Gains Losses and Realized Cash Flows in respect of such Margin Account(s) of such Clearing Member less the sum of the Cumulative Actual Base Currency Gains, Losses and Realized Cash Flows in respect of such Margin Account(s) of such Clearing Member, in each case in respect of the Loss Distribution Period in which such Loss Distribution Day falls.

"**t**" means, in respect of any determination made in relation to a Business Day, such Business Day.

"**t-1**" means, in respect of any determination made in relation to a Business Day, the Business Day immediately prior to such Business Day.

"**Total Available Resources**" means, on any Business Day during a Loss Distribution Period the sum of (x) the Available Resources and (y) any Unfunded Contributions ~~deposited with~~paid to the Clearing House since the relevant Last Call Prior to Default.

"**Total Cash Gains**" means, in respect of any Business Day, the sum of the Cash Gain in respect of all Cash Gainers on such Business Day.

"**Total Cumulative Pre Haircut Base Currency Gains losses and Realized Cash Flows**" means, in respect of any Business Day the sum of all Total Cumulative Pre Haircut Base Currency Gains Losses and Realized Cash Flows by Cash Payments.

"**Total Cumulative Pre Haircut Base Currency Gains Losses and Realized Cash Flows by Cash Payment**" means, in respect of any Business Day, the sum of the Total Pre Haircut Base Currency Gains Losses and Realized Cash Flows by Cash Payment for each Business Day from but excluding the relevant Last Call Prior to Default to and including such Business Day.

"**Total Pre Haircut Base Currency Gains Losses and Realized Cash Flows by Cash Payment**" means, in respect of any Business Day, the sum of the Pre Haircut Base Currency Gains Losses and Realized Cash Flows by Cash Payment in respect of all Margin Accounts of all Non-Defaulting Clearing Members on such Business Day.

"**Underlying Cash Payment**" means, in respect of a Cash Gainer Base Currency Adjustment to Cash Payment or a Cash Loser Base Currency Adjustment to Cash Payment, the Cash Payment in respect of which such Cash Gainer Base Currency Adjustment to Cash Payment or Cash Loser Base Currency Adjustment to Cash Payment is calculated.

(b) Adjustment of Underlying Cash Payments.

(i) Cash Gainer.

On each Loss Distribution Day for each Margin Account of each Non-Defaulting Clearing Member which is deemed to be a Cash Gainer, the relevant Clearing Member shall be required to pay the Clearing House an amount equal to each positive amount determined as follows or, as applicable, the Clearing House shall be required to pay the relevant Clearing Member the absolute value of each negative amount determined as follows (in each case, such amount the "**Cash Gainer Payment Currency Adjustment to Cash Payment**"):

The Cash Gainer Payment Currency Adjustment to Cash Payment is the value of the amount determined in accordance with the formula below (the "**Cash Gainer 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 Gainer Base Currency Adjustment to Cash Payment (t) = PHG(t) – (CHG(t) * Max (0, 1 - DH(t)) – CAG(t-1))

"**PHG**" means the Pre Haircut Base Currency Gains Losses and Realized Cash Flows by Cash Payment;

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

"**DH**" means the Distribution Haircut; and

"**CAG**" means the Cumulative Actual Base Currency Gains, Losses and Realized 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 Clearing Member 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 Realized Cash Flows by Cash Payment;

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

"**CAG**" means the Cumulative Actual Base Currency Gains, Losses and Realized 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 Clearing Member.

(iv) Adjustment for exchange of notional amounts on maturity.

Where an exchange of notional amounts is applicable to any Contract on any Business Day during a Loss Distribution Period, the Clearing House may, following consultation with its risk committee or the 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. The Clearing House shall apply all payments it receives in respect of Cash Gainer Payment Currency Adjustment 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 Regulation 302(1) to Regulation 302(6).

(d) Adjustment to Loss Distribution Cap Amount. If, during a Loss Distribution Period, the Clearing House considers that the Cash Gainer Payment Currency Adjustment to Cash Payments applied to a particular Margin Account of a Clearing Member are, or are about to be equal to or greater than the Loss Distribution Cap Amount, the Clearing House may propose an adjustment to such Loss Distribution Cap Amount. If agreed by all Non-Defaulting Clearing Members, the Loss Distribution Cap Amount as adjusted pursuant to this paragraph (d) shall be applicable for the remainder of the relevant Loss Distribution Period.

(e) No Rebate. The payment to the Clearing House by any Clearing Member of any Cash Gainer Payment Currency Adjustment to Cash Payment 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.

(f) Application of any Recoveries. If the Loss Distribution Process has been invoked by the Clearing House in accordance with this Regulation 318, the Clearing House shall reimburse the Clearing Members (irrespective of whether they remain Clearing Members 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 Regulation 302(1) to

Regulation 302(6) and including the net amount of any one or more paid by the relevant Clearing Members:

(i) any amounts received from the Defaulting Clearing Member as a result of the Clearing House being a creditor of the Defaulting Clearing Member in the context of the occurrence of any of the events under Regulation 203(i) to (o) in respect of the Defaulting Clearing Member 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 Default Management Process or which are otherwise referable to the Defaulting Clearing Member,

in each case net of any related expenses incurred by the Clearing House or other sums owing to the Clearing House by the Defaulting Clearing Member. 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 Clearing Member's Default, any amounts recovered shall be applied *pari passu* as between the relevant default funds.

Regulation 319 Voluntary Payments

Where, after the Default of one or more Clearing Members, the Clearing House determines that, notwithstanding the availability of any resources remaining under Regulation 302(1) to Regulation 302(6) and the availability of the Loss Distribution Process in accordance with the terms of Regulation 318, it is clear that the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of those Contracts to which it is party with Non-Defaulting Clearing Members, the Clearing House will by notice in writing (a "**Voluntary Payment Notice**"): (x) inform all Non-Defaulting Clearing Members that it has insufficient resources and that it is likely to invoke Regulation 320 and (y) invite each Non-Defaulting Clearing Member to make a payment of funds (a "**Voluntary Payment**"), in accordance with Regulation 302(6), to make up for the relevant shortfall.

Voluntary Payments will be made on the following terms:

(a) no Clearing Member shall be obliged to make a Voluntary Payment;

(b) any Voluntary Payment will be made by a Clearing Member by the close of business on the Business Day after receipt of the relevant Voluntary Payment Notice;

(c) no Voluntary Payment may be withdrawn once made; and

(d) the Clearing House shall have full discretion whether or not to accept a particular Voluntary Payment.

Any failure by the Clearing House to deliver a Voluntary Payment Notice pursuant to this Regulation 319 will not invalidate any action taken by the Clearing House pursuant to Regulation 320 nor give rise to any liability whatsoever on the part of the Clearing House.

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

Regulation 320 Insufficient Resources

For the purposes of this Regulation 320, the definitions set forth in Regulation 318(a) will also apply to the extent such defined terms are used herein. Where, following the process for inviting Voluntary Payments in accordance with Regulation 319, 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 Contracts to which it is party with Non-Defaulting Clearing Members, the following provisions shall have effect:

(a) All outstanding 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 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 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~~Variation Margin requirement for the position to be closed out.

(b) On the basis of the close out values established for each outstanding Contract, an account shall be taken (as at the time of close out) of what is due in respect of each Clearing Member, from that Clearing Member to the Clearing House and from the Clearing House to that Clearing Member, as well as all other amounts owing under or in respect of Contracts and any other amounts that may be due in respect of the Clearing House's clearing services (including for these purposes, a proportionate share of any amounts owed generally to or from the Clearing House), and the sums due from the Clearing Member 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 Contracts shall include, but not be limited to, returns of ~~variation margin~~Variation Margin associated therewith and the repayment of any Net Cash Gainer Payment Currency Adjustment to Cash Payments made in the Default Period to which the Insufficient Resources Determination relates (and in respect of which Regulation 318(e) shall be specifically dis-applied), but shall exclude the repayment of any cash ~~initial margin~~Initial Margin or any outstanding Contributions.

To the extent that the aggregate of all of the amounts owed to the Clearing House by Clearing Members plus all of those other resources applicable to the Clearing House's clearing services under Regulation 302(1) to Regulation 302(6) that have not been applied towards an Excess Loss is less than the aggregate of the amounts owed to Clearing Members by the Clearing House, each amount owed to Clearing Members by the Clearing House shall be reduced pro rata the shortfall.

(c) The Clearing House shall determine any amounts due to each Clearing Member in respect of the repayment of any cash ~~initial margin~~Margin and outstanding Contributions to be repaid. The claim of each such Clearing Member in respect to the foregoing shall be reduced in proportion to an amount by which (x) the value of the assets available to the Clearing House to meet the return obligations referred to in (y) bears to (y) the value of what would be due from the Clearing House to each Clearing Member in aggregate in respect of the return of ~~initial margin~~Margin received from each such Clearing Member in the form of cash and outstanding Contributions.

(d) For each Clearing Member, the amount due to it or due from it as determined pursuant to paragraph (b) shall be aggregated with its claim determined pursuant to paragraph (c) above and only the net sum shall be payable. Where the result of such calculations is that a Clearing Member owes an amount to the Clearing House, that Clearing Member shall pay that amount to the Clearing House immediately. Where the result of such calculations is that a Clearing Member is owed an amount by the Clearing House, the Clearing House shall pay that amount to the Clearing Member immediately, subject to paragraph (f) below.

(e) The payment of such amount to a Clearing Member, pursuant to paragraph (d) above subject to any re-calculations performed pursuant to paragraph (f) below, shall constitute the full and final payment in respect of the Clearing House's clearing services and such Clearing Member shall not be permitted to make any further claims to the Clearing House in respect of amounts relating to the clearing services nor shall it be permitted take any actions pursuant to Regulation 117 for a failure to pay any amounts in relation to the clearing services.

(f) The Clearing House may make the payments due under paragraph (d) above in one or more installments to the Clearing Members in proportion to the value of their claims on the Clearing House under paragraph (b) above if some but not all of the amounts due under paragraph (d) above or under Regulation 302(1) to Regulation 302(6) have not yet been received. The Clearing House shall take reasonable steps to recover such amounts and may deduct therefrom reasonable administration costs for such recovery. To the extent that the Clearing House determines that any such amounts will not in fact be recoverable, it shall re-determine the amounts due to Clearing Members in accordance with this Regulation 320.

(g) This Regulation 320 shall not be applied in the event that a Clearing Member has validly taken action to close out its positions pursuant to Regulation 117.

(h) Nothing in the foregoing shall override the obligation of the Clearing House to return ~~initial margin~~Margin provided by way of security to a Clearing Member pursuant to the Regulations and the Procedures.

(i) In the case of an FCM Clearing Member, all obligations between the Clearing House and the FCM Clearing Member in respect of the FCM Clearing Member's Omnibus Client Swaps Account with LCH shall be determined separately under the provisions of this Regulation 320 from any other obligations between the Clearing House and such FCM Clearing Member, to the extent required by the CEA and the CFTC Regulations.

Regulation 321 Ballot Arrangements

(a) Notwithstanding anything to the contrary in the Rulebook, no proposal for any of the amendments set out in paragraphs (i) and (ii) below (each an "**Amendment**") shall be capable of coming into effect unless first approved in a vote by Clearing Members:

(i) any amendment to increase the value of the Fund Floor and/or the value of the Fund Cap, in each case as provided for in Regulation 303(c) or as subsequently approved in a ballot under paragraph (b) below; and

(ii) any amendment providing for a change in the nature of the liabilities for which a Clearing Member's indemnity is given by virtue of Regulation ~~310(c).~~310.

Notwithstanding the foregoing in this Regulation 321, the Clearing House may take any of the actions described in clauses (i) and (ii) above without the vote or any other approval of any Clearing Member, provided, that any such change is invoked unilaterally against all Clearing Members and is necessary (in the Clearing House's discretion) to comply with applicable law or regulation.

(b) With respect to any Clearing Member vote on an Amendment as required by paragraph (a) above:

(i) The Clearing House shall send details of the Amendment to all Clearing Members together with an explanatory statement and a voting paper, specifying a closing date by which completed voting papers are to be received by the Clearing House;

(ii) the procedure for the conduct of the vote (including the closing date and the method for return of voting papers) shall be determined by the Clearing House in its sole discretion; and

(iii) the Amendment shall be treated as approved only if the votes in favor of the Amendment represent both (A) more than 50% of those Clearing Members actually casting votes and (B) at least 75% of the aggregate Contributions (as calculated at the Determination Date immediately preceding the date of the Clearing House sends details of the Amendment in accordance with paragraph (i) above) of those Clearing Members actually casting votes.

An Amendment approved in accordance with this Regulation 321(b) shall take effect on all Clearing Members immediately upon the Clearing House updating the Rulebook to reflect such Amendment. Any Clearing Member that did not vote in favor of the Amendment and provides notice to the Clearing House within one week of such Amendment being reflected in the Rulebook shall be permitted to terminate its Clearing Membership with the Clearing House in accordance with the terms of its Clearing Membership Agreement. Any such terminating Clearing Member shall not be deemed to be in breach of the Rulebook to the extent it does not comply with the additional obligations arising from the Amendment (but only such additional obligations) during the period of time commencing on the date of notification to the Clearing House and ending on date of the final termination of its Clearing Member status (as determined in accordance with the terms of its Clearing Membership Agreement); provided, that such Clearing Member is not otherwise in breach of the Rulebook (disregarding the

application of the Amendment) or its Clearing Membership Agreement at any time during such period.

Regulation 322 Security Interests in Default Fund and Related Arrangements

The provisions of this Regulation 322, including ~~without limitation~~ the obligation of the Clearing House to provide Clearing Members a security interest in the assets held in the Default Fund account as provided in the Rulebook, shall not be in effect until such time as the Clearing House shall notify the Clearing Members via Clearing Member circular of their effectiveness, and the Clearing House shall have no obligation to comply with or satisfy any such obligations or provisions until such time.

(a) Security Interest. The Clearing House shall grant a security interest to each Clearing Member in the manner described in this Regulation 322, and such security interest shall be consistent with the following provisions:

(i) The security interest shall be a first security interest and shall attach only to the assets held in the segregated Default Fund account of the Clearing House and shall not attach to or be secured by any other accounts or assets of the Clearing House.

(ii) The security interest granted to each Clearing Member shall secure (A) the Clearing House's obligation to repay an amount equal to each such Clearing Member's outstanding Contribution and (B) all obligations of the Clearing House to such Clearing Member relating to its Contracts.

(iii) Each Clearing Member's security interest in the Default Fund account shall be on a *pro rata* basis with the other Clearing Members on the specific terms set out in the DF Security and Intercreditor Agreement.

(iv) No Clearing Member shall have the right to foreclose on the secured assets unless and until one of the events described in Regulation 117(a)(i), Regulation 117(a)(ii) or Regulation 117(a)(iii) shall have occurred.

(b) DF Security and Intercreditor Agreement.

(i) The Clearing House's grant of the security interests described in this Regulation 322 shall be effected solely through a security and intercreditor agreement (including any successor or replacement agreement, the "**DF Security and Intercreditor Agreement**") among the Clearing House, the Clearing Members and a collateral agent appointed to represent the Clearing Members (the "**DF Collateral Agent**"). The DF Security and Intercreditor Agreement shall contain the security agreement relating to the security interests described in this Regulation 322, the "intercreditor" agreements among the Clearing Members, the appointment of the DF Collateral Agent as representative of the Clearing Members and the duties and obligations of the DF Collateral Agent, and other applicable terms and agreements relating to the foregoing.

(ii) Each Clearing Member, prior to it becoming a Clearing Member, shall be provided by the Clearing House with a copy of the DF Security and Intercreditor Agreement in effect as at such time. Each Clearing Member, by virtue of its execution and entering into of its Clearing Membership Agreement and by virtue of its agreement and obligation to be bound by the terms of the Rulebook, is hereby made a party to the DF Security and Intercreditor

Agreement (on the terms provided in the DF Security and Intercreditor Agreement). If required by the Clearing House or the DF Collateral Agent, each Clearing Member shall execute a written joinder to the DF Security and Intercreditor Agreement in further evidence of the foregoing.

(iii) The Clearing House shall be permitted to replace the DF Collateral Agent; provided, that the Clearing House shall consult with the Clearing Members prior to any such replacement.

(iv) The Clearing House shall be permitted to renew the DF Security and Intercreditor Agreement as required from time to time. The Clearing House shall be permitted to amend or terminate and replace the DF Security and Intercreditor Agreement at any time (to the extent permitted under the terms of the DF Security and Intercreditor Agreement) without the consent or agreement of any Clearing Member; provided, that any such amendments or the terms of any replacement DF Security and Intercreditor Agreement shall not have the effect of materially and adversely altering the rights of any Clearing Member.

(v) Notwithstanding clause (iv) above, the Clearing House shall be permitted to make any changes to the terms of the DF Security and Intercreditor Agreement if the Clearing House obtains the consent of Clearing Members with respect to which at least 60% of the aggregate Contributions of all Clearing Members (as calculated at the Determination Date immediately preceding the date of effectiveness of the proposed change or amendment) are attributable; provided, that any changes to the terms of the DF Security and Intercreditor Agreement approved in this manner but that would adversely affect in a disproportionate manner the rights of one or more Clearing Members shall not be effective against any such disproportionately affected Clearing Member unless consented to by such Clearing Member.

(c) Related Matters.

(i) The Clearing House shall select one or more depository banks or similar entities with which to hold the Clearing House's assets in the Default Fund account, and the Clearing House, the DF Collateral Agent and any such depository bank shall be parties to a control agreement relating to the matters set forth in the DF Security and Intercreditor Agreement and consistent with the terms therein. The Clearing House shall be permitted to replace a depository bank (or similar entity) at any time without the consent of any Clearing Member. A depository bank selected by the Clearing House may be the same entity as the DF Collateral Agent. The Clearing House shall be permitted to amend or terminate and replace any such agreement with a depository bank at any time without the consent of any Clearing Member so long as the resulting new or amended agreement is consistent with the terms of the DF Security and Intercreditor Agreement.

(ii) The Clearing House and the Clearing Members shall take any and all actions, including but not limited to the execution of any and all documents, reasonably required in order to perfect, maintain or enforce the security interests granted under the DF Security and Intercreditor Agreement.

CHAPTER 4 – SWAPCLEAR REGULATIONS

Regulation 401 SwapClear Transactions; Registration of SwapClear Contracts; Novation and Post-Novation Compression

(a) A SwapClear Transaction may be presented to the Clearing House for registration as two SwapClear Contracts (in accordance with the other provisions of the Rulebook).

(b) Where a SwapClear Transaction is presented to the Clearing House, the Clearing House shall, where applicable in accordance with paragraph (c) below and the Procedures, request the consent of each applicable Clearing Member with whom a SwapClear Contract shall be registered as a result thereof. Upon each relevant Clearing Member providing its consent, such SwapClear Transaction shall be deemed to have been "submitted" (as such term is defined and used in the Procedures) to the Clearing House for registration. Any consent shall be provided in accordance with the Procedures.

(c) A Clearing Member which has been nominated to clear a 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 Contracts resulting from such SwapClear Transaction. Unless provided otherwise in the Procedures, in all circumstances other than those set out in the foregoing sentence, the consent of a Clearing Member to the registration of the relevant SwapClear Transaction will occur automatically and without the need for any further action by such Clearing Member.

(d) The Clearing House shall register or reject the registration of two SwapClear Contracts in respect of a SwapClear Transaction presented for registration 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 Clearing Member (to the extent such consent is required) in accordance with paragraph (c) above and Section 2A.3.2 of the Procedures;

(iv) the applicable Clearing Member has paid or transferred, upon request of the Clearing House and in accordance with Regulation 106 and such other applicable provisions of the Rulebook, all ~~cover~~Required Margin in respect of such 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 Rulebook) for the registration of the other SwapClear Contract deriving from the relevant SwapClear Transaction have been satisfied.

~~Notwithstanding the satisfaction of the conditions set forth above in this Regulation 401(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 2A.3.4 of the Procedures.~~

(e) From the time of registration by the Clearing House of two SwapClear Contracts (the "**Registration Time**") in respect of a SwapClear Transaction in accordance with the Procedures:

(i) where the Executing Parties in respect of such SwapClear Transaction are Clearing Member(s), those Clearing Members 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 terms or agreements among such relevant parties (including any applicable rules of an Approved Trade Source System); and

(ii) each relevant Clearing Member will ~~be~~ become bound by the obligations under the Rulebook in respect of the applicable SwapClear Contract 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 Schedule 4A to these Regulations (including the SwapClear Contract Terms applicable to the relevant SwapClear Contract).

(f) The Economic Terms shall be such that (A) a 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 paragraph (f) and (B) shall be such that 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 paragraph (f).

In this paragraph (f), 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 (f), 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.

(g) 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~~SwapClear Product Eligibility Criteria in existence at the Registration Time (an "**Ineligible SwapClear Transaction**"), the Clearing House shall, as soon as practicable thereafter, set aside both SwapClear Contracts arising from such Ineligible SwapClear Transaction. Upon a SwapClear Contract (an "**Ineligible SwapClear Contract**") being set aside under this paragraph (g), 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. The following shall take effect immediately upon the delivery of such notice: (i) such Ineligible SwapClear Contract shall be deemed to be terminated at the time of the notification and shall thereafter have no force or effect; (ii) all ~~variation margin~~Variation Margin (if any) paid by the Clearing House or by a Clearing Member in respect of such Ineligible SwapClear Contract shall be retained by the receiving party upon termination; (iii) where there is a difference between the value of the Ineligible SwapClear Contract as at the last margin run and the value (as determined by the Clearing House) of that Ineligible SwapClear Contract at the time when the Ineligible SwapClear Contract is set aside, a payment shall be made between the SwapClear Clearing Members to the original Ineligible SwapClear Transaction equal to such difference; and (iv) these payments shall be deemed to satisfy in full the relevant party's obligations under the Ineligible SwapClear Contract and shall be retained by the receiving party upon termination as a termination payment.

(h) Notwithstanding anything to the contrary in this Rulebook, the Clearing House may decline to register a SwapClear Transaction as a SwapClear Contract 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 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.

(i) Any SwapClear Transaction of which details have been presented for registration and which are not so registered will be governed by the applicable terms or agreements among such relevant parties (including any applicable rules of an Approved Trade Source System), and the Clearing House shall have no obligations or liability in relation thereto.

(j) 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 401 or any other applicable provision of the Rulebook.

(k) In the case of a SwapClear Contract registered by the Clearing House pursuant to Regulation 202(i), the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this Regulation 401 shall take effect.

(l) Compression Available to Clearing Members. Notwithstanding any other provision of these Regulations, if one or more SwapClear Contracts registered by a Clearing Member in accordance with the Rulebook has substantially the same Economic Terms as one or more other SwapClear Contracts previously registered for the account of such Clearing Member, and all such SwapClear Contracts are either registered on the Clearing Member's own behalf or registered on behalf of the same Client then, to the extent permitted in the Procedures, the Clearing Member may request that the Clearing House compress and combine all such SwapClear Contracts by terminating the relevant existing SwapClear Contracts and compressing them into one SwapClear Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of the original SwapClear Contracts. Where neither of the SwapClear Contracts deriving from the registration of a SwapClear Transaction are held on behalf of a Client or an Affiliate (*i.e.*, both SwapClear Contracts are registered to the applicable Clearing Members' Proprietary Account but are not held on behalf of an Affiliate in either case), those SwapClear Contracts may not be compressed pursuant to this Regulation 401(l). For purposes of this Regulation 401(l), two or more 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 SwapClear Contracts that are compressed under the terms of this Regulation 401(l) shall be aggregated if the position of the Clearing Member (on its own behalf or on behalf of the relevant Client) is in the same direction on each such SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated), such that the SwapClear Contract that replaces the compressed SwapClear Contracts shall have a notional amount equal to the total notional amount of the compressed SwapClear Contracts. Two or more SwapClear Contracts that are compressed under the terms of this Regulation 401(l) shall be netted if the position of the Clearing Member (on its own behalf or on behalf of the relevant Client) is in the opposite direction on two or more of each such SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment), such that the SwapClear Contract (if any) that replaces the compressed SwapClear Contracts shall have a notional amount equal to the net notional amount of the compressed SwapClear Contracts; provided, that in the event that the net notional amount is equal to zero such compression shall result in no replacement SwapClear Contracts. The Clearing House shall determine (in its sole discretion) whether SwapClear Contracts that are the subject of a request for compression from the Clearing Member may be compressed and, if such SwapClear Contracts are compressed, the Clearing House shall determine the resulting notional amount of the SwapClear Contract(s) (if any) that replaces the compressed SwapClear Contracts, and such determination shall be binding on the

Clearing Member, absent manifest error. It is a condition for compression of SwapClear Contracts that the amount of cover that the Clearing House requires in respect of the original SwapClear Contracts is equal to that which is required by the Clearing House in respect of the replacement SwapClear Contract(s).

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

(i) A SwapClear Transaction executed by or on behalf of an Account Manager Executing Party and subject to post-registration allocation (such transaction, an "**Unallocated 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 SwapClear Contract registered on behalf of an Account Manager Executing Party that results from an Unallocated SwapClear Transaction (an "**Unallocated SwapClear Contract**") shall be registered in a suspense sub-account of the applicable FCM Clearing Member's Omnibus Client Swaps Account with LCH (such sub-account, the "**SwapClear Suspension Sub-Account**").

(iii) Following registration of an Unallocated SwapClear Contract, the applicable FCM Clearing Member must notify the Clearing House (the "**Allocation Notice**"), prior to the close of the clearing of SwapClear Contracts on the Business Day in which the Unallocated SwapClear Contract was registered, of the applicable Client Sub-Accounts to which portions of the Unallocated SwapClear Contract should be allocated and the applicable portions of the Unallocated SwapClear Contract to be allocated to each such Client Sub-Account. The Allocation Notice must provide for the allocation of the full notional amount of the Unallocated SwapClear Contract. The Allocation Notice is delivered through Markitwire, the SwapClear API and/or such other means as may be approved by the Clearing House and notified to Clearing Members.

(iv) Following receipt of an Allocation Notice, the Clearing House shall

(A) close out the outstanding Unallocated SwapClear Contract and simultaneously register two or more (as applicable) SwapClear Contracts to the same SwapClear Suspension Sub-Account, which such newly registered SwapClear Contracts shall have the same Economic Terms as the Unallocated SwapClear Contract except that they shall have lower notional values corresponding to the allocation instructions provided in the Allocation Notice (which notional values shall, in the aggregate, equal the notional value of the Unallocated SwapClear Contract); and

(B) following the actions described in paragraph (A) above, transfer each of the newly registered SwapClear Contracts resulting from the

cancellation of the Unallocated SwapClear Contract to the applicable Client Sub-Accounts in accordance with the Allocation Notice.

Where an Allocation Notice directs the entire notional amount of an Unallocated SwapClear Contract to be allocated to a single Client Sub-Account, then the Clearing House shall not take the steps described above in this paragraph (iv) and shall instead transfer the Unallocated SwapClear Contract to the applicable Client Sub-Account following receipt of the Allocation Notice. In no event can Unallocated SwapClear Contracts be further allocated once they are transferred from the SwapClear Suspension Sub-Account.

By delivering an Allocation Notice to the Clearing House, the FCM Clearing Member shall be deemed to have instructed the Clearing House to take the steps referred to in this paragraph (iv).

(v) The allocation of Unallocated SwapClear Contracts as set forth above is subject to all other applicable provisions of the Rulebook, including the furnishing by the applicable FCM Clearing Member of adequate Margin, at or prior to the submission of the Allocating Notice, in respect of each of the applicable Client Sub-Accounts to which an Unallocated SwapClear Contract is to be allocated. If adequate Margin is not so furnished in respect of each such Client Sub-Account, the Clearing House may, in its sole discretion, delay the allocation and transfer of all or any portions of the Unallocated SwapClear Contract and may take any other actions permitted under the Rulebook.

(vi) An FCM Clearing Member that submits and clears Unallocated SwapClear Transactions and Allocating SwapClear Transactions must comply with the applicable provisions of the CFTC Regulations (including CFTC Regulation 1.35 and CFTC Regulation 1.73) and all other applicable law, and shall be responsible for ensuring that Account Manager Executing Parties clearing through it shall be in compliance therewith. Upon an FCM Clearing Member executing an Unallocated SwapClear Transaction and upon delivering an Allocation Notice, such FCM Clearing Member is deemed to represent to the Clearing House that such transaction and allocation are in accordance with properly authorized instructions and are in compliance with applicable CFTC Regulations and other applicable law.

Regulation 402 Daily Calculation of NPV of SwapClear Contracts

(a) The Clearing House shall calculate the NPV of SwapClear Contracts in accordance with Regulation 107 and as set out in the Procedures.

(b) The Clearing House shall, at least daily, receive payment from, or pay to, the Clearing Member the Variation Margin due, representing the change in the NPV of such Clearing Member's portfolio of SwapClear Contracts from the preceding Business Day, in accordance with this Regulation 402 and the Procedures.

(c) Netting of Coupon Payments with respect to SwapClear Contracts. In respect of a portfolio of SwapClear Contracts and each payment date for Coupon Payments (in accordance with the Procedures), the Clearing House shall net:

(i) the sums which would otherwise have been payable by the Clearing Member to the Clearing House in respect of Variation Margin on such date and the Coupon Payments due on that date; and

(ii) the sums which would otherwise have been payable by the Clearing House to the Clearing Member in respect of Variation Margin on such date and the Coupon Payments due on that date,

and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party then the obligations of each party under this Regulation 402 shall be automatically satisfied and discharged on payment by the applicable party of the excess.

All netting in respect of a portfolio of SwapClear Contracts shall be calculated separately in two net amounts, one with respect to all SwapClear Contracts held in a Clearing Member's Proprietary Account, and the other with respect to all SwapClear Contracts held on behalf of Clients.

Regulation 403 The reset rate for, and the net present value of, a SwapClear Contract

The Clearing House may determine the reset rate for, and the net present value of, a SwapClear Contract for the purposes of the Rulebook in such manner and at such times as may be prescribed in the Procedures. Except as prescribed in the Procedures, neither the reset rate nor the net present value determined by the Clearing House may in any circumstances be challenged.

Regulation 404 Withdrawal of the SwapClear US Service by the Clearing House

(a) If at any time the Clearing House decides to withdraw the SwapClear US Service it shall give not less than six months' notice in accordance with the Procedures to all Clearing Members of the applicable Withdrawal Date. The accidental omission by the Clearing House to give notice under this Regulation 404 to, or the non-receipt of notice under this Regulation 404 by, one or more Clearing Members shall not invalidate the Withdrawal Date.

(b) Without prejudice to its rights under the Default Regulations, the Clearing House will not, other than pursuant to action under the Default Regulations or pursuant to the entering of offsetting/compressing trades in accordance with Regulation 401(l), register a SwapClear Contract after notice to withdraw the applicable service(s) has been given under Regulation 404(a).

(c) If, with respect to SwapClear Clearing Services, at the Withdrawal Date a Clearing Member has not closed out all of the applicable open SwapClear Contracts registered in its name, the Clearing House may, in its sole discretion:

(i) liquidate any or all of such SwapClear Contracts and require such SwapClear Contracts to be cash settled at a price determined by the Clearing House; or

(ii) postpone the Withdrawal Date until such time as the Clearing House determines.

Regulation 405 SwapClear Dealers

(a) Application for admission to the Register of SwapClear Dealers shall be made in accordance with the Rulebook. An applicant for admission to the Register of SwapClear Dealers must satisfy the criteria prescribed by the Clearing House from time to time in order to be admitted to the Register of SwapClear Dealers, as determined by the Clearing House in its sole discretion. A SwapClear Dealer shall be subject to, and governed by, the applicable provisions of the Rulebook and, if applicable, the SwapClear Dealer Clearing Agreement (or any other similar agreements) to which it is a party. The Clearing House will only permit a SwapClear Dealer to act in its SwapClear Dealer capacity with affiliated Clearing Members of such SwapClear Dealer.

(b) A person admitted to the Register of SwapClear Dealers shall ensure that it will, at all times, satisfy the criteria prescribed by the Clearing House, from time to time, for admission to the Register of SwapClear Dealers.

(c) The Clearing House may suspend or remove a SwapClear Dealer from the Register of SwapClear Dealers in accordance with these Regulations, the Procedures and, if applicable, the SwapClear Dealer Clearing Agreement to which it is for the time being party. Any person who has been suspended from the Register of SwapClear Dealers for a period of more than three months shall be removed from the Register of SwapClear Dealers and must make a new application if it wishes to be readmitted to the Register of SwapClear Dealers.

(d) A SwapClear Dealer may request, by giving three months' written notice to the Clearing House, that its name be removed from the Register of SwapClear Dealers. At the end of such notice period (or at such earlier time as the Clearing House may determine in its sole discretion), the Clearing House shall remove the SwapClear Dealer from the Register of SwapClear Dealers.

(e) A SwapClear Dealer's suspension or removal from the Register of SwapClear Dealers shall not, where such SwapClear Dealer is also a Clearing Member, in and of itself affect its Clearing Member status or its approvals to clear certain categories of Contracts.

(f) A SwapClear Dealer that is also a Clearing Member shall automatically be removed from the Register of SwapClear Dealers upon the Clearing House serving it with a default notice in accordance with the Rulebook.

(g) Without prejudice to paragraph (f) of this Regulation 405, the Clearing House shall suspend from the Register of SwapClear Dealers any Clearing Member whose Clearing Membership Agreement has been terminated or who is no longer eligible to have SwapClear Contracts registered in its name, and who is not, from the date of such termination or such ineligibility, party to a SwapClear Dealer Clearing Agreement with another Clearing Member, for such period as the Clearing House may determine.

Schedule 4A – SwapClear Contract Terms and Product Eligibility Criteria

Part A

SwapClear Contract Terms

The terms of a registered SwapClear Contract shall include these SwapClear Contract Terms which shall comprise:

(1) Interpretation; and

(2) Economic Terms; and

(3) Standard Terms.

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.

Subject to the Rulebook, the Clearing House will use the SwapClear Contract Terms applicable to a SwapClear Contract to calculate the amounts due under the SwapClear Contract to, or from, the Clearing House in accordance with the Procedures.

1. Interpretation

1.1 "ISDA 2000 Definitions" means the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), and the same are incorporated by reference herein and "ISDA 2006 Definitions" means the 2006 ISDA Definitions as published by ISDA, and the same are incorporated by reference herein.

1.2 Words and expressions used in these SwapClear Contract Terms which are not defined in the Rulebook but which are defined in the "ISDA 2000 Definitions" or the "ISDA 2006 Definitions" shall have the same meaning herein as in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be, unless expressly provided otherwise. For the avoidance of doubt where the SwapClear Contract identifies the ISDA 2000 Definitions as being applicable to that SwapClear Contract then those definitions will apply and where the SwapClear Contract identifies the ISDA 2006 Definitions as being applicable to that SwapClear Contract then those definitions will apply.

1.3 In the event of an inconsistency between the Rulebook and either the ISDA 2000 Definitions or the ISDA 2006 Definitions, the Rulebook will prevail.

1.4 References in the ISDA 2000 Definitions and the ISDA 2006 Definitions to a "Swap Transaction" shall be deemed to be references to a "SwapClear Transaction" for the purposes of SwapClear.

1.5 Except where expressly stated otherwise, all reference to "Articles" means Articles in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be as published by ISDA:

(a) in relation to any amendments to either the ISDA 2000 Definitions and the ISDA 2006 Definitions, the Clearing House may from time to time, by notice delivered to the Clearing Members and the SwapClear Clearing Members, give directions as to whether such amendment shall apply to SwapClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine;

(b) any such notice may provide that the amendment to the ISDA 2000 Definitions and the ISDA 2006 Definitions may take effect so as to apply to SwapClear Contracts registered in a Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines; and

(c) the accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by, a Clearing Member or a SwapClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

2. Economic Terms

2.1 The Economic Terms of a SwapClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding SwapClear 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 a SwapClear Contract that the particulars of a SwapClear Transaction presented to the Clearing House must include matched information in respect of such designated Economic Terms, except that in respect of vanilla interest rate swaps with constant notional principal and variable notational swaps, the information described in either 2.3(i)(viii) or 2.3(i)(ix) below (but not both) must be provided.

2.3 The Economic Terms for vanilla interest rate swaps with constant notional principal and variable notional swaps comprise:

(a) Notional Amount (see Article 4.7) of the ISDA 2000 Definitions and Article 4.7 of the ISDA 2006 Definitions for definition) (for variable notional swaps, the Notional Amount can be set out in a Notional Amount Schedule[1];

(b) Currency (see Article 1.7 of the ISDA 2000 Definitions and Article 1.7 of the ISDA 2006 Definitions for definition);

(c) Trade Date (see Article 3.7 of the ISDA 2000 Definitions and Article 3.7 of the ISDA 2006 Definitions for definition);

(d) Effective Date (see Article 3.2 of the ISDA 2000 Definitions and Article 3.2 of the ISDA 2006 Definitions for definition);

[1] SwapClear will accept IRS, Basis or zero coupon swaps with a Notional Amount which for each payment calculation period may remain unchanged, increase or decrease relative to its previous value. The changes in notional can only take place at the calculation period start dates and must be pre-determined at the point of registration. The notional schedule will be applied at the start of the corresponding calculation period, adjusted (or unadjusted) with the calculation period calendar specified in the trade. Notional schedules need not be identical for the two legs of the trade.

(e) Termination Date (see Article 3.3 of the ISDA 2000 Definitions and Article 3.3 of the ISDA 2006 Definitions for definition);

(f) Additional Payments/Fees:

(i) the Payer of the Additional Payments/Fees (if any);

(ii) the amount of the Additional Payments/Fees (specify zero if none).

(g) Business Days (see Article 1.4 of the ISDA 2000 Definitions and Article 1.4 of the ISDA 2006 Definitions for definition);

(h) Business Day Convention (see Article 4.12 of the ISDA 2000 Definitions and Article 4.12 of the ISDA 2006 Definitions for definition);

(i) Where Fixed Rate – Floating Rate Swap:

(i) Fixed Rate Payer (see Article 2.1 of the ISDA 2000 Definitions and Article 2.1 of the ISDA 2006 Definitions for definition);

(ii) Fixed Rate Payer Payment Dates;

(iii) Fixed Amount (see Article 4.4 of the ISDA 2000 Definitions and Article 4.4 of the ISDA 2006 Definitions for definition) [or Fixed Rate and Fixed Rate Day Count Fraction] [or Fixed Rate Payer Schedule][2];

(iv) Floating Rate Payer (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition);

(v) Floating Rate Payer Payment Dates;

(vi) Floating Rate Payer compounding dates (if applicable);

(vii) Floating Amount (see Article 4.5 of the ISDA 2000 Definitions and Article 4.5 of the ISDA 2006 Definitions for definition);

(viii) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);

(**Note**: The details of each such option are as provided in the Procedures).

(ix) Designated Maturity (see Article 7.3(b) and Article 7.3 (b) of the ISDA 2006 Definitions of the "Annex to the 2000 ISDA Definitions (June 2000 Version)" for definition);

(x) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)[3];

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2 SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a Fixed Rate on the fixed leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The Fixed Rate must be greater than or equal to 0%.

(xi) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2(b) of the ISDA 2006 Definitions for definition);

(xii) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2(f) of the ISDA 2006 Definitions for definition).

(j) Where Floating Rate – Floating Rate Swap ("basis" swap):

(i) Floating Rate Payer 1 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):

(A) Floating Rate Payer Payment Dates;

(B) Floating Rate Payer compounding dates (if applicable);

(C) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);

(**Note**: the details of each such option are as provided in the Procedures)

(ii) Designated Maturity (see Article 7.3(b) of the "Annex to the 2000 ISDA Definitions (June 2000 version)" and Article 7.3(b) of the ISDA 2006 Definitions for definition);

(iii) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2(e) of the ISDA 2006 Definitions for definition)[4];

(iv) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2(b) of the ISDA 2006 Definitions for definition);

(v) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2(f) of the ISDA 2006 Definitions for definition);

(vi) Floating Rate Payer 2 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):

(A) Floating Rate Payer Payment Dates;

(B) Floating Rate Payer compounding dates (if applicable);

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[3] SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

[4] SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

(C) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition)

(**Note**: The details of each such option are as provided in the Procedures)

(vii) Designated Maturity (see Article 7.3(b) of the "Annex to the 2000 ISDA Definitions (June 2000 version)" and Article 7.3(b) of the ISDA 2006 Definitions for definition);

(viii) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2(e) of the ISDA 2006 Definitions for definition)[5];

(ix) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2(b) of the ISDA 2006 Definitions for definition); and

(x) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2(f) of the ISDA 2006 Definitions for definition).

2.4 **The Economic Terms for Forward Rate Agreements (using only the ISDA 2006 Definitions) comprise:**

(a) Notional Amount (see Article 4.7 for definition);

(b) Currency (see Article 1.7 for definition);

(c) Trade Date (see Article 3.7 for definition);

(d) Effective Date (see Article 3.2 for definition);

(e) Termination Date (see Article 3.3 for definition);

(f) Additional Payments/Fees:

(i) the Payer of the Additional Payments/Fees (if any);

(ii) the amount of the Additional Payments/Fees (specify zero if none).

(g) Business Days (see Article 1.4 for definition);

(h) Business Day Convention (see Article 4.12 for definition);

(i) Fixed Rate Payer (see Article 2.1 for definition);

(j) Fixed Rate Payer Payment Dates;

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5 SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

(k) Fixed Rate;

(l) Floating Rate Payer (see Article 2.2 for definition);

(m) Floating Rate Payer Payment Dates;

(n) Floating Rate Option (see Article 6.2(i) for definition);

(o) Designated Maturity (see Article 7.3(b) for definition);

(p) Spread (see Article 6.2(f) for definition);

(q) Reset Dates (see Article 6.2(b) for definition);

(r) Floating Rate Day Count Fraction (see Article 6.2(g) for definition);

(s) FRA Discounting (see Article 8.4 (b) for definition);

(t) Discount Rate (see Article 8.4. (c) for definition);

(u) Discount Rate Day Count Fraction (see Article 8.4. (d) for definition); and

(v) FRA Yield Discounting (see Article 8.4. (e) for definition).

In respect of forward rate agreements either (s) or (v) but not both should be selected.

2.5 **Financial Centers**

Detail of the relevant financial center/s must be provided using the appropriate Markitwire/FpML code as set out below:

Financial Center	**Markitwire/FpML**
Sydney	AUSY
Brussels	BEBR
Montreal	CAMO
Toronto	CATO
Geneva	CHGE
Zurich	CHZU
Prague	CZPR
Frankfurt	DEFR
Copenhagen	DKCO
Madrid	ESMA

Financial Center	Markitwire/FpML
Helsinki	FIHE
Paris	FRPA
London	GBLO
Hong Kong	HKHK
Budapest	HUBU
Milan	ITMI
Rome	ITRO
Tokyo	JPTO
Luxemburg	LULU
Amsterdam	NLAM
Oslo	NOOS
Auckland	NZAU
Wellington	NZWE
Stockholm	SEST
Chicago	USCH
Los Angeles	USLA
New York	USNY
Target/Euro	EUTA
Warsaw	PLWA
Singapore	SGSI
Johannesburg	ZAJO

3. Standard Terms

The following terms are designated as Standard Terms of a registered SwapClear Contract:

3.1 Business Days

In addition to the Business Days for the financial centers specified in the Economic Terms, (such Business Days to be determined in accordance with the SwapsMonitor Financial

Calendar) the Business Days specified in the calendar published by the Clearing House, from time to time, will apply to a SwapClear Contract.

3.2 Negative Interest Rates

The "Negative Interest Rate Method" as set out in Article 6.4(b) of the ISDA Definitions, will apply to a SwapClear Contract.

3.3 Withholding and Stamp Tax Provisions

(a) All payments under a SwapClear Contract will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If the Clearing House or a Clearing Member is so required to deduct or withhold, then the Clearing House or the Clearing Member ("**X**") will:

i. promptly notify the recipient ("**Y**") of such requirement;

ii. pay to the relevant authorities the full amount required to be deducted or withheld (in the case of a Clearing Member as X, including the full amount required to be deducted or withheld from any amount paid by the Clearing Member to the Clearing House under Section 3.3(b) and (c)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;

iii. promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities.

(b) In the event that any payment made by a Clearing Member to the Clearing House under a SwapClear Contract is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax (other than a Tax that would not have been imposed in respect of such payment but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the Clearing House), then the Clearing Member shall pay to the Clearing House an amount (such amount, together with any additional amount paid pursuant to Section 3.3(g), the "**Additional Amount**"), in addition to the payment to which the Clearing House is otherwise entitled under the SwapClear Contract, necessary to ensure that the net amount actually received by the Clearing House (free and clear of any such deduction or withholding for or on account of any such Tax, whether assessed against the Clearing Member or the Clearing House), will equal the full amount the Clearing House would have received in the absence of any such deduction or withholding.

However, a Clearing Member will not be required to pay any Additional Amount to the Clearing House under this Section 3.3(b) to the extent that it would not be required to be paid but for (i) the failure by the Clearing House to provide to the Clearing Member such forms and documents as required under Section 3.3(e), provided, that this clause (i) shall apply only if (A) the relevant

Clearing Member has notified the Clearing House in writing of such failure and (B) the Clearing House has failed to provide such forms or documents within five Business Days after the receipt of such notice; or (ii) the failure of a representation made by the Clearing House pursuant to the representations that it is obligated to provide under Section 3.3(j) below to be accurate and true (unless the failure under this clause (ii) would not have occurred but for (A) any action taken by a taxing authority, or brought in a court of competent jurisdiction (regardless of whether such action is taken or brought with respect to the relevant party) or (B) a Change in Tax Law, that in each case occurs after the Clearing House and the Clearing Member provide the representations that they are obligated to provide pursuant to Section 3.3(j) (or, if applicable, the date that the Clearing House and the Clearing Member amend such representations to account for such Change in Tax Law (as defined below)) or a failure by the Clearing House to provide the representations that it is obligated to provide pursuant to Section 3.3(j).

In the event that the failure under clause (ii) of the preceding paragraph would not have occurred but for the reasons described under subclause (A) or (B) thereof, the Clearing House shall use commercially reasonable efforts to provide to the Clearing Member a new representation (to the extent that it is appropriate) for the purpose of the representations that it is obligated to provide pursuant to Section 3.3(j), promptly after the learning of such failure (so long as the provision of such representation would not materially prejudice the legal or commercial position of the Clearing House).

For the purpose of this Section 3.3(b), "**Change in Tax Law**" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law).

(c) If: (i) a Clearing Member is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from any payment made to the Clearing House under a SwapClear Contract for or on account of any Tax, in respect of which the Clearing Member would be required to pay an Additional Amount to the Clearing House under Section 3.3(b); (ii) the Clearing Member does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and costs, and any Taxes imposed on such amounts).

(d) If: (i) the Clearing House is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from any payment made to a Clearing Member under a SwapClear Contract for or on account of any Tax; (ii) the Clearing House does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such

Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and costs, and any Taxes imposed on such amounts).

(e) The Clearing House shall provide to each Clearing Member (i) an Internal Revenue Service Form W-9, (ii) the tax forms and documents specified in Section 3.3(j) and Section 1.4.1(c) of the Procedures and (iii) any other form or document reasonably requested in writing by the Clearing Member in order to allow the Clearing Member to make a payment under a SwapClear Contract without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document as described in clauses (ii) and (iii) of this paragraph would not materially prejudice the legal or commercial position of the Clearing House).

(f) The Clearing House shall request from each Clearing Member: (i) the tax forms and documents specified in Section 3.3(j) and Section 1.4.1(c) of the Procedures and (ii) any other form or document reasonably requested in order to allow the Clearing House to make a payment under a SwapClear Contract without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate. For the avoidance of doubt, in the event that any payment made by the Clearing House to a Clearing Member under a SwapClear Contract is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax, the Clearing House is not required to pay any additional amount in respect of such deduction or withholding. The Clearing House will, at the Clearing Member's expense, use commercially reasonable efforts to cooperate with such Clearing Member to seek any credit or remission or other relief available with respect to any such Tax so deducted or withheld (so long as such cooperation would not, in the Clearing House's judgment, materially prejudice the legal or commercial position of the Clearing House).

(g) Each Clearing Member shall pay any stamp, registration, documentation, excise, sales or value added Tax or any other similar Tax levied or imposed upon it or in respect of its execution or performance of any agreement, contract or transaction in connection with a SwapClear Contract and shall indemnify the Clearing House against any such stamp, registration, documentation, excise, sales or value added Tax (to the extent that the Clearing House is not able, in the Clearing House's commercially reasonable judgment, to reclaim or recover such value added Tax) or any other similar Tax levied or imposed upon the Clearing House or in respect of the Clearing House's execution or performance of any agreement, contract or transaction in connection with the Rulebook. Any payment required to be made by a Clearing Member to the Clearing House under this Section 3.3(g) shall include an additional amount equal to any Tax levied or imposed on the Clearing House as a result of the receipt of any payment under this Section 3.3(g).

(h) Each Clearing Member shall promptly notify the Clearing House in writing upon learning that any payment made by the Clearing House to the Clearing Member or by the Clearing Member to the Clearing House under a SwapClear

Contract is subject to any Tax, other than any Tax imposed or levied based on the net income of the Clearing Member or the Clearing House, as applicable.

(i) Clearing Members shall not have any termination or other special rights in respect of a SwapClear Contract as a result of the occurrence of adverse Tax consequences, whether relating to a Change in Tax Law or otherwise.

(j) To the extent the Clearing House is entitled to an exemption from, or reduction of, any applicable Tax on account of which a Clearing Member would otherwise be required to pay an Additional Amount under Section 3.3(b), the Clearing House shall provide such representations and documentation as are required and requested by each Clearing Member to perfect the exemption from, or reduction of, such Tax.

3.4 Payments under a SwapClear Contract

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

3.5 Regulations

A SwapClear Contract shall be subject to the Rulebook, which shall form a part of its terms. In the event of any inconsistency between these SwapClear Contract Terms and the Rulebook, the Rulebook will prevail.

3.6 Governing Law

Each SwapClear 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 law 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 America, (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 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 jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of America, 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.

3.7 Third Party Rights

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

Part B

Product Eligibility Criteria for Registration of a SwapClear Contract

1. SwapClear Transaction

Without prejudice to the Rulebook, the Clearing House will only register a SwapClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

(a) the transaction meets the ~~eligibility criteria, set out in paragraph 1.2(A), (B) and 1.3, below for~~SwapClear Product Eligibility Criteria as a SwapClear Transaction; and

(b) each party to the transaction is an Executing Party;

and the requirements of (a) and (b) continue to be satisfied at Registration Time.

1.1 ~~1.2~~ **SwapClear Product ~~eligibility criteria~~Eligibility Criteria for a SwapClear Transaction**

(a) Vanilla interest rate swaps with constant notional principal having the characteristics set out in the table below;

Instrument	Acceptable Currencies	Acceptable Indices[6]	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
Vanilla interest rate swaps with constant notional principal	Sterling (GBP)	GBP-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		GBP-WMBA-SONIA-COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See Article 7.1w (vii) for definition	Floating vs. Floating			99,999,999,999.99
	US Dollar (USD)	USD-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		See Article 7.1(ab) (xxii) for definition	Floating vs. Floating			99,999,999,999.99

[6] References in this column are to the 2006 ISDA Definitions.

Instrument	Acceptable Currencies	Acceptable Indices[6]	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		USD-Federal Funds H.15-OIS-COMPOUND See Article 7.1(ab)(xxxix) for definition	Fixed vs. Floating	Single currency	736 days	
	Euro (EUR)	EUR-LIBOR-BBA See Article 7.1(f)(vii) for definition EUR-EURIBOR-Telerate See Article 7.1(f)(ii) for definition EUR-EONIA-OIS-COMPOUND See Article 7.1(f) (viii) for definition	Fixed vs. Floating Floating vs. Floating Fixed vs. Floating	Single currency	18,275 days 736 days	0.01- 99,999,999,999.99
	Australian Dollar (AUD)	AUD-BBR-BBSW See Article 7.1(a) (iv) for definition	Fixed vs. Floating Floating vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
Vanilla interest rate swaps with constant notional		AUD-LIBOR-BBA				

Instrument	Acceptable Currencies	Acceptable Indices[6]	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
principal						
		See Article 7.1(a) (viii) for definition				
	Canadian Dollar (CAD)	CAD-BA-CDOR	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(b) (ii) for definition	Floating vs. Floating			
		CAD-LIBOR-BBA				
		See Article 7.1(b) (viii) for definition				
		CAD-CORRA-OIS-COMPOUND	Floating vs. Floating	Single currency	736 days	0.01–99,999,999,999.99
		See Article 7.1(b) (xii) for definition				
	Czech Koruna (CZK)	CZK-PRIBOR-PRBO	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1r(i) for definition	FLOAT vs. FLOAT			
	Danish Krone (DKK)	DKK-CIBOR-DKNA13	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(e) (i) for definition	Floating vs. Floating			

Instrument	Acceptable Currencies	Acceptable Indices[6]	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		DKK-CIBOR2-DKNA13 See Article 7.1(e) (ii) for definition				
	Hong Kong Dollar (HKD)	HKD-HIBOR-HIBOR= See Article 7.1(g) (ii) for definition HKD-HIBOR-HKAB See Article 7.1(g) (iii) for definition HKD-HIBOR-ISDC See Article 7.1(g) (i) for definition	Fixed vs. Floating Floating vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
	Hungarian Forint (HUF)	HUF-BUBOR-Reuters See Article 7.1r(i) for definition	FIXED vs. FLOAT FLOAT vs. FLOAT	Single currency	3670 days	1-10,000,000,000,000
	Japanese Yen (JPY)	JPY-LIBOR-BBA See Article 7.1(l) (iv) for definition	Fixed vs. Floating Floating vs. Floating	Single currency	14620 days	1-10,000,000,000,000
	New Zealand Dollar	NZD-BBR-Telerate	Fixed vs. Floating	Single currency	5495 days	0.01-99,999,999,999.99

Instrument	Acceptable Currencies	Acceptable Indices[6]	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
	(NZD)					
		See Article 7.1(p) (iii) for definition	Floating vs. Floating			
	Norwegian Krone (NOK)	NOK-NIBOR-NIBR	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(q) (i) for definition	Floating vs. Floating			
	Singapore Dollar (SGD)	SGD-SOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(g) (i) for definition	Floating vs. Floating			
	Swedish Krona (SEK)	SEK-STIBOR-SIDE	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(x) (i) for definition	Floating vs. Floating			
	Swiss Franc (CHF)	CHF-LIBOR-BBA	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(y) (ii) for definition				
		CHF-TOIS_OIS_COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See Article 7.1(y) (iv) for definition	Floating vs. Floating			

Instrument	Acceptable Currencies	Acceptable Indices[6]	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
	Polish Zloty (PLN)	PLN	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		WIBOR-WIBO				
		See Article 7.1r (i) for definition	FLOAT vs. FLOAT			
	South African Rand (ZAR)	ZAR	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		JIBAR-SAFEX				
		See Article 7.1v (i) for definition	FLOAT vs. FLOAT			

(b) Variable notional swaps having the characteristics set out in the table below;

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
Variable Notional Swap	USD	USD-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	USD	USD-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	USD	USD-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Zero Coupon Swap	Single currency	18,275 Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days	

(c) Forward rate agreements having the characteristics set out in the table below;

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	Minimum and Maximum FRA Terms (Days)
Forward Rate Agreement	AUD	AUD-BBR-BBSW	Fixed v floating	Single currency	740 days		1m, 2m, 3m, 4m, 5m, 6m	Min 25 Max 190
Forward Rate Agreement	AUD	AUD-LIBOR-BBA	Fixed v floating	Single currency	740 days		1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 25 Max 375
Forward Rate Agreement	CAD	CAD-BA-CDOR	Fixed v floating	Single currency	740 days		1m, 2m, 3m, 6m, 1y	Min 25 Max 375
Forward Rate Agreement	CAD	CAD-LIBOR-BBA	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	CHF	CHF-LIBOR-BBA	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	CZK	CZK-PIBOR-PRBO	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 2m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	DKK	DKK-CIBOR2-DKNA13	Fixed v floating	Single currency	740 days		1w, 1m, 2m, 3m, 4m, 5m, 6m, 9m,	Min 3 Max 375

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	Minimum and Maximum FRA Terms (Days)
							1y	
Forward Rate Agreement	EUR	EUR-LIBOR-BBA	Fixed v floating	Single currency	1105 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	EUR	EUR-EURIBOR-REUTERS	Fixed v floating	Single currency	1105 days		1w, 2w, 3w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	GBP	GBP-LIBOR-BBA	Fixed v floating	Single Currency	1105 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	HUF	HUF-BUBOR-REUTERS	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	JPY	JPY-LIBOR-BBA	Fixed v floating	Single currency	1105 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m,	Min 3 Max 375

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	Minimum and Maximum FRA Terms (Days)
							1y	
Forward Rate Agreement	NOK	NOK-NIBOR-NIBR	Fixed v floating	Single currency	740 days		1w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	NZD	NZD-BBR-FRA	Fixed v floating	Single currency	740 days		1m, 2m, 3m, 4m, 5m, 6m,	Min 25 Max 190
Forward Rate Agreement	PLN	PLN –WIBOR_WIBO	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	SEK	SEK-STIBOR-SIDE	Fixed v floating	Single currency	740 days		1w, 1m, 2m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	USD	USD-LIBOR-BBA	Fixed v floating	Single currency	1105 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	ZAR	ZAR-JIBAR-SAFEX	Fixed v floating	Single currency	740 days		1m, 3m, 6m, 9m, 1y	Min 3 Max 375

2. Additional ~~Criteria for a~~ SwapClear ~~Transaction~~Product Eligibility Criteria

2.1 A contract must also meet the following additional criteria to be eligible as a SwapClear Transaction:

(a) Day Count Fractions

(See Article 4.16 of the "Annex to 2000 ISDA Definitions (June 2000 Version)", and Article 4.16 of the ISDA 2006 Definitions for definition)

(i) The Clearing House will only accept the following day count fractions for vanilla interest rate swaps with constant notional principal and variable notional swaps. Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:

Day Count Fractions using the ISDA 2000 Definitions

Day Count Fraction	MarkitWire/FpML Code
30/360 (or Bond Basis)	30/360
30E/360 (or Eurobond Basis)	30E/360
Actual/360	ACT/360
Actual/365 (Fixed)	ACT/365.FIXED
Actual/365 (or Actual/Actual)	ACT/365.ISDA
Actual/Actual (ISMA)	ACT/ACT.ISMA

Day Count Fractions using the ISDA 2006 Definitions:

Day Count Fraction	MarkitWire/FpML Code
30/360 (or Bond Basis)	30/360
30E/360 (or Eurobond Basis)	30E/360
Actual/360	ACT/360
Actual/365 (Fixed)	ACT/365.FIXED
Actual/Actual	ACT/ACT.ISDA
30E/360 (ISDA)	30E/360.ISDA
Actual/Actual (ICMA)	ACT/ACT.ICMA

(ii) The Clearing House will only accept the following Day Count Fractions for Forward Rate Agreements Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:

Day Count Fractions using the ISDA 2006 Definitions:

Day Count Fraction	**MarkitWire/FpML** Code	**Currency**
Actual/365 (Fixed)	ACT/365.FIXED	CAD, AUD, NZD, PLN, ZAR, GBP
Actual/360	ACT/360	USD, EUR, CHF, DKK, JPY, NOK, SEK, CZK, HUF

Fraction	**SWIFT Code**
Actual/365, Actual/Actual	ACT/365
(See Article 4.16(b) for definition)	
Actual/365 (Fixed)	AFI/365
(See Article 4.16(c) for definition)	
Actual/360	ACT/360
(See Article 4.16(d) for definition)	
30/360,360/360, Bond Basis	360/360
(See Article 4.16(e) for definition)	
30E/360	30E/360
(See Article 4.16(f) for definition)	

(b) Business Day Conventions

The Business Day Convention specified in the Economic Terms must be one of the following:

Following (see Article 4.12(i) of the ISDA 2000 Definitions and Article 4.12(i) of the ISDA 2006 Definitions for definition)

Modified Following (see Article 4.12(ii) of the ISDA 2000 Definitions and Article 4.12(ii) of the ISDA 2006 Definitions for definition)

Preceding (see Article 4.12(iii) of the ISDA 2000 Definitions and Article 4.12(iii) of the ISDA 2006 Definitions for definition)

For vanilla interest rate swaps with constant notional principal SwapClear does not support trades where a different business day convention is used for:

(i) fixed period end dates and the termination date

(ii) float period end dates and the termination date

(c) Minimum and Maximum Residual Term of the Trade (Termination date – Today)

Trades in respect of vanilla interest rate swaps with constant notional principal and variable notional swaps are subject to a minimum and maximum Residual Term on the day they are received by SwapClear.

Minimum Residual Term of trade:

Termination date - Today >= 1 + currency settlement lag

where currency settlement lag is:

1 day for EUR, USD, GBP and CAD denominated trades

2 days for JPY, CHF, AUD, DKK, HKD, NZD, SEK, NOK, PLN, ZAR, SAD, HUF & CZK denominated trades

Maximum Residual Term of trade:

Termination date – Today <= 3,670 days for DKK, HKD, NZD, NOK, PLN, ZAR, SAD, HUF & CZK (10 years)

Termination date – Today <= 10,970 days for AUD, CAD, CHF & SEK (30 years)

Termination date – Today <= 14,620 days for JPY (40 years)

Termination date – Today <= 18,275 days for GBP, EUR & USD (50 years)

Maximum Residual Term to Maturity for Forward Rate Agreements

The maximum residual term to maturity for forward rate agreements is as follows:

Currency	**Maximum Residual Term to Maturity**
EUR, JPY, USD, GBP	1105 days (3 years)
AUD, CAD, CHF, DKK, NOK, NZD, PLN, SEK, ZAR, CZK, HUF	740 days (2 years)

(d) Designated Maturity

The Designated Maturity must be no less than one month and no more than twelve months. The Clearing House will, excepting stub periods, only accept a Designated Maturity that is a whole calendar month.

(e) Calculation Periods

(See Article 4.13 of the ISDA 2000 Definitions and Article 4.13 of the ISDA 2006 Definitions for definition.)

For vanilla interest rate swaps with constant notional principal and variable notional swaps the Clearing House will only accept non-standard Calculation Periods ("stub periods") at either the start or end of the contract. Transactions with stub periods at both the start and end of the transaction will not be eligible as SwapClear Transactions.

For variable notional swaps the stub rate should be detailed either as a percentage (i.e. 5.5%), an interpolation (i.e. 1 month/3 months) or as a designated maturity (i.e. 1 month). Stub Rates within the Final Stub are calculated via interpolation or as a designated maturity.

For interpolated coupons, payment dates must fall between the rolled dates, according to the Modified Following business day convention, of the specified designated maturities. Where this does not occur and extrapolation would be required, SwapClear will reject the trade.

The minimum stub period of a variable notional swap accepted by SwapClear is 1 + Currency Settlement Lag. The minimum stub rate tenor must be >= 1 week for IRS and basis swap and >=1 month for zero coupon swaps.

SwapClear also calculates floating periods subject to 'IMM settlement dates as per ISDA definitions.

(f) Up-Front Fees – Eligibility of SwapClear Transactions

Any up-front fees due under a SwapClear Transaction will form part of the first variation margin payment made in connection with such SwapClear Transaction.

SwapClear Transactions with respect to which a Client or an Affiliate is an Executing Party and which are denominated in a One-Day Currency where the up-front fee is due to settle on the day of registration are not eligible for clearing.

SwapClear Transactions with respect to which a Client or an Affiliate is an Executing Party and which are denominated in a Two-Day Currency where the up-front fee is due to settle on the day of registration, or the day following registration, are not eligible for clearing.

For the purposes of this paragraph (f):

"One-Day Currency" means GBP, USD, CAD or EUR.

"Two-Day Currency" means any other eligible currency.

Document comparison by Workshare Professional on 13 May 2013 12:28:06

Input:	
Document 1 ID	file://I:/General Regs, Procedures etc/LCH.Clearnet LLC/Regulations/Word Versions/LLC Regulations - 25.04.13 v.1.0.DOC
Description	LLC Regulations - 25.04.13 v.1.0
Document 2 ID	file://M:/SC1-#3328031-v6-Lincoln_Regs_-_Running_Draft_2013_(against_Oct_26_version).DOC
Description	SC1-#3328031-v6-Lincoln_Regs_-_Running_Draft_2013_(against_Oct_26_version)
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Split/Merged cell	
Padding cell	

Statistics:	
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