

*This Client Clearing End-User Notice (this “**Notice**”), in respect of SwapClear Client Clearing Business, is provided for information only and is neither a full description of the SwapClear Client Clearing Services (collectively, the “**Service**”) nor a recommendation to make use of them. Accordingly, you may not rely upon the contents of this Notice and should make your own decisions in relation to the Service based upon independent advice obtained from such advisers as you consider necessary. This Notice does not apply to client clearing services which an FCM Clearing Member provides to an FCM Client. To view the Client Clearing End-User Notice for such client clearing services, please click [here](#).*

## **Notice for the Service**

All terms in this Notice which begin with a capital letter, but which are not defined herein, shall have the meaning given to them in the “General Regulations” of LCH.Clearnet Limited (“**LCH**”) published by LCH from time to time and located at [www.lchclearnet.com](http://www.lchclearnet.com) (or such alternative website as determined by LCH).

## **Description of the Service**

SwapClear Clearing Members who engage in SwapClear Client Clearing Business (each, a “**Clearing Member**”) provide the Service to one or more of their client(s) (each, a “**Client**”). Each Client contracts with one or more Clearing Member(s), while each Clearing Member contracts with LCH. LCH does not enter into a direct contractual relationship with any Client, but agrees with Clearing Members that it will act in accordance with its Rulebook.

The Service, therefore, operates on the basis that where a Client enters into a trade with a Clearing Member, that Clearing Member will enter into a matching trade (being a SwapClear Contract) with LCH, and will generally notify LCH of the identity of the Client. LCH will then record that SwapClear Contract, and its associated collateral, in the relevant account opened within LCH by the Clearing Member, in respect of the Client and, where applicable, other Clients (each such account, a “**SwapClear Client Account**”). There are two basic types of SwapClear Client Account - an Individual Segregated Account, which is an account opened in respect of a single Client, and an Omnibus Segregated Account, which is an account opened in respect of a number of Clients. There are, in turn, different types of Omnibus Segregated Accounts. All SwapClear Client Accounts are segregated from house accounts. You should agree with your Clearing Member what types of SwapClear Client Account should be used in respect of your business. The use of different types of accounts may involve different costs or levels of collateral protection. Further, the choice of an Omnibus Segregated Account may make it more difficult for SwapClear Contracts to be ported to another Clearing Member. Your decision should, therefore, reflect your risk appetite as regards the segregation of your collateral and positions.

Please note that a Clearing Member does not contract with LCH as the agent of a Client. Rather, a Clearing Member contracts with LCH as principal, and a Client contracts with a Clearing Member as principal, on a matched-principal basis. In addition, LCH will not hold any assets transferred to it on trust for any Client. Consequently, a Client will not have a direct claim against LCH prior to its Clearing Member's default in respect of any asset recorded to a SwapClear Client Account.

## **Client Money and Client Assets Rules**

LCH is a recognised central counterparty, authorised under the European Market Infrastructure Regulation (“**EMIR**”) and supervised by the Bank of England within the

UK regulatory framework. This means that LCH does not require FCA authorisation in the UK to provide its central counterparty services and is therefore not subject to the FCA's client assets and client money rules (the “**CASS Rules**”), which apply to FCA-authorised firms only. As a result, SwapClear Client Accounts will not benefit from the client money or client asset protections afforded by the CASS Rules. Please contact your Clearing Member for further details.

### **Porting and Close-Out**

In the event that a Clearing Member of a Client defaults, the Service is designed to: (i) enable LCH to port SwapClear Contracts and associated collateral, which are recorded to the SwapClear Client Account in respect of such Client, to a substitute Clearing Member (“**Porting**”); or (ii) where Porting fails, enable LCH to close-out such SwapClear Contracts and transfer any resulting net collateral balance to the Client (“**Close-out**”).

Please note that a Client will not be entitled to give instructions to LCH as to the treatment of SwapClear Client Accounts relating to it at any time prior to the default of its Clearing Member, other than to notify LCH of any substitute Clearing Members who are prepared to act as Clearing Member for the Client following such a default. However, LCH will accept any instructions from such Client following a default of its Clearing Member provided that: (a) the instructions are in a form acceptable to LCH; (b) the Clearing Member of the Client has entered into all necessary LCH documentation; and (c) the instructions of the Client accord with, and are permitted under, such LCH documentation. Equally, a Client is not entitled to any information from LCH relating to any collateral recorded to a SwapClear Client Account at any time prior to the default of its Clearing Member. However, LCH will provide such information following the default of the Clearing Member of a Client.

A Clearing Member of a Client, which is incorporated in a particular jurisdiction specified by LCH, will charge any relevant Account Balances and Client Clearing Entitlements in favour of such Client under a security deed. In some jurisdictions, the security deed may be required to be registered as a security arrangement or to satisfy other local requirements. Accordingly, a Client should be aware that its rights under the security deed may depend, *inter alia*, upon any applicable registration and/or filing requirements and a Client should take advice as to whether it or its Clearing Member is required to make any such registration and/or filing, where applicable.

The aim of the security deed (where required) is to maximise the possibility of Porting or Close-out where the Clearing Member of a Client defaults. A Client may be required to enter into appropriate legal commitments or further agreements with LCH in order to facilitate Porting or Close-out. Additional information is available at <http://www.lchclearnet.com/members-clients/members/fees-ltd/annual-account-structure-fees>.