

VIA CFTC PORTAL SUBMISSION

20 November 2017

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

Dear Mr Kirkpatrick,

LCH Limited ("LCH"), a derivatives clearing organisation registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification, pursuant to CFTC regulation §40.6(a), Rulebook changes which will take effect from December 5, 2017.

Part I: Explanation and Analysis

LCH is implementing changes to its Rulebook to comply with its obligations under European Commission Directive on *Markets in Financial Instruments (MiFID) (No. 2014/65/EU)*, *Regulation on Markets in Financial Instruments (MiFIR) (No. 600/2014)* with Regulatory Technical Standards and Implementing Technical Standards (together "MiFID II"). LCH's obligations Under MiFID II are summarised below:

Timing of Acceptance for Clearing (MiFIR Article 29 – Straight-through-processing)

CCPs to have in place effective systems, procedures and arrangements to ensure that transactions in derivatives are submitted and accepted for clearing as quickly as technologically possible using automated systems; except where the rules of the trading venue which the derivative transaction is traded and rules of the CCP provide that the derivative transaction is cleared automatically.

Indirect Clearing Arrangements (MiFIR Article 30)

CCPs to not engage in business practices that act as a barrier to indirect clearing arrangements, and to make available accounts at the request of a clearing member which will be maintained in respect of an indirect client's (i.e. the client of a client of the clearing member) positions and assets.

Non-Discriminatory Access to a CCP (MiFIR Article 35 – Open Access)

A CCP to provide open access and only deny based on certain criteria, i.e. on grounds of i) operational risk and complexity; ii) the anticipated volume of transactions exceeding the planned capacity and scalable design of the CCP to the extent the CCP cannot adapt its systems; and iii) such access would introduce risks which the CCP cannot manage.

Part II: Description of Rule Changes

The changes to the Rulebook are set out in the Matrix of Rule changes included in Appendix A of this letter. Marked-up versions of the sections of the Rulebook shown below are also included as appendices to this letter.

- General Regulations (Appendix B)
- Default Rules (Appendix C)
- Procedures Section 2C (Appendix D)
- Procedures Section 2I (Appendix E)
- Procedures Section 2J (Appendix F)
- Procedures Section 3 (Appendix G)
- FCM Regulations (Appendix H)
- FCM Procedures (Appendix I)

LCH complies with all applicable law, and where there are differences between applicable jurisdictional laws, LCH applies the stricter standard.

Part III: Core Principle Compliance

LCH has concluded that compliance with the Core Principles will not be adversely impacted by these changes, and maintains compliance with the Core Principles, in particular with Core Principle C.

Part IV: Public Information

LCH has posted a copy of this submission pending certification on the LCH website at <http://www.lch.com/rules-regulations/proposed-rules-changes>

Part V: Opposing views

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

Certification

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

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

Yours sincerely,


Julian Oliver
Chief Compliance Officer

LCH Rule Submission

Appendix A

Summary of Rulebook Changes

Matrix - MiFIR Rule Changes

The amendments to the following LCH Limited (**LCH**) rules (collectively, the **LCH Rules**) fall into three categories, as briefly described in this matrix, below:

- General Regulations
- Default Rules
- Procedure 2C
- Procedure 2I
- Procedure 2J
- Procedure 3
- FCM Regulations
- FCM Procedures

Terms which begin with a capital letter, but are not defined, in this matrix have the meaning set out in the LCH Rules.

A. Indirect Clearing

Certain of the amendments create two new client accounts within the SwapClear, Listed Interest Rates, ForexClear, EquityClear and LSE Derivatives Markets services.

This enables LCH to comply with article 30 of Regulation (EU) No. 600/2014 (**MiFIR**) and with the Commission Delegated Regulations located here: <https://ec.europa.eu/transparency/regdoc/rep/3/2017/EN/C-2017-6270-F1-EN-MAIN-PART-1.PDF> and <http://ec.europa.eu/transparency/regdoc/rep/3/2017/EN/C-2017-6268-F1-EN-MAIN-PART-1.PDF> (**Indirect Clearing RTS**)

The two new client accounts are, broadly, described below:

1. Indirect Net Account

This is a client account which a Clearing Member (**CM**) opens with LCH in respect of one or more clients who are, in turn, each providing clearing services to their clients. LCH does not know the identity of the direct clients or the indirect clients. The account (a) reflects “omnibus client segregation” under article 39(2) of EMIR, and (b) is an account described under article 4(4)(a) of the Indirect Clearing RTS. The account operates in a very similar way to LCH’s existing Non-Identified Client Omnibus Net Segregated Account.

2. Indirect Gross Account

This is a client account which a CM opens with LCH in respect of one client who is, in turn, providing clearing services to its clients. LCH knows the identity of the direct client, but does not know the identity of any of the indirect clients. The account (a) reflects “individual client segregation” under article 39(3) of EMIR, and (b) is an account described under article 4(4)(b) of the Indirect Clearing RTS. The account operates in a very similar way to LCH’s existing Individual Segregated Account, but with certain characteristics resulting from the Indirect Clearing RTS, including that LCH will determine initial margin and variation margin requirements on a “gross” basis for this account. This means that such requirements will be determined, separately, in respect of the positions referable to a particular indirect client, rather than on a net basis across all positions registered to the account.

General Regulations	
Regulation 1	<p>Regulation 1 has been amended to include new definitions for:</p> <p>“Indirect Account”; “Indirect Gross Account”; “Indirect Gross Account Balance”; “Indirect Gross Account Clearing Client”; “Indirect Gross Sub-Account”; “Indirect Net Account”; and “Indirect Net Account Clearing Client”,</p> <p>which are necessary to establish the Indirect Accounts required under the Indirect Clearing RTS.</p> <p>Further amendments have been made to the definition of “Indirect Clearing Client”, and the definitions of “Indirect Omnibus Segregated Account” and “Indirect Segregated Account Clearing Client” have been deleted, as necessary to provide for the Indirect Accounts required under the Indirect Clearing RTS.</p> <p>Further amendments have been made to the existing definitions of:</p> <p>“Account Balance”; “Client Account”; “EquityClear Clearing Client”; “EquityClear Client Clearing Services”; “ForexClear Clearing Client”; “ForexClear Client Clearing Services”; “Listed Interest Rates Clearing Client”; “Listed Interest Rates Client Clearing Services”; “LSE Derivatives Markets Clearing Client”; “LSE Derivatives Markets Client Clearing Services”; “Required Margin Amount”; “SwapClear Clearing Client”; “SwapClear Client Clearing Services”; and “Total Required Margin Amount”,</p> <p>in each case, to extend their application to Indirect Gross Accounts. It is not necessary to extend these definitions to Indirect Net Accounts, as an Indirect Net Account is a type of Omnibus Segregated Account and, therefore, is already subsumed within such definitions (please see the point immediately below).</p>

	<p>The definitions of “Omnibus Segregated Account” and “Omnibus Segregated Account Clearing Client” have been amended to extend their application to Indirect Net Accounts.</p> <p>The definition of “Non-Identified Client Omnibus Net Segregated Clearing Client” has been amended to distinguish such a client from an Indirect Net Account Clearing Client.</p> <p>The definitions of “Backup Client” and “Client to Client Porting” relate to section 1.14 of Procedure 2C, section 1.17 of Procedure 2D, section 1.14 of Procedure 2F, section 1.14 of Procedure 2I and section 1.15 of Procedure 2J, which enable a CM to undertake “default porting” of Contracts, in respect of an Indirect Gross Account, where the CM’s <u>client</u> defaults (which, in turn, is necessary to facilitate a CM’s compliance with article 4(7)(b) of the Indirect Clearing RTS). These definitions have been amended to link them to an Indirect Gross Account and to reflect that porting is of Contracts only (and not Collateral also).</p>
Regulation 10	Regulation 10 has been amended to the effect that LCH will offer segregated accounts to a CM, which enable a CM to provide clearing services to its clients who are, in turn, providing clearing services to their clients.
Regulation 11	<p>Regulations 11(g) and 11(k) have been amended to provide for Indirect Gross Accounts and Indirect Net Accounts.</p> <p>Regulations 11(c)(ii), 11(d), 11(f)(v) and 11(l) have been amended to extend their application to Indirect Gross Accounts. It is not necessary to extend their application to Indirect Net Accounts, as an Indirect Net Account is a type of Omnibus Segregated Account and, therefore, is already covered by such provisions.</p> <p>Regulation 11(k)(iv) has been amended to reflect that a Clearing Client may act in different capacities and that the provisions of the Rulebook will apply accordingly.</p>
Regulation 56	<p>Regulations 56(a) and 56(i) have been amended to reflect (at the LCH level and in respect of an Indirect Gross Account) the segregation feature provided in article 4(2)(b) of the Indirect Clearing RTS, whereby positions referable to one Indirect Clearing Client do not off-set positions referable to another Indirect Clearing Client.</p> <p>Regulation 56(p) has been amended to extend its application to Indirect Clearing Clients.</p>
Regulation 57 and 57A	Regulations 57(d), 57A(j) and 57A(k) have been amended to reflect (at the LCH level and in respect of an

	Indirect Gross Account) the segregation feature provided in article 4(2)(b) of the Indirect Clearing RTS, whereby positions referable to one Indirect Clearing Client do not off-set positions referable to another Indirect Clearing Client.
Regulation 94	Regulation 94 has been amended to reflect (at the LCH level and in respect of an Indirect Gross Account) the segregation feature provided in article 4(2)(b) of the Indirect Clearing RTS, whereby positions referable to one Indirect Clearing Client do not off-set positions referable to another Indirect Clearing Client.
Regulation 100	Regulation 100(c) has been amended to reflect (at the LCH level and in respect of an Indirect Gross Account) the segregation feature provided in article 4(2)(b) of the Indirect Clearing RTS, whereby positions referable to one Indirect Clearing Client do not off-set positions referable to another Indirect Clearing Client.
Default Rules	
Default Rule 3, 6(t)(i), 11(a) and (c), paragraph 4.1(a), 9.2 of Schedule 1 of the Default Rules	These rules have been amended to cover Indirect Gross Account Clearing Clients and Indirect Gross Accounts.
Default Rule 11(b), paragraph 1 of Schedule 1 of the Default Rules	These rules have been amended to cover Indirect Net Accounts and Indirect Gross Accounts. Sub-paragraphs of 11(c) are re-numbered.
Paragraph 4.3 of Schedule 1 of the Default Rules	This rule has been extended to cover Indirect Net Accounts with the effect that, if a CM defaults, LCH must seek to determine the identity of the Clearing Clients within the account (which, in turn, enables LCH to seek to default port the Contracts and Collateral within such account to a Backup Clearing Member).
Paragraphs 4.5 and 6 of Schedule 1 of the Default Rules	These rules have been extended to cover Indirect Gross Accounts with the effect that LCH will seek to default port the Contracts and Collateral within such account to a Backup Clearing Member.

Paragraph 7 of Schedule 1 of the Default Rules	This rule has been deleted as it related to the now defunct indirect account which LCH used to offer and which has been superseded by the Indirect Gross Account and Indirect Net Account, required under the Indirect Clearing RTS.
Paragraph 9.1 of Schedule 1 of the Default Rules	This rule has been amended to reflect (at the LCH level and in respect of the Client Clearing Entitlements of an Indirect Gross Account Clearing Client) the segregation feature provided in article 4(2)(b) of the Indirect Clearing RTS, whereby positions referable to one Indirect Clearing Client do not off-set positions referable to another Indirect Clearing Client and that assets of one Indirect Clearing Client cannot be used to cover the positions of another Indirect Clearing Client.
Paragraph 9.3 of Schedule 1 of the Default Rules	This rule has been amended so that it applies only to a Non-Identified Client Omnibus Net Segregated Account.
Paragraph 9.4 of Schedule 1 of the Default Rules	This rule replicates paragraph 9.3 of Schedule 1 of the Default Rules, but in relation to an Indirect Net Account (which, if a CM defaults, is treated in the same way as a Non-Identified Client Omnibus Net Segregated Account).
F9(a) of Schedule 5 of the Default Rules CS4(a) of Schedule 6 of the Default Rules	The definition of "Margin Account" within these rules has been amended with the effect that, if LCH applies "haircutting" to the cash flows relating to an Indirect Gross Account under these rules, it will do so in respect of <u>each</u> Indirect Gross Sub-Account within the account <u>separately</u> , and not on a net basis across the account as a whole.
Procedure 2C	
Sections 1.1, 1.6, 1.7, 1.9 and 1.28.9	These sections have been amended to cover Indirect Gross Accounts.
Section 1.4.2	This section has been amended to provide for Indirect Gross Accounts and Indirect Net Accounts.
Section 1.14	This section has been amended to enable a CM to undertake "default porting" of Contracts, in respect of an

	Indirect Gross Account, where the CM's <u>client</u> defaults (which, in turn, is necessary to facilitate a CM's compliance with article 4(7)(b) of the Indirect Clearing RTS).
Section 1.16	This section has been amended to reflect (at the LCH level and in respect of an Indirect Gross Account) the segregation feature provided in article 4(2)(b) of the Indirect Clearing RTS, whereby positions referable to one Indirect Clearing Client do not off-set positions referable to another Indirect Clearing Client.
Procedure 2I	
Section 1.2.3(a)(ii)	This section has been amended to provide for Indirect Gross Accounts and Indirect Net Accounts.
Section 1.2.3(b)(ii), 1.5.2, 1.5.5 and 1.6.2(c)	These sections have been amended to cover Indirect Gross Accounts.
Section 1.14	This section has been amended to enable a CM to undertake "default porting" of Contracts, in respect of an Indirect Gross Account, where the CM's <u>client</u> defaults (which, in turn, is necessary to facilitate a CM's compliance with article 4(7)(b) of the Indirect Clearing RTS).
Section 1.15.1	This section has been amended to reflect (at the LCH level and in respect of an Indirect Gross Account) the segregation feature provided in article 4(2)(b) of the Indirect Clearing RTS, whereby positions referable to one Indirect Clearing Client do not off-set positions referable to another Indirect Clearing Client.
Procedure 2J	
Section 1.4.2	This section has been amended to provide for Indirect Gross Accounts and Indirect Net Accounts.
Sections 1.4.4, 1.5.1 and 1.5.2	These sections have been amended to cover Indirect Gross Accounts.

Section 1.15	This section has been amended to enable a CM to undertake “default porting” of Contracts, in respect of an Indirect Gross Account, where the CM’s <u>client</u> defaults (which, in turn, is necessary to facilitate a CM’s compliance with article 4(7)(b) of the Indirect Clearing RTS).
Procedure 3	
Section 1.3.1(f)	This section has been amended to extend the exception to Indirect Gross Accounts, with the effect that a CM may not request automatic repayment of excess cash balances on such account.
FCM Regulations	
Regulation 7	This section has been inserted with the effect that an FCM may request that LCH open an Indirect Account for it, provided such FCM demonstrates to LCH that it is able to perform its obligations in respect of such account in accordance with Applicable Law.

B. STP

Certain of the amendments are to enable LCH to comply with Commission Delegated Regulation (EU) 2017/582 (**RTS 26**) and to make the LCH clearing process swifter and easier, in the following respects:

1. Sub-Block Trading Venue Transaction – SwapClear and ForexClear Services

If a SwapClear Transaction or ForexClear Transaction is (a) executed on a Trading Venue, and (b) has a notional amount which is below the minimum amount determined by LCH and published on its website, then it will be considered a “Sub-Block Trading Venue Transaction”.

A CM does not need to provide Collateral in respect of such Sub-Block Trading Venue Transaction as a pre-condition for the clearing of such transaction with LCH. Rather, LCH will call the CM for any required Collateral at the margin run occurring immediately after the point at which the transaction is cleared.

This feature applies equally within the FCM SwapClear and FCM ForexClear services.

2. Eligible Trading Venue - SwapClear and ForexClear Services

A SwapClear CM or ForexClear CM may designate (in accordance with LCH’s process) a Trading Venue as an “Eligible Trading Venue”.

If a CM does so, then, where a third party which is not a SwapClear Dealer or ForexClear Dealer (a) executes a SwapClear Transaction or ForexClear Transaction on such Trading Venue, and (b) nominates the CM to clear its side of such transaction, LCH will “auto-accept” such transaction on behalf of the CM (obviating the need for the CM to provide a specific accept or reject notice to LCH, in respect of such transaction).

By contrast, if a CM does not designate a Trading Venue as an Eligible Trading Venue, then, where a third party which is not a SwapClear Dealer or ForexClear Dealer (a) executes a SwapClear Transaction or ForexClear Transaction on such Trading Venue, and (b) nominates the CM to clear its side of such transaction, LCH will reject such transaction for clearing.

This feature applies equally within the FCM SwapClear and FCM ForexClear services.

General Regulations	
Regulation 1	<p>Regulation 1 has been amended to insert definitions of “Eligible Trading Venue” and “Eligible Trading Venue Transaction” as part of the change described in point B(2) above.</p> <p>The definition of “Eligible US Trading Venue”, “US Trading Venue” and “US Trading Venue Transaction” has been deleted as part of the change described in point B(2) above.</p> <p>Regulation 1 has been amended to include definitions of “MiFID II”, “Trading Venue” and “Trading Venue Transaction” as part of:</p> <ul style="list-style-type: none"> - the change described in point B(2) above; and - the operational process required under article 4 of RTS 26, whereby (for SwapClear and ForexClear) a CM will receive a Notification, in respect of a transaction that is not a Trading Venue Transaction, in the circumstances described in section 1.3.3(d) of Procedure 21 and section 1.3.2 of Procedure 2C. <p>The definition of “Sub-Block US Trading Venue Transaction” has been amended as part of change described in point B(1) above.</p> <p>Regulation 1 has been amended to:</p> <ul style="list-style-type: none"> - delete the definitions of “Combined LSE Derivatives Markets Orderbook”, “Cross Border Registration”, “Cross-Border Transfers”, “LSE Derivatives Markets OTC Trade”, “LSE Derivatives Markets Transactions” and “Reported Trades”; and - amend the definitions of “Exchange Transaction”, “LSE Derivatives Markets Orderbook Match or Orderbook Match”, “LSE Derivatives Markets Trade Particulars” and “LSE Derivatives Markets Account”, <p>in order to (a) reflect that LSE Derivatives Markets products are solely cleared via the “open offer” (rather than the “novation”) clearing mechanism and in accordance with the condition under article 2(1)(b) of RTS 26, and (b) to improve the drafting of the definitions so that they read more clearly.</p>
Regulation 55	<p>Regulation 55(d) has been amended to reflect:</p> <ul style="list-style-type: none"> - the change described in point B(2) above; and

	<ul style="list-style-type: none"> - the operational process required under article 4 of RTS 26, whereby a CM will receive a Notification, in respect of a transaction that is not a Trading Venue Transaction, in the circumstances described in such Regulation 55(d) and in section 1.3.2 of Procedure 2C. <p>Regulation 55(e) has been amended, in an expansionary way, to reflect that LCH will register or reject the registration of a SwapClear Contract in accordance with Applicable Law (which captures the “STP” clearing requirements under article 3(4) and 4(3) of RTS 26, as well as any other that may apply to LCH, such as that under Part 39 of the CFTC Regulations).</p> <p>Regulation 55(e)(iv) has been amended to reflect the change described under point B(1) above.</p>
Regulation 68	Regulations 68(e) and 68(f) have been amended to reflect that an EquityClear ATP Match will be cleared in accordance with the condition under article 2(1)(b) of RTS 26.
Regulation 69	Regulation 69(b) has been amended to reflect that LCH will register or reject the registration of an EquityClear Novation Transaction in accordance with Applicable Law (which captures the “STP” clearing requirement under article 3(4) of RTS 26).
Regulation 72	Regulation 72 has been amended to reflect LCH’s obligation to inform the relevant CMs and ATP of non-acceptance under article 3(4) of RTS 26.
Regulations 77	Regulations 77(f) and 77(g) have been amended to reflect that an LSE Derivatives Markets Match will be cleared in accordance with the condition under article 2(1)(b) of RTS 26.
Regulations 78, 79, 82, 84 and 85	Regulations 78, 79, 82, 84 and 85 have been deleted as part of the amendments which reflect that LSE Derivatives Markets products are solely cleared via the “open offer” (rather than the “novation”) clearing mechanism and in accordance with the condition under article 2(1)(b) of RTS 26.
Regulation 82	Regulation 82(a) has been amended to reflect LCH’s obligation to inform the relevant CMs and the LSE Derivatives Markets Platform of non-acceptance under article 3(4) of RTS 26.

Regulation 91	<p>Regulation 91 has been amended to reflect:</p> <ul style="list-style-type: none"> - the change described in point B(2) above; - the operational process required under article 4(2) of RTS 26, whereby a CM will receive a Notification, in respect of a transaction that is not a Trading Venue Transaction, in the circumstances described in Regulation 91(c) and section 1.3.3(d) of Procedure 2I; and - that LCH will register or reject the registration of a ForexClear Contract in accordance with Applicable Law (which captures the “STP” clearing requirements under article 3(4) and 4(3) of RTS 26, as well as any other that may apply to LCH, such as that under Part 39 of the CFTC Regulations).
Regulation 97	Regulation 97(e) has been amended to reflect that a Rates Exchange Match will be cleared in accordance with the condition under article 2(1)(b) of RTS 26.
Regulation 98	Regulation 98(b) has been amended to reflect that LCH will register or reject the registration of a Listed Interest Rates Novation Transaction in accordance with Applicable Law (which captures the “STP” clearing requirement under article 3(4) of RTS 26).
Regulations 103	Regulation 103 has been amended to reflect LCH’s obligation to inform the relevant CMs and Rates Exchange of non-acceptance under article 3(4) of RTS 26.
Procedure 2C	
Section 1.3.2 and 1.3.3 (last sentence)	<p>These sections has been amended to reflect:</p> <ul style="list-style-type: none"> - the operational process required under article 4 of RTS 26, whereby a CM will receive a Notification, in respect of a transaction that is not a Trading Venue Transaction, in the circumstances described in this section 1.3.2 of Procedure 2C; and - the change described in point B(1) above.

Section 1.3.5	This section has been amended to reflect that LCH will accept or reject a SwapClear Transaction within the required timeframe under Applicable Law (which captures the “STP” clearing requirements under articles 3(4) and 4(3) of RTS 26, and any other “STP” clearing requirements under applicable law, such as under Part 39 of the CFTC Regulations).
Section 1.3.7	This section has been amended to reflect LCH’s obligation to inform the relevant CMs and Trading Venues of non-acceptance under articles 3(4) and 4(5) of RTS 26.
Section 1.3.8	This section has been amended to reflect the changes described in point B(1) and B(2) above, to more clearly state the circumstances in which LCH may reject a SwapClear Transaction for clearing, and to provide for re-presentation of a rejected SwapClear Transaction.
Procedure 21	
Section 1.2.5(a)	This section has been amended to reflect that LCH will accept or reject a ForexClear Transaction within the required timeframe under Applicable Law (which captures the “STP” clearing requirements under articles 3(4) and 4(3) of RTS 26, and any other “STP” clearing requirements under applicable law, such as under Part 39 of the CFTC Regulations).
Section 1.2.5(a)	These sections has been amended to reflect the change described in point B(1) above.
Section 1.3.1 and 1.3.3(iii)	<p>This section has been amended to reflect:</p> <ul style="list-style-type: none"> - that LCH will accept or reject a ForexClear Transaction within the required timeframe under Applicable Law (which captures the “STP” clearing requirements under articles 3(4) and 4(3) of RTS 26, and any other “STP” clearing requirements under applicable law, such as under Part 39 of the CFTC Regulations); and - LCH’s obligation to inform the relevant CMs and Trading Venues of non-acceptance under articles 3(4) and 4(5) of RTS 26.

Section 1.3.3(d)	This section has been inserted to reflect the operational process required under article 4 of RTS 26, whereby a CM will receive a Notification, in respect of a transaction that is not a Trading Venue Transaction, in the circumstances described in this section 1.3.3(d).
Section 1.3.4	<p>This section has been amended to reflect the changes described in point B(1) and B(2) above, to more clearly state the circumstances in which LCH may reject a ForexClear Transaction for clearing, and to provide for re-presentation of a rejected ForexClear Transaction.</p> <p>Subsequent paragraphs re-numbered.</p>
Procedure 2J	
Section 1.3.1	<p>This section has been amended to reflect that:</p> <ul style="list-style-type: none"> - Listed Interest Rates Novation Transactions are cleared via the “novation” clearing mechanism and that LCH will accept or reject such transaction within the required timeframe under Applicable Law (which captures the “STP” clearing requirement under article 3(4) of RTS 26); and - Rates Exchange Matches are cleared via the “open offer” clearing mechanism and in accordance with the condition under article 2(1)(b) of RTS 26.
Section 1.3.6	<p>This section has been amended to:</p> <ul style="list-style-type: none"> - more clearly state the circumstances in which LCH may reject a Listed Interest Rates Novation Transaction or Rates Exchange Match for clearing; - provide for re-presentation of a rejected Listed Interest Rates Novation Transaction or Rates Exchange Match; and - reflect LCH’s obligation to inform the relevant CMs and Rates Exchange of non-acceptance under article 3(4) of RTS 26. -

FCM Regulations	
FCM Regulation 1	Regulation 1 has been amended to amend the definitions of “FCM Eligible US Trading Venue” (both in name and description), and to insert the definition of “FCM Eligible Trading Venue Transaction”, as part of the change described in point B(2) above.
FCM Regulation 1	<p>The definitions of “FCM US Trading Venue” and “FCM US Trading Venue Transaction” have been amended (both the name and description):</p> <ul style="list-style-type: none"> - as part of the change described in point B(2) above; and - to reflect the operational process required under article 4 of RTS 26, whereby (for FCM SwapClear and FCM ForexClear) an FCM will receive an FCM Notification, in respect of a transaction that is not an FCM Trading Venue Transaction, in the circumstances described in section 2.1.3(b) and 2.2.8(d) of the FCM Procedures.
FCM Regulation 1	The definition of “Sub-Block US Trading Venue Transaction” has been amended as part of change described in point B(1) above.
FCM Regulation 46(b) and (c) and FCM Regulation 46(e)(iii)	<p>FCM Regulation 46(b) and 46(e)(iii) have been amended, and FCM Regulation 46(c) inserted, to reflect:</p> <ul style="list-style-type: none"> - the operational process required under article 4 of RTS 26, whereby an FCM will receive an FCM Notification, in respect of a transaction that is not an FCM Trading Venue Transaction, in the circumstances described in section 2.1.3(b) of the FCM Procedures; and - the change described in point B(2) above. - Paragraph re-numbering also resulted from the above amendments.
FCM Regulation 46(e)	This regulation has been amended, in an expansionary way, to reflect that LCH will register or reject the registration of an FCM SwapClear Transaction in accordance with Applicable Law (which captures the “STP” clearing requirements under article 3(4) and 4(3) of RTS 26, as well as any other that may apply to LCH, such as that under Part 39 of the CFTC Regulations).

FCM Regulation 49(b) and (c)	<p>FCM Regulation 49(b) and 46(c) have been inserted to reflect:</p> <ul style="list-style-type: none"> - the operational process required under article 4 of RTS 26, whereby an FCM will receive an FCM Notification, in respect of a transaction that is not an FCM Trading Venue Transaction, in the circumstances described in section 2.2.8(d) of the FCM Procedures; and - the change described in point B(2) above.
FCM Regulation 49(e)	<p>This regulation has been inserted to reflect that LCH will register or reject the registration of an FCM ForexClear Transaction in accordance with Applicable Law (which captures the “STP” clearing requirements under article 3(4) and 4(3) of RTS 26, as well as any other that may apply to LCH, such as that under Part 39 of the CFTC Regulations).</p> <p>Subsequent paragraphs were re-numbered.</p>
FCM Regulation 53(e)	<p>This regulations has been amended to reflect that a Rates Exchange Match will be cleared in accordance with the condition under article 2(1)(b) of RTS 26.</p>
FCM Regulation 54(b)	<p>This regulation has been amended to reflect that LCH will register or reject the registration of an FCM Listed Interest Rates Novation Transaction in accordance with Applicable Law (which captures the “STP” clearing requirement under article 3(4) of RTS 26).</p>
FCM Regulation 61	<p>This regulation has been amended to reflect LCH’s obligation to inform the relevant FCMs and Rates Exchange of non-acceptance under article 3(4) of RTS 26.</p>
FCM Procedures	
Section 2.1.3(b)	<p>This has been amended to reflect:</p> <ul style="list-style-type: none"> - the operational process required under article 4 of RTS 26, whereby an FCM will receive an FCM Notification, in respect of a transaction that is not an FCM Trading Venue Transaction, in the circumstances described in this section 2.1.3(b) of the FCM Procedures; and

	<ul style="list-style-type: none"> - the change described in point B(1) above.
Section 2.1.3(e)	This section has been amended to reflect that LCH will accept or reject an FCM SwapClear Transaction within the required timeframe under Applicable Law (which captures the “STP” clearing requirements under article 3(4) and 4(3) of RTS 26, as well as any other that may apply to LCH, such as that under Part 39 of the CFTC Regulations).
Section 2.1.3(f)	This regulation has been amended to reflect LCH’s obligation to inform the relevant FCMs and Trading Venue of non-acceptance under article 3(4) and 4(5) of RTS 26.
Section 2.1.3(g)	This section has been amended to reflect the changes described in point B(1) and B(2) above, to more clearly state the circumstances in which LCH may reject an FCM SwapClear Transaction for clearing, and to provide for re-presentation of a rejected FCM SwapClear Transaction.
Section 2.1.3(h)	This has been amended to reflect the change described in point B(2) above.
Section 2.2.7	<p>This section has been amended to reflect:</p> <ul style="list-style-type: none"> - that LCH will accept or reject an FCM ForexClear Transaction within the required timeframe under Applicable Law (which captures the “STP” clearing requirements under article 3(4) and 4(3) of RTS 26, as well as any other that may apply to LCH, such as that under Part 39 of the CFTC Regulations); and - the change described in point B(1) above.
Section 2.2.7(a) and 2.2.8(a)(iii)	This regulation has been amended to reflect LCH’s obligation to inform the relevant FCMs and Trading Venue of non-acceptance under article 3(4) and 4(5) of RTS 26.
Section 2.2.8(c)	This has been amended to reflect the change described in point B(1) above.
Section 2.2.8(d)	This has been amended to reflect the operational process required under article 4 of RTS 26, whereby an

	FCM will receive an FCM Notification, in respect of a transaction that is not an FCM Trading Venue Transaction, in the circumstances described in this section 2.2.8(d) of the FCM Procedures.
Section 2.2.8(f)	This section has been amended to reflect the changes described in point B(1) and B(2) above, to more clearly state the circumstances in which LCH may reject an FCM ForexClear Transaction for clearing, and to provide for re-presentation of a rejected FCM ForexClear Transaction.
Section 2.2.8(l)	This has been amended to reflect the change described in point B(2) above.
Section 2.3.3(a)	<p>This section has been amended to reflect that:</p> <ul style="list-style-type: none"> - FCM Listed Interest Rates Novation Transactions are cleared via the “novation” clearing mechanism and that LCH will accept or reject such transaction within the required timeframe under Applicable Law (which captures the “STP” clearing requirement under article 3(4) of RTS 26); and - Rates Exchange Matches are cleared via the “open offer” clearing mechanism and in accordance with the condition under article 2(1)(b) of RTS 26.
Section 2.3.3(f)	<p>This section has been amended to:</p> <ul style="list-style-type: none"> - more clearly state the circumstances in which LCH may reject an FCM Listed Interest Rates Novation Transaction or Rates Exchange Match for clearing; - provide for re-presentation of a rejected FCM Listed Interest Rates Novation Transaction or Rates Exchange Match; and - reflect LCH’s obligation to inform the relevant FCMs and Rates Exchange of non-acceptance under article 3(4) of RTS 26.

C. Conforming and Correcting Amendments

Certain of the amendments are to ensure greater conformity of the LCH Rules across LCH's different services and to improve the drafting of certain of the LCH Rules for greater clarity and/or to ensure they reflect their intended meaning.

General Regulations	
Regulation 1	<p>The following definitions have been amended to achieve consistency with parallel definitions across the EquityClear, Listed Interest Rates, LSE Derivatives Markets and/or ForexClear services:</p> <ul style="list-style-type: none">"EquityClear (ccCFD) ATP Match""EquityClear (ccCFD) Open Offer""EquityClear Contract""EquityClear Eligibility Criteria""EquityClear Eligible Instruments""EquityClear (Equities) ATP Match""EquityClear (Equities) Open Offer""EquityClear Mixed Member Match""EquityClear Novation Transaction""EquityClear Novation Transaction Eligibility Criteria""EquityClear Open Offer""EquityClear Open Offer Eligibility Criteria""Executing Party""Execution Terms""Listed Interest Rates Eligibility Criteria""Listed Interest Rates Novation Transaction""Listed Interest Rates Open Offer""Open Offer for LSE Derivatives Markets""Rates Exchange Match""Rates Exchange Particulars""Trading Platform Particulars" <p>The definition of "LSE Derivatives Markets Client Clearing Business" has been amended to reflect the correct</p>

	<p>name of the service (i.e. "LSE Derivatives Markets", rather than its previous name "Turquoise").</p> <p>The definition of "Non-Identified Client Omnibus Net Segregated Account" has been amended to reflect that a CM can open one or more Non-Identified Client Omnibus Net Segregated Accounts (and need not only open a single Non-Identified Client Omnibus Net Segregated Account).</p> <p>The definition of "option" has been amended to ensure it more accurately reflects its intended meaning.</p> <p>The definitions of "original exchange contract" and "Price" have been amended to refer to "EquityClear ATP Match" (which is a defined term), instead of "ATP Match" (which is not a defined term).</p> <p>Clarificatory and typographical amendments have been made to the definitions of "Rates Exchange Rules" and "Regulations".</p> <p>The definition of "Required Initial Margin Amount" has been inserted and is used in section 1.28.9 of Procedure 2C. It is part of the clarificatory amendments made to section 1.28.9 of Procedure 2C to ensure it more accurately reflects its intended meaning.</p>
Regulation 7	Regulation 7 has been amended to refer to the correct defined terms.
Regulation 11	Clarificatory amendments have been made to Regulations 11(c)(iii), 11(e), 11(f) and 11(k)(iii).
Regulation 16 and 19	Clarificatory amendments have been made to Regulations 16 and 19
Regulation 55	<p>Clarificatory and correcting amendments have been made to Regulation 55(b), 55(c) and 55(e)(iii).</p> <p>Regulation 55(f) has been amended to provide that if LCH clears a SwapClear Transaction and the Executing Party to such SwapClear Transaction is:</p> <ul style="list-style-type: none"> - a party to the Rulebook, such party is released and discharged from all of its rights and obligations under such SwapClear Transaction; and - not a party to the Rulebook, such party's rights and obligations under the SwapClear Transaction will be governed by the applicable Execution Terms (if any).

Regulation 68	Clarificatory amendments have been made to Regulations 68(a), 68(b), 68(c) and 68(g).
Regulation 69	Clarificatory amendments have been made to Regulations 69(a), 69(b)(i), (ii), (iv) and (vii) and 69(c).
Regulation 72	Clarificatory and conforming amendments have been made to Regulation 72.
Regulation 77	Clarificatory and conforming amendments have been made to Regulations 77(a) to 77(e) and to Regulations 77(h) to 77(m).
Regulations 80, 81, 83, 86 and 87	Amendments to correct minor errors, and to ensure consistency, have been made to Regulations 80, 81, 83, 86 and 87.
Regulation 91	Conforming amendments, and minor corrections, have been made to Regulations 91(a), 91(e), 91(f) and 91(j).
Regulation 97	Clarificatory and conforming amendments have been made to Regulations 97(a) to 97(e), and 97(g). Regulations 97(h) and 97(i) have been amended to ensure they more accurately reflect their intended meaning.
Regulation 98	Clarificatory and conforming amendments have been made to Regulations 98(a) and 98(b).
Regulations 102 and 103	Clarificatory and conforming amendments have been made to Regulations 102 and 103.

Default Rules	
<p>Default Rule 3 Paragraph 9.1 of Schedule 1 of the Default Rules</p> <p>Default Rule 8(d)</p> <p>F9(a) of Schedule 5 of the Default Rules CS4(a) of Schedule 6 of the Default Rules</p>	<p>Conforming amendments have been made to Default Rule 3 and to “clients” at the end of paragraph 9.1 of Schedule 1 of the Default Rules.</p> <p>Default Rule 8(d) has been amended to ensure it more accurately reflects its intended meaning.</p> <p>The definition of “Cash Payment Type” within these rules has been amended to ensure it more accurately reflects its intended meaning.</p>
Procedure 2C	
Sections 1.1, 1.3, 1.5.2(b) and 1.28.9	Clarificatory and conforming amendments, and amendments to ensure the operational process is accurately reflected, have been made to these sections.
Sections 1.18 and 1.22.3(b)	Deleted, as superfluous/not used, and subsequent paragraphs re-numbered.
Procedure 2I	
Sections 1 (first paragraph), 1.1, 1.2.1, 1.2.4, 1.2.5(c), (d) and (f), 1.3.1, 1.3.2, 1.3.3, 1.3.5, 1.5.2, 1.7.6, 1.8, 1.12.2(c), 1.12.3	<p>Clarificatory and conforming amendments, and amendments to ensure the operational process is accurately reflected, have been made to these sections.</p> <p>Paragraphs were re-numbered.</p>

Procedure 2J	
Sections 1.1, 1.1.4, 1.1.7, 1.2.1, 1.2.3, 1.2.4, 1.3.2, 1.3.4, 1.3.5, 1.3.7, 1.4.4, 1.5.2, 1.5.3, 1.7.1 and 1.14.1	Clarificatory and conforming amendments, and amendments to ensure the operational process is accurately reflected, have been made to these sections.
Procedure 3	
Section 1.3.1(f)	Clarificatory amendments, and amendments to ensure the operational process is accurately reflected, have been made to this section.
FCM Regulations	
	<p>Clarificatory and conforming amendments have been made to these definitions and regulations:</p> <p> “Executing Party” “FCM Listed Interest Rates Eligibility Criteria” “FCM Listed Interest Rates Novation Transaction” “FCM Listed Interest Rates Open Offer” “Rates Exchange Match” “Rates Exchange Particulars” </p> <p>FCM Regulation 46(d), 46(e(iv), 46(f), 46(i), 49(a), 49(d), 49(g), 49(l), 52(a), 52(b), 52(e), 52(f), 53(a), 53(b), 53(c), 53(d), 53(e), 53(g), 53(h), 54(a), 54(b), 54(k) and 61. Paragraph re-numbering also occurred.</p>
FCM Procedures	
	Clarificatory and conforming amendments have been made to these definitions and sections:

	<p>FCM Procedures 2.1.1(a), (b) and (c), 2.1.2(b), 2.1.3(a) and (b), 2.1.3(c) (last sentence), 2.1.3(d), (e) and (h), 2.1.7(a), 2.1.14, 2.2.2, 2.2.3, 2.2.4(a), 2.2.7, 2.2.8, 2.3.1, 2.3.2, 2.3.3(b), (d) and (e) and 2.3.4</p>
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Additionally, some subsequent paragraphs were re-numbered.

LCH Rule Submission

Appendix B

General Regulations

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LCH The Markets'
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**GENERAL REGULATIONS OF
LCH LIMITED**

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REGULATION 1 DEFINITIONS

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

"Account Balance"	means, in relation to a Relevant Client Clearing Business of a Clearing Member, an Individual Segregated Account Balance, <u>an Indirect Gross Account Balance</u> , a Custodial Segregated Account Balance or an Omnibus Segregated Account Balance
"ACSP Compression Cycle"	means a Multilateral Compression Cycle established by the Clearing House and facilitated by an ACSP nominated by the Clearing House, which shall be open to participation by SwapClear Clearing Members either on their own account or with respect to a SwapClear Clearing Client in accordance with the provisions of Regulation 56 and relevant Compression Documentation
"Account Information Documents"	means the documents called "LCH Account Structures under EMIR" and "Fees for EMIR Segregation Accounts", as published by the Clearing House on its website and made available to Clearing Members and Clearing Clients upon request
"Affiliated Client Omnibus Net Segregated Account"	means, in relation to a Relevant Client Clearing Business, an account opened within the Clearing House by a Clearing Member on behalf of a group of Affiliated Omnibus Segregated Clearing Clients which is designated by the Clearing House as an Affiliated Client Omnibus Net Segregated Account
"Affiliated Client Omnibus Segregated Account"	means, in relation to a Relevant Client Clearing Business, (i) an Affiliated Client Omnibus Net Segregated Account or (ii) an Omnibus Gross Segregated Account opened on behalf of a group of Affiliated Omnibus Segregated Clearing Clients
"Affiliated Omnibus Net Segregated Clearing Clients"	means Affiliated Omnibus Segregated Clearing Clients in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Affiliated Client Omnibus Net Segregated Account

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"Backup Clearing Member" means the Clearing Member(s) indicated by a Clearing Client as acting as such and notified to the Clearing House from time to time

"Backup Client" means an Indirect ~~Gross~~ Account Clearing Client identified by a Clearing Member to the Clearing House for the purposes of a transfer of Related Contracts pursuant to a Client to Client Porting

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"Backload Registration Cycle" has the meaning assigned to it in the Procedures

"Backloaded Registration Trade" has the meaning assigned to it in the Procedures

"Block IRS Trade" means a trade the notional amount of which is at or above the minimum block size established by the CFTC pursuant to CFTC Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such trade to the Clearing House for registration

"Board" means the board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange

"Bond Trade" means a trading activity in which a RepoClear Participant offers to sell RepoClear Eligible Securities, and another RepoClear Participant offers to purchase those RepoClear Eligible Securities, and a trade subsequently ensues

"Bulk Event" has the meaning as described in Regulation 60(f)

"Bulk Event Cycle" has the meaning as described in Regulation 60(f)

"Bulk Threshold" means the threshold (defined as a given number of SwapClear Contracts) established from time to time by the Clearing House in its sole and absolute discretion to distinguish Intra-Day Bulk Transfers from Intra-Day Non-Bulk Transfers and notified to SwapClear Clearing Members

"Business" means any transactions, liabilities or obligations arising out of any contract and includes, in relation to the relevant Services, Commodities Business, Equities Business, ForexClear Business, RepoClear Business and Rates Service Business.

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"Clearing Member Returned Collateral"

means, in respect of an account of a Clearing Member, any Collateral: (i) which the Clearing House has returned to a Clearing Member or a Custodial Segregated Client, as applicable (provided that the Clearing House shall only be treated as having returned any non-cash Collateral to a Clearing Member or a Custodial Segregated Client, as applicable, if the security in respect of that Clearing Member's or Custodial Segregated Client's interest in that non-cash Collateral pursuant to the relevant Deed of Charge or Client Charge has been released); or (ii) in respect of which the obligation to return such Collateral has been discharged as a result of the operation of Regulation 23(c) or as a result of the operation of Regulation 57(d) or another comparable payment netting provision applying in the ordinary course of business.

"Clearing Membership Agreement"

means the agreement so designated under which, *inter alia*, the Clearing House agrees to make available clearing services in respect of Contracts together with any extension letter or other agreement; in these Regulations and the Procedures the expressions "**Clearing Member Agreement**", "**Member Agreement**" and "**Membership Agreement**" shall have the same meaning as "**Clearing Membership Agreement**"; and in the Default Rules "**Clearing Membership Agreement**" includes the FCM Clearing Membership Agreement and the FCM Default Fund Agreement

"ClearLink API"

means the Clearing House's proprietary messaging standard used by market participants to interact with the Clearing House's clearing services

"Client Account"

means any Individual Segregated Account, any Indirect Gross Account, any Custodial Segregated Account and any Omnibus Segregated Account

"Client Buffer"

means an amount of Collateral (taking the form of cash in a currency acceptable to the Clearing House) held in a Client Buffer Account which is intended to be used to provide a pool of available Collateral to support the registration of, or to meet any other intraday margin requirements in connection with, SwapClear Contracts in Client Accounts opened in connection with SwapClear Client Clearing Business

"Client Charge"

means a deed of charge entered into between a Custodial Segregated Client, the Clearing House and a Clearing Member in respect of Collateral that the Custodial Segregated Client provides to the Clearing House in respect of the relevant Custodial Segregated Account

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"Client Excess"

means (i) in respect of a Client Account other than an Omnibus Gross Segregated Account, that part of the Clearing Member Current Collateral Balance which is in excess of the Total Required Margin Amount for such account; and (ii) in respect of an Omnibus Gross Segregated Clearing Client or a group of Combined Omnibus Gross Segregated Clearing Clients, that portion of the amount by which the Clearing Member Current Collateral Balance for such account exceeds the Total Required Margin Amount for such account which is referable to such Omnibus Gross Segregated Clearing Client or Combined Omnibus Gross Segregated Clearing Clients (as applicable) as notified to the Clearing House by the relevant Clearing Member in the relevant Client Excess Spreadsheet

"Client Excess Spreadsheet"

has the meaning given to the term in Section 1.10 (*Client Excess Spreadsheet*) of Procedure 4 (*Margin and Collateral*) of the Clearing House's Procedures

"Client Securities Collateral"

means non-cash Collateral that a Custodial Segregated Client provides to the Clearing House, in respect of the relevant Custodial Segregated Account and in accordance with the relevant Collateral Management Agreement, and that the Clearing House designates as such in its books and records

"Client to Client Porting"

means the transfer of all of the open Related Contracts registered to the relevant Indirect Gross Sub-Account of an Indirect Gross Account to the relevant Indirect Gross Sub-Account of another Indirect Gross Account in accordance with the Procedures

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"closing-out contract"

means for the purposes of these Regulations, a contract effected by or on behalf of the Clearing House and registered in a Member's name, being a contract on the same terms (except as to price or premium) as an open contract in the Member's name, save that where the Clearing House is a buyer or a fixed rate payer, as the case may be, under the terms of such open contract the Clearing House shall be a seller or floating rate payer, as the case may be, under the terms of such closing-out contract and vice-versa

"CMS"

means the Clearing House's collateral management system

"Compression Clearing Member"

has the meaning assigned to it in Regulation 56

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"Collateral"

means cash, gold and/or securities which are denominated in currencies and of a description acceptable to the Clearing House as prescribed by these Regulations and the Procedures and which have been transferred, or are to be transferred, to or by the Clearing House in or towards discharge of margin obligations or anticipated margin obligations or otherwise as contemplated by the Rulebook, **provided that** any amounts transferred to or by the Clearing House for the purpose of settling either (i) an obligation arising pursuant to a SwapClear STM Contract, or (ii) an obligation in respect of daily settlement amounts pursuant to Regulation 23(c) shall not be "Collateral". Where the context so permits, references to "Collateral" held by, or transferred to, the Clearing House shall include any cash proceeds resulting from the sale or disposal by the Clearing House of any non-cash Collateral pursuant to an exercise of its powers under a Deed of Charge or Client Charge, and such proceeds shall be considered cash Collateral

"Collateral Management Agreement"

means a collateral management agreement entered into between a Custodial Segregated Client, a Clearing Member and the Clearing House, which sets out (*inter alia*) the terms on which the Custodial Segregated Client may provide Collateral to the Clearing House in respect of the relevant Custodial Segregated Account

"Combined Omnibus Gross Segregated Clearing Clients"

means two or more Omnibus Gross Segregated Clearing Clients within the same Omnibus Gross Segregated Account who have elected to have their positions combined for the purposes of calculating applicable margin requirements (on a net basis as between such Omnibus Gross Segregated Clearing Clients as if such Omnibus Gross Segregated Clearing Clients together are a single Omnibus Gross Segregated Clearing Client for the purposes of the relevant calculations)

"Commodities Business"

means any transaction, obligation or liability arising out of any Commodities Contract

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"Commodities Contract"

means any commodities contract cleared by the Clearing House

"Commodities Clearing Member"

means a Clearing Member which engages in Commodities Business

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"Co-operating Clearing House Contract"	means, in respect of a Co-operating Clearing House, a class of contract, which is cleared by the Co-operating Clearing House from time to time, permitted to be made by members of the Co-operating Clearing House under Co-operating Clearing House Rules and which is the subject of a Link
"Co-operating Clearing House Rules"	means the provisions of a Co-operating Clearing House's Memorandum or Articles of Association or other constitutional documents, by-laws, rules, regulations, procedures, customs, practices, notices and resolutions in whatever form adopted by such Co-operating Clearing House that regulate Co-operating Clearing House Contracts and the members and markets cleared by the Co-operating Clearing House and any amendment, variation or addition thereto
"Co-operating Exchange"	means an exchange (which may also act as a central counterparty) which is party to a co-operation agreement with LSE
"Corrupted Data"	has the meaning assigned to it in Section 2C1.27 of the Procedures
"Coupons"	has the meaning assigned to it in section 1.1.7 of Section 4 of the Procedures
"Cover"	means an amount of cash or (with the approval of the Clearing House) non-cash Collateral, determined by the Clearing House, and in a form and currency acceptable to the Clearing House as prescribed in the Procedures
"Crossing Transaction"	has the meaning assigned to it in Chapter XIV(I)
"Cross-ISA Client Excess Deduction "	means, where a Total Required Margin Amount relates to an Individual Segregated Account held by a Clearing Member on behalf of an Individual Segregated Account Clearing Client, if and to the extent that Client Excess is available in one or more other Individual Segregated Accounts held by such Clearing Member on behalf of the same Individual Segregated Account Clearing Client, a deduction by the Clearing House from the other Individual Segregated Account(s) of that Client Excess
"Cumulative Net Present Value"	has the meaning assigned to it in Regulation 57A

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"Eligible Trading Venue"

means:

- (i) in respect of a SwapClear Clearing Member, a Trading Venue for which the Clearing House's records reflect that such SwapClear Clearing Member has completed the Clearing House's process for enabling the SwapClear Clearing Member to be eligible to present (or have presented on its behalf) to the Clearing House for registration a transaction executed on such Trading Venue by a third party Executing Party other than a SwapClear Dealer; and
- (ii) in respect of an FXCCM, a Trading Venue for which the Clearing House's records reflect that such FXCCM has completed the Clearing House's process for enabling the FXCCM to be eligible to present (or have presented on its behalf) to the Clearing House for registration a transaction executed on such Trading Venue by a third party Executing Party other than a ForexClear Dealer

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"Eligible Trading Venue Transaction"

means:

- (i) in respect of a SwapClear Clearing Member, a transaction, entered into by a third party Executing Party other than a SwapClear Dealer, recorded in the Clearing House's systems (via applicable messaging from the relevant Trading Venue, Approved Trade Source System or otherwise) as a transaction that was executed on a Trading Venue that, as at the time of such execution, was an Eligible Trading Venue in respect of such SwapClear Clearing Member; and
- (ii) in respect of an FXCCM, a transaction, entered into by a third party Executing Party other than a ForexClear Dealer, recorded in the Clearing House's systems (via applicable messaging from the relevant Trading Venue, ForexClear Approved Trade Source System or otherwise) as a transaction that was executed on a Trading Venue that, as at the time of such execution, was an Eligible Trading Venue in respect of such FXCCM

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"Eligible Transferee" means an SCM, acting for its own account or for the account of a SwapClear Clearing Client, that the Clearing House permits, in its sole and absolute discretion, and subject always to compliance with Applicable Law, to receive Transferring SwapClear Contracts transferred by an Eligible Transferor pursuant to Regulation 60 of these Regulations and in accordance with the Procedures and (where applicable) any relevant Collateral Management Agreement

"Eligible Transferor" means an SCM, acting for its own account or for the account of a SwapClear Clearing Client, that the Clearing House permits, in its sole and absolute discretion, and subject always to compliance with Applicable Law, to transfer all or part of its Transferring SwapClear Contracts to an Eligible Transferee pursuant to Regulation 60 of these Regulations and in accordance with the Procedures and (where applicable) any relevant Collateral Management Agreement

"EMIR" means Regulation (EU) No 648/2012 of the European Parliament and the Council of 4 July 2012 on OTC Derivatives, Central Counterparties, and Trade Repositories

Deleted: "Eligible US Trading Venue"

"End-of-Day Full Transfer" means an end-of-day transfer of all (and not some) of the SwapClear Contracts from the Transfer Account of an Eligible Transferor of a Carrying Clearing Member to the Transfer Account of an Eligible Transferee of a Receiving Clearing Member and which may, but is not required to, include the transfer of an Associated Collateral Balance (except that no transfer of an Associated Collateral Balance is permitted for transfers between a Proprietary Account of a Carrying Clearing Member to a Proprietary Account of a Receiving Clearing Member without the prior consent of the Clearing House)

"End-of-Day Partial Transfer" means an end-of-day transfer of some (but not all) of the SwapClear Contracts from the Transfer Account of an Eligible Transferor of a Carrying Clearing Member to the Transfer Account of an Eligible Transferee of a Receiving Clearing Member, where such transfer does not include the transfer of an Associated Collateral Balance

"EONIA" means in relation to a RepoClear Contribution, the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page (or, if such a rate is not available, such EONIA-linked rate as may be determined in light of market conditions at such time by the Clearing House and notified by the Clearing House to Clearing Members)

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"EquityClear (ccCFD) ATP Match"

means, in respect of an ATP, a match on such ATP of Trading Platform Particulars which relate to EquityClear Eligible ccCFDs and are submitted by, or on behalf of, EquityClear Clearing Members.

(i) which match the Clearing House and the ATP have agreed will be cleared in accordance with, and subject to, the ATP Market Rules and the Rulebook via the EquityClear (ccCFD) Open Offer clearing mechanism (and not via novation under Regulation 69); and

(ii) regardless of whether such match is described or characterised as a trade, transaction or agreement in the relevant ATP Market Rules

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"EquityClear (ccCFD) Contract"

means an EquityClear Contract entered into by the Clearing House with an EquityClear Clearing Member on the EquityClear (ccCFD) Contract Terms or such other terms specified by the relevant ATP

"EquityClear(ccCFD) Contract Terms"

means the terms applicable to each EquityClear (ccCFD) Contract, where such terms are not specified by the ATP, as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual

"EquityClear (ccCFD) Open Offer"

means the open offer made by the Clearing House in respect of an EquityClear (ccCFD) ATP Match under Regulation 68(c)

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"EquityClear Clearing Client"

means, in respect of EquityClear Client Clearing Business, an Individual Segregated Account Clearing Client, Indirect Gross Account Clearing Client or an Omnibus Segregated Clearing Client

"EquityClear Clearing House Business"

means EquityClear Contracts entered into by an EquityClear Clearing Member with the Clearing House on a proprietary basis and for its own account

"EquityClear Clearing Member"

means a Member who is designated by the Clearing House as an EquityClear Clearing Member eligible to clear EquityClear Contracts

"EquityClear Client Clearing Business"

means the provision of EquityClear Client Clearing Services by an EquityClear Clearing Member

"EquityClear Client Clearing Services"

means the entering into of EquityClear Contracts by an EquityClear Clearing Member in respect of its Individual Segregated Account Clearing Clients, Indirect Gross Account Clearing Clients and/or its Omnibus Segregated Clearing Clients

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"EquityClear Contract"

means an EquityClear (Equities) Contract and/or an EquityClear (ccCFD) Contract (as applicable).

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"EquityClear Contract Terms"

means the EquityClear (Equities) Contract Terms and/or the EquityClear (ccCFD) Contract Terms as the case may be

"EquityClear Eligibility Criteria"

means the EquityClear Open Offer Eligibility Criteria or the EquityClear Novation Transaciton Eligibility Criteria (as applicable).

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"EquityClear Eligible ccCFD"

means a contract for difference in respect of an EquityClear Eligible Instrument (as such term is defined in the Procedures) prescribed by the Clearing House and eligible for those prescribed parts of the EquityClear service and which appear in the list or lists published for this purpose from time to time by the Clearing House

"EquityClear Eligible Equities"

means securities prescribed from time to time by the Clearing House which are eligible for any part or parts of the EquityClear service and which appear in the list or lists published from time to time by the Clearing House

"EquityClear Eligible Instruments"

has the meaning assigned to it in Section 1.1.3 (EquityClear Eligible Instruments) of Procedure 2D (EquityClear Clearing Service)

"EquityClear (Equities) ATP Match"

means, in respect of an ATP, a match on such ATP of Trading Platform Particulars, which relate to EquityClear Eligible Equities and are submitted by, or on behalf of: (i) two EquityClear Clearing Members (with one as buyer and one as seller); or (ii) one EquityClear Clearing Member and one member of a relevant Co-operating Clearing House (with one as buyer and one as seller).

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(i) which match the Clearing House and the ATP have agreed will be cleared in accordance with, and subject to, the ATP Market Rules and the Rulebook via the EquityClear (Equities) Open Offer clearing mechanism (and not via novation under Regulation 69); and

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(ii) regardless of whether such match is described or characterised as a trade, transaction or agreement in the relevant ATP Market Rules

"EquityClear (Equities) Contract"

means an EquityClear Contract entered into by the Clearing House with an EquityClear Clearing Member on the EquityClear (Equities) Contract Terms or such other terms specified by the relevant ATP

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"EquityClear (Equities) Contract Terms"

means the terms applicable to each EquityClear (Equities) Contract, where such terms are not specified by the ATP, as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual

"EquityClear (Equities) Open Offer"

means the open offer made by the Clearing House in respect of an EquityClear (Equities) ATP Match under Regulation 68(c).

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"EquityClear Mixed Member Match"

means (i) an EquityClear ATP Match reflecting matched Trading Platform Particulars submitted by, or on behalf of, an EquityClear Clearing Member and a member of a relevant Co-operating Clearing House (with one as buyer and one as seller), or (ii) an EquityClear Novation Transaction between an EquityClear Clearing Member and a member of a relevant Co-operating Clearing House (with one as buyer and one as seller)

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"EquityClear Novation Transaction"

means, in respect of an ATP, the matched Trading Platform Particulars representing a bilateral transaction and either:

(i) concluded other than through an order book of the ATP; or

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(ii) concluded through an order book of the ATP, and

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in each case:

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(a) presented for registration by, or on behalf of, one EquityClear Clearing Member (or, in respect of an EquityClear Mixed Member Match, one member of the relevant Co-operating Clearing House) identified as, or as acting as clearing member for, the buyer and the same or another EquityClear Clearing Member identified as, or as acting as clearing member for, the seller; and

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(b) which the Clearing House and the ATP have agreed will be cleared in accordance with, and subject to, the ATP Market Rules and the Rulebook via novation under Regulation 69 (and not via the EquityClear Open Offer clearing mechanism)

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"EquityClear Novation Transaction Eligibility Criteria"

has the meaning set out in Regulation 69(b)

"EquityClear Open Offer"

means an EquityClear (Equities) Open Offer or EquityClear (ccCFD) Open Offer

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"EquityClear Open Offer Eligibility Criteria"

has the meaning set out in Regulation 68(c)

"EquityClear Regulations"

means those Regulations which apply to EquityClear Contracts as specified in Regulation 67

"EquityClear Service"

the service provided by the Clearing House under the EquityClear Regulations

"€GC Trade"

means a trading activity in which a RepoClear Participant ("**the First Participant**") offers to sell (or buy) an agreed value of securities comprised in a €GC Basket (as defined in the Procedures), to be allocated in accordance with the RepoClear Procedures applicable to RepoClear €GC Contracts, and another RepoClear Participant ("**the Second Participant**") offers to buy (or sell, as the case may be) the securities so allocated, on the conditions that:

- (a) at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) Equivalent Securities (as such term is used in the RepoClear €GC Contract Terms) and the First Participant buys (or sells, as the case may be) those Equivalent Securities; and
- (b) the understanding of the parties is that their obligations during the term of the transaction will be represented by a series of overnight repurchase transactions affected either through CBL's service under the AutoAssign Supplement, Euroclear's AutoSelect service or any other equivalent service provided by a triparty agent, as the case may be, as contemplated by the RepoClear Procedures applicable to RepoClear €GC Contracts,

and a trade subsequently ensues

"Excess Loss"

means in relation to any Relevant Business and any Default, the net sum or aggregate of net sums certified to be payable by the Defaulter by a Rule 19 Certificate in respect of the Relevant Business, less (a) the proportion of the Capped Amount applicable to the Relevant Business under Rule 15(c) and (b) any sums then immediately payable in respect of Default Losses for that Relevant Business by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House, and includes, in relation to the relevant Services, a Commodities Excess Loss, an Equities Excess Loss, a ForexClear Excess Loss, a Listed Interest Rates Excess Loss, a RepoClear Excess Loss and a Rates Service Excess Loss

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"Exchange" means an organisation (whether an exchange, association, company or otherwise) responsible for administering a futures, options, stock or other market, to which the Clearing House provides clearing services. The term "Exchange" shall include a Rates Exchange, as the case may be, save where the context otherwise requires.

"Exchange Closed-out Contracts" has the meaning assigned to it in the Rates Service DMP Annex

"exchange contract" means a class of contract (1) on the terms published from time to time by an Exchange and permitted to be made by a member of such Exchange on the market administered by that Exchange or otherwise in accordance with Exchange Rules, or (2) eligible for submission to the Clearing House for registration pursuant to the Exchange Rules. For the purposes of these Regulations "exchange contract" shall not include any class of contract capable of being made on the London Stock Exchange, on any ATP, or on any Rates Exchange

"Exchange Product Specific Eligibility Criteria" Means the relevant Nodal Contract Terms

"Exchange Rules" means the rules, regulations, administrative procedures, Memorandum and Articles of Association or by-laws which regulate an Exchange and the market administered by it as notified from time to time to the Clearing House and, without prejudice to the generality of the foregoing, any regulations or directions made by the Board and any procedures, practices and administrative requirements of the Exchange. The term "Exchange Rules" shall include the LSE Derivatives Markets Rules and Rates Exchange Rules, as the case may be, save where the context otherwise requires

"Exchange Transaction" means an LSE Derivatives Markets Match or a Nodal Transaction (as applicable)

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"Executing Party" means each person described as a party to a SwapClear Transaction, FCM SwapClear Transaction, ForexClear Transaction or EquityClear Novation Transaction (as applicable) in the details presented to the Clearing House as provided for in the Procedures.

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"Execution Terms"

means the terms (if any) that apply to a SwapClear Transaction, ForexClear Transaction or EquityClear Novation Transaction (as applicable) relating to the registration or non-registration of such transaction, including (without limitation) any such terms contained in an agreement between (i) a Trading Venue and its participants, and (ii) the Executing Parties to such transaction

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"Exempt Client Clearing Member"

means a Clearing Member to which, in the sole determination of the Clearing House, an Exempting Client Clearing Rule would apply upon such Clearing Member becoming a defaulter

"Exempting Client Clearing Rule"

means, in relation to a Clearing Member, any law, regulation or statutory provision (having the force of law) of a Governmental Authority the effect of which, in the determination of the Clearing House in its absolute discretion, is to protect the operation of the Client Clearing Annex of the Default Rules from challenge under the insolvency laws applicable to that Clearing Member

"expiry date or month"

means a date or month prescribed by Exchange Rules or, where relevant, the Product Specific Contract Terms and Eligibility Criteria Manual, in respect of an option contract

"FCM Approved Trade Source System"

has the meaning assigned to it in the FCM Regulations

"FCM Buffer"

has the meaning assigned to it in the FCM Regulations

"FCM Clearing Member"

has the meaning assigned to it in the FCM Regulations

"FCM Clearing Membership Agreement"

has the meaning assigned to it in the FCM Regulations

"FCM Client"

has the meaning assigned to it in the FCM Regulations

"FCM Client Segregated Sub-Account"

has the meaning assigned to it in the FCM Regulations

"FCM Contract"

has the meaning assigned to it in the FCM Regulations

"FCM Default Fund Agreement"

has the meaning assigned to it in the FCM Regulations

"FCM EnClear Contract"

has the meaning assigned to it in the FCM Regulations

"FCM ForexClear Client Clearing Services"

has the meaning assigned to it in the FCM Regulations

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"ForexClear Approved Trade Source System"	means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market, trade or affirmation system, a ForexClear Matcher or other similar venue or system, approved by the Clearing House for submitting ForexClear Transactions to the Clearing House (and excludes, for the avoidance of doubt, the ClearLink API)
"ForexClear Business"	means any transaction, obligation or liability arising out of any ForexClear Contract
"ForexClear Clearing Client"	means, in respect of ForexClear Client Clearing Business, an Individual Segregated Account Clearing Client, <u>Indirect Gross Account Clearing Client</u> or <u>Omnibus Segregated Clearing Client</u>
"ForexClear Clearing House Business"	means ForexClear Contracts entered into by a ForexClear Clearing Member with the Clearing House on a proprietary basis and for its own account
"ForexClear Clearing Member (FXCCM)"	means a Member who is designated by the Clearing House as a ForexClear Clearing Member eligible to clear ForexClear Contracts which includes, in the case of the Default Rules (including the ForexClear DMP Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM Clearing Member
"ForexClear Client Clearing Business"	means the provision of ForexClear Client Clearing Services by a ForexClear Clearing Member
"ForexClear Client Clearing Services"	means the entering into of ForexClear Contracts by a ForexClear Clearing Member in respect of its Individual Segregated Account Clearing Clients, <u>Indirect Gross Account Clearing Clients</u> and/or <u>Omnibus Segregated Clearing Clients</u>
"ForexClear Contract"	means a Contract entered into by the Clearing House with a ForexClear Clearing Member on the ForexClear Contract Terms which includes, in the case of the Default Rules (including the ForexClear DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM ForexClear Contract
"ForexClear Contract Terms"	means the terms applicable to each ForexClear Contract as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual

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"Identified Omnibus Segregated Clearing Clients"

means, in relation to a Relevant Client Clearing Business, (i) certain Omnibus Segregated Clearing Clients of the relevant Clearing Member or FCM whose identities have been recorded by the Onboarding department of the Clearing House and who are grouped together in a single Omnibus Segregated Account of the Clearing Member but who are not Affiliated Omnibus Segregated Clearing Clients; together with (ii) for the purposes of the Default Rules, any Determined Omnibus Net Segregated Clearing Clients who are grouped together in a single Omnibus Segregated Account

"Index"

has the meaning assigned to it in Chapter XIV(a)

"Indirect Account"

means an Indirect Gross Account or an Indirect Net Account

"Indirect Clearing Client"

means a client of an Indirect Gross Account Clearing Client or an Indirect Net Account Clearing Client in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Indirect Account

"Indirect Gross Account"

means, in relation to a Relevant Client Clearing Business, an account opened within the Clearing House by a Clearing Member which (i) enables such Clearing Member to distinguish the assets and positions held for the account of an Indirect Gross Account Clearing Client from the assets and positions held for the account of its other clients, (ii) is opened by such Clearing Member for the purpose of providing Client Clearing Services to such Indirect Gross Account Clearing Client who is, in turn, providing clearing services to its Indirect Clearing Clients, and (iii) is designated by the Clearing House as an Indirect Gross Account

Deleted: means a client of an Individual Segregated Account Clearing Client in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Indirect Omnibus Segregated Account

"Indirect Gross Account Balance"

means, in respect of an Indirect Gross Account Clearing Client, the Clearing Member Current Collateral Balance of the Indirect Gross Account held by the relevant Clearing Member on behalf of such Indirect Gross Account Clearing Client (together with any receivables, rights, intangibles and any other collateral or assets deposited or held with the Clearing House in connection with such account)

"Indirect Gross Account Clearing Client"

means a Clearing Client in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Indirect Gross Account

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"Indirect Gross Sub-Account" means, in respect of an Indirect Gross Account, a segregated sub-account of such Indirect Gross Account, which is established on the books of the Clearing House for the purpose of recording Contracts which (i) the relevant Clearing Member has entered into with the Clearing House in respect of the relevant Indirect Gross Account Clearing Client, and (ii) are referable to a particular Indirect Clearing Client of such Indirect Gross Account Clearing Client

"Indirect Net Account" means, in relation to a Relevant Client Clearing Business, an Omnibus Segregated Account which is (i) opened by a Clearing Member for the purpose of providing Client Clearing Services to one or more Indirect Net Account Clearing Clients who are, in turn, providing clearing services to their Indirect Clearing Clients, and (ii) designated by the Clearing House as an Indirect Net Account, but, for the avoidance of doubt, does not include any Omnibus Segregated Account comprising Determined Omnibus Net Segregated Clients

"Indirect Net Account Clearing Client" means an Omnibus Segregated Clearing Client (i) in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Indirect Net Account, and (ii) whose identity is not recorded by the Clearing House but, for the avoidance of doubt, does not include any Determined Omnibus Net Segregated Client

"Individual Segregated Account" means an account opened within the Clearing House by a Clearing Member or an FCM which enables the relevant Clearing Member or FCM (as applicable) to distinguish the assets and positions held for the account of an Individual Segregated Account Clearing Client from the assets and positions held for the account of its other clients, and which is designated by the Clearing House as an Individual Segregated Account

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"Individual Segregated Account Balance" means, in respect of an Individual Segregated Account Clearing Client, the Clearing Member Current Collateral Balance of the Individual Segregated Account held by the relevant Clearing Member on behalf of such client (together with any receivables, rights, intangibles and any other collateral or assets deposited or held with the Clearing House in connection with such an account)

"Individual Segregated Account Clearing Client" means a Clearing Client in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Individual Segregated Account

"Inflation Clearing Group" has the meaning assigned to it in Chapter XIV(c)(i)

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"LCIA Rules"	means the LCIA Arbitration Rules of The London Court of International Arbitration
"LIBOR"	means, in relation to a Contribution, the rate per annum (rounded upwards, if not already such a multiple, to the next whole multiple of one-sixteenth of one per cent) known as the British Bankers' Association Interest Settlement Rate for three-month deposits in sterling being offered to prime banking names in London at or about the time specified by the Procedures for fixing the rate of interest for the period for which interest is payable or, where no such rate is available, such rate as in the opinion of the Clearing House approximates thereto
"Link"	means the trading and/or clearing arrangements established by the Clearing House and a Co-operating Clearing House and, as the case may be, an Exchange in respect of one or more exchange contracts
"Link Agreement"	means an agreement entered into between the Clearing House and a Co-operating Clearing House and if applicable, an Exchange for the purposes of a Link
"Linked Member"	means an member of a Co-operating Exchange
"Listed Interest Rates Business"	means any transaction, obligation or liability arising out of a Listed Interest Rates Contract (which, for the avoidance of doubt, does not include for purposes of the Rates Service DMP Annex any Listed Interest Rates Contracts that are Portfolio Margined Contracts)
"Listed Interest Rates Clearing Client"	means, in respect of Listed Interest Rates Client Clearing Business, an Individual Segregated Account Clearing Client, <u>Indirect Gross Account Clearing Client</u> or Omnibus Segregated Clearing Client
"Listed Interest Rates Clearing House Business"	means Listed Interest Rates Contracts entered into by a Listed Interest Rates Clearing Member with the Clearing House on a proprietary basis and for its own account
"Listed Interest Rates Clearing Member"	means a Clearing Member that engages in Listed Interest Rates Business
"Listed Interest Rates Client Clearing Business"	means the provision of Listed Interest Rates Client Clearing Services by a Listed Interest Rates Clearing Member
"Listed Interest Rates Client Clearing Services"	means the entering into of Listed Interest Rates Contracts by a Listed Interest Rates Clearing Member in respect of its Individual Segregated Account Clearing Clients, <u>Indirect Gross Account Clearing Clients</u> and/or Omnibus Segregated Clearing Clients

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"Listed Interest Rates Contract"	means any listed interest rate derivative contract cleared by the Clearing House, which includes, in the case of the Default Rules (including the Rates Service DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, and FCM Rates Contracts
"Listed Interest Rates Contract Terms"	means: (i) in respect of a Listed Interest Rates Contract other than a Designated Listed Interest Rates Contract, the terms set out from time to time in the relevant Rates Exchange Rules; or (ii) in respect of a Designated Listed Interest Rates Contract, the terms applicable to each Listed Interest Rates Contract as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual
"Listed Interest Rates Contribution"	means the amount of a Listed Interest Rates Clearing Member's Contribution determined in accordance with Part B of the Rates Service Default Fund Supplement – Listed Interest Rates and shall include any relevant Unfunded Contributions and any relevant Supplementary Contribution deposited and made by the Listed Interest Rates Clearing Member with the Clearing House
"Listed Interest Rates Default Period"	has the meaning ascribed to it in Rule L2 of Part B of the Rates Service Default Fund Supplement – Listed Interest Rates
"Listed Interest Rates Determination Date"	has the meaning assigned to "Determination Date" in Rule L2(c) of the Rates Service Default Fund Supplement – Listed Interest Rates
<u>"Listed Interest Rates Eligibility Criteria"</u>	<u>means the Listed Interest Rates Open Offer Eligibility Criteria or the Listed Interest Rates Novation Transaction Eligibility Criteria (as applicable)</u>
"Listed Interest Rates Eligible Product"	means a product traded under the rules of a Rates Exchange which such Rates Exchange has agreed from time to time with the Clearing House to be cleared by the Clearing House pursuant to these Regulations

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"Listed Interest Rates Excess Loss"

means the net sum or aggregate of net sums certified to be payable by a Defaulter by a Rule 19 Certificate in respect of Listed Interest Rates Business, less (a) the proportion of the Capped Amount applicable to Listed Interest Rates Business under Default Rule 15(c) and (b) any sums then immediately payable in respect of Listed Interest Rates Business Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House

"Listed Interest Rates Novation Transaction"

means, in respect of a Rates Exchange, the matched Rates Exchange Particulars representing a bilateral transaction and either:

- (i) concluded other than through an order book of the Rates Exchange; or
- (ii) concluded through an order book of the Rates Exchange.

in each case:

- (a) presented for registration by, or on behalf of, one Listed Interest Rates Clearing Member identified as, or as acting as a clearing member for, the buyer and the same or another Listed Interest Rates Clearing Member identified as, or as acting as clearing member for, the seller; and
- (b) which the Clearing House and the Rates Exchange have agreed will be cleared in accordance with, and subject to, the Rates Exchange Rules and the Rulebook via novation under Regulation 98 (and not via the Listed Interest Rates Open Offer clearing mechanism)

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"Listed Interest Rates Novation Transaction Eligibility Criteria"

has the meaning set out in Regulation 98(b)

"Listed Interest Rates Open Offer"

means the open offer made by the Clearing House in respect of a Rates Exchange Match under Regulation 97(c)

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"Listed Interest Rates Open Offer Eligibility Criteria"

has the meaning set out in Regulation 97(c)

"Listed Interest Rates Regulations"

means those Regulations which apply to Listed Interest Rates Contracts as specified in Regulation 96

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"Listed Interest Rates Service" means the Service provided by the Clearing House under the Listed Interest Rates Regulations

"lot" means the standard unit or quantity prescribed by an Exchange, with the approval of the Clearing House, as the trading unit of an exchange contract.

In relation to a contract other than an exchange contract, the standard unit or quantity prescribed by the relevant contract terms

"LSE" means the London Stock Exchange plc or any successor in title

"LSE Derivatives Markets Account" means an account maintained in the name of LSE by the Clearing House pursuant to Regulation 10 in which LSE Derivatives Markets Cleared Exchange Contracts may be registered pursuant to Regulation 77 or Regulation 81 or in such other circumstances as may be agreed between LSE and the Clearing House from time to time

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"LSE Derivatives Markets Clearing Client" means, in respect of LSE Derivatives Markets Client Clearing Business, an Individual Segregated Account Clearing Client, Indirect Gross Account Clearing Client or Omnibus Segregated Clearing Client

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"LSE Derivatives Markets Clearing House Business" means LSE Derivatives Markets Cleared Exchange Contracts entered into by a LSE Derivatives Markets Clearing Member with the Clearing House on a proprietary basis and for its own account

"LSE Derivatives Markets Client Clearing Business" means the provision of LSE Derivatives Markets Client Clearing Services by a LSE Derivatives Markets Clearing Member

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"LSE Derivatives Markets Client Clearing Services" means the entering into of LSE Derivatives Markets Cleared Exchange Contracts by a LSE Derivatives Markets Clearing Member in respect of its Individual Segregated Account Clearing Clients, Indirect Gross Account Clearing Clients and/or Omnibus Segregated Clearing Clients

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"LSE Derivatives Markets Cleared Exchange Contract" means a Contract entered into by the Clearing House in accordance with the LSE Derivatives Markets Regulations

"LSE Derivatives Markets Clearing Member" means a Member authorised by the Clearing House to participate in the LSE Derivatives Markets Service

"LSE Derivatives Markets Contract Specification" means, in respect of an LSE Derivatives Markets Eligible Product, the relevant contract specification set out in the LSE Derivatives Markets Rules.

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"LSE Derivatives Markets Eligible Product"

means a product traded under the rules of the London Stock Exchange Derivatives Market which LSE has agreed from time to time with the Clearing House is to be cleared by the Clearing House pursuant to these Regulations, but does not, for the avoidance of doubt, include any products traded under the rules of the London Stock Exchange Derivatives Market which are subject to the Listed Interest Rates Regulations

"LSE Derivatives Markets Match"

means, in respect of the LSE Derivatives Markets Platform, a match on such LSE Derivatives Markets Platform of LSE Derivatives Markets Particulars submitted by, or on behalf of, two Members or by, or on behalf of, a Member and a Linked Member,

(iii) concluded other than through an order book of the LSE; or

(iv) concluded through an order book of the LSE Derivatives Markets Platform,

in each case:

(a) which the Clearing House and the LSE Derivatives Markets Platform have agreed will be cleared in accordance with, and subject to, the LSE Derivatives Markets Rules and the Rulebook via the Open Offer for LSE Derivatives Markets clearing mechanism (and not via novation); and

(b) regardless of whether such match is described or characterised as a trade, transaction or agreement in the relevant LSE Derivatives Markets Rules

"LSE Derivatives Markets Particulars"

means the order or trade particulars, in respect of an LSE Derivatives Markets Eligible Product, submitted to the LSE Derivatives Markets Platform in accordance with the LSE Derivatives Markets Rules by, or on behalf of, a Member or a Linked Member

"LSE Derivatives Markets Platform"

means LSE in its capacity as a recognised investment exchange

"LSE Derivatives Markets Regulations"

means those Regulations which apply to LSE Derivatives Markets Eligible Products as specified in Regulation 76

"LSE Derivatives Markets Rules"

means the rules, practices, procedures, trading protocols and arrangements of the LSE Derivatives Markets Platform as may be prescribed from time to time relating to LSE Derivatives Markets Eligible Products

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"LSE Derivatives Markets Service"	the service provided by the Clearing House under the LSE Derivatives Markets Regulations
"margin"	means initial margin, variation margin and/or any other amounts required to be transferred and maintained under Regulation 20(a) (<i>Margin and Collateral</i>)
"Margin Cover"	has the meaning ascribed to such term in Default Rule 15(a)
"market"	means a futures, options, forward, stock or other market, administered by an Exchange, or an OTC market in respect of which the Clearing House has agreed with such Exchange or, in respect of an OTC market, with certain Participants in that market, to provide clearing services on the terms of these Regulations and the Procedures
"Market Data"	has the meaning assigned to it in Chapter XIV(f)(i)
"market day"	means in respect of a commodity, a day on which the market on which that commodity is dealt in is open for trading
"Market Deviation Notice"	has the meaning assigned to it in Chapter XIV(l)
"Member" or "Clearing Member"	<p>(a) subject to (b) means an undertaking (including a firm or company) which is entitled to be party to Contracts with the Clearing House in accordance with a Clearing Membership Agreement and the Procedures or a Co-operating Clearing House, where so agreed with the Co-operating Clearing House (as applicable). For the avoidance of doubt, the terms "Member" and "Clearing Member" for the purposes of these Regulations, Default Rules and Procedures, do not mean shareholder of LCH Limited or of any other undertaking in the LCH Group Holdings Limited</p> <p>(b) "Clearing Member" includes or means (as the case may be) FCM Clearing Member for the purpose of the Default Rules (including the Rates Service DMP Annex and the ForexClear DMP Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time</p>
"Member Compression Cycle"	means a Multilateral Compression Cycle requested by two or more SwapClear Clearing Members and agreed to by the Clearing House in relation to eligible SwapClear Contracts held by those requesting SwapClear Clearing Members. For the avoidance of doubt, a Member Compression Cycle will not involve any ACSP

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"MER" has the meaning assigned to it in Section 1.3.3 (*Trade Registration Facilitation: SwapClear Tolerance, Client Buffer and MER (Minimum Excess Requirement)*) of Procedure 2C (*SwapClear Clearing Service*) of the Clearing House's Procedures

"MiFID II" means the recast Markets in Financial Instruments Directive (Directive 2014/65/EU), Regulation (EU) No. 600/2014 of the European Parliament and the Council of 15 May 2014 and all related implementing or supplementary legislation and technical standards, as amended from time to time

"Minimum ForexClear Contribution" means USD 5,000,000

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

"Minimum RepoClear Contribution" means EUR 2,500,000

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

"Minimum SwapClear Contribution Member" means an SCM in respect of which the SwapClear Non-Tolerance Contribution Amount calculated under paragraph (f) of Rule S1 of Part A of the Rates Service Default Fund Supplement is equal to or less than the Minimum Non-Tolerance SwapClear Contribution for the time being

"Multilateral Compression" means the exercise in which some or all of the SwapClear Contracts submitted by two or more Compression Clearing Members either on their own account or with respect to a SwapClear Clearing Client, for inclusion in a Multilateral Compression Cycle are wholly terminated and, where relevant, replaced with other SwapClear Contracts

"Multilateral Compression Cycle" means the process of Multilateral Compression in accordance with a Compression Proposal, whether by way of an ACSP Compression Cycle or a Member Compression Cycle

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"Nodal Service Clearing Member"	means a Member who is designated by the Clearing House as eligible to clear Nodal Contracts
"Nodal Trading Facility"	means the facility, trading system or systems operated directly or indirectly by Nodal on which Nodal Eligible Derivative Products may be traded
"Nodal Transaction"	means a contract in a Nodal Eligible Derivative Product between Nodal Service Clearing Members arising or registered on a Nodal Trading Facility meeting the requirements of the Regulations and the Procedures
"Nodal Rules"	means the rules, practices, procedures, trading protocols and arrangements of the Nodal Trading Facility as the case may be and as may be prescribed from time to time relating to Nodal Eligible Derivative Products
"Nominated Group Member"	has the meaning assigned to it in Chapter XIV(k)
"Non-Defaulting FXCCM"	means an FXCCM which is not a Defaulter under Rule 4 of the Default Rules
"Non-Defaulting Joint Rates Service Clearing Member"	means a Joint Rates Service Clearing Member which is not a Defaulter under Rule 4 of the Default Rules
"Non-Defaulting Rates Services Clearing Member"	means a Rates Service Clearing Member which is not a Defaulter under Rule 4 of the Default Rules
"Non-Defaulting RCM"	means an RCM which is not a Defaulter under Rule 4 of the Default Rules
"Non-Defaulting SCM"	means an SCM which is not a Defaulter under Rule 4 of the Default Rules
"Non-Deliverable FX Transaction"	has the meaning given to it in the 1998 FX and Currency Option Definitions published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association, and the Foreign Exchange Committee, or any successor organisations, as amended and updated from time to time
"Non-Eligible Listed Interest Rates Contract"	means those Listed Interest Rates Contracts other than Eligible Listed Interest Rates Contracts

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"Non-Identified Client Omnibus Net Segregated Account"	means, in relation to a Relevant Client Clearing Business, an account opened within the Clearing House by the relevant Clearing Member on behalf of <u>one or more of</u> its Non-Identified Omnibus Segregated Clearing Clients which is designated by the Clearing House as a Non-Identified Client Omnibus Net Segregated Account but, for the avoidance of doubt, does not include any Omnibus Segregated Account comprising Determined Omnibus Net Segregated Clients
"Non-Identified Omnibus Segregated Clearing Client"	means, in relation to a Relevant Client Clearing Business, certain Omnibus Segregated Clearing Clients of the relevant Clearing Member or FCM whose identities are not recorded by the Onboarding department of the Clearing House and who are grouped together in an Omnibus Segregated Account which is not an Identified Client Omnibus Segregated Account, <u>an Affiliated Client Omnibus Segregated Account or an Indirect Net Account</u> of the Clearing Member but, for the avoidance of doubt, does not include any Determined Omnibus Net Segregated Clients
"Non-Member Market Participant ("NCP")"	means, in respect of a particular Service, a person, other than a Clearing Member in such Service, who meets the criteria set out in Procedure 1 (<i>Clearing Member, Non-Member Market Participant and Dealer Status</i>) and has been notified to the Clearing House in accordance with Regulation 7 (<i>Non-Member Market Participant Status</i>)
"Non-Performance Notice"	has the meaning assigned to it in Chapter XIV(m)
"Non-Performer"	has the meaning assigned to it in Section 2C1.27.4 of the Procedures
"NPV Reset"	has the meaning assigned to it in Regulation 57A
"Off-Market Provider"	has the meaning assigned to it in Section 2C1.27.4 of the Procedures
"official quotation"	means a price determined by the Clearing House under Regulation 22
"Omnibus Gross Segregated Account"	means, in relation to a Relevant Client Clearing Business, an account opened within the Clearing House by a Clearing Member on behalf of a group of Omnibus Gross Segregated Clearing Clients which is designated by the Clearing House as an Omnibus Gross Segregated Account

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"Omnibus Gross Segregated Clearing Clients"

means Affiliated Omnibus Segregated Clearing Clients or Identified Omnibus Segregated Clearing Clients (as applicable) in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Omnibus Gross Segregated Account

"Omnibus Segregated Account"

means an account opened within the Clearing House by a Clearing Member or an FCM which enables the relevant Clearing Member or FCM (as applicable) to distinguish its assets and positions from the assets and positions held for the account of its clients (or a group of clients). For the avoidance of doubt, the term includes Identified Client Omnibus Segregated Accounts, Affiliated Client Omnibus Segregated Accounts, ~~Non-Identified Client Omnibus Net Segregated Accounts~~ and Indirect Net Accounts

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"Omnibus Segregated Account Balance"

means, in respect of an individual Identified Omnibus Segregated Clearing Client or an individual Affiliated Omnibus Segregated Clearing Client, such part of the Clearing Member Current Collateral Balance of the relevant Omnibus Segregated Account which is attributed by the Clearing House to the relevant client (together with any receivables, rights, intangibles and any other collateral or assets deposited or held with the Clearing House in connection with such an account)

"Omnibus Segregated Clearing Client"

means an Identified Omnibus Segregated Clearing Client, an Affiliated Omnibus Segregated Clearing Client, ~~a Non-Identified Omnibus Segregated Clearing Client~~ and/or an Indirect Net Account Clearing Client

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"Open Contract or open contract"

means a Contract made with a Member on the terms (subject to variation of such terms as provided in the Regulations) of an original contract or a Contract made with a Member on the terms set out in the Regulations and/or any agreement entered into with the Member, which, in either case, has not been closed-out, settled or invoiced back in accordance with the Regulations and the Procedures. The term "open contract" shall include, where relevant, an option contract and a delivery contract, but shall not include a settlement contract, a re-opening contract or a closing-out contract

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"open contract subject to tender"

means either (i) a Cleared Exchange Contract made with a Member on the terms (unless otherwise provided in the Regulations) of an original exchange contract or (ii) a Listed Interest Rates Contract, in either case in respect of which a tender has been given, which has not been closed out, settled or invoiced back in accordance with the Regulations and the Procedures, and shall include, except where the context otherwise requires, a delivery contract

"Open Offer for LSE Derivatives Markets"

means the open offer made by the Clearing House in respect of an LSE Derivatives Markets Match under Regulation 77(c).

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"option"

means a right to enter into a contract for the sale or purchase of a (i) commodity, (ii) security, (iii) contract for difference, or (iv) delivery contract

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"option contract"

means a contract for an option on the terms of (i) an exchange contract or (ii) a Listed Interest Rates Contract

"original contract"

means an original exchange contract, EquityClear Novation Transaction, Eligible EnClear Trade, an OTC Transaction other than a Repo Trade, Bond Trade or GC Trade, or a Listed Interest Rates Novation Transaction

"original exchange contract"

means a contract including, where relevant, an option contract on the terms of an exchange contract which:

- (a) has been entered into on a market or otherwise under or in accordance with Exchange Rules and subject to Exchange Rules of which particulars are to be presented to the Clearing House for registration in the name of members in accordance with Exchange Rules, the Regulations or the Procedures; or
- (b) by agreement with a Co-operating Clearing House is to be registered in the name of a Co-operating Clearing House in accordance with the terms of any agreement made with a Participating Exchange.

Where any such contract is for more than one lot there shall be deemed to be a separate contract in respect of each lot and the term "**original exchange contract**" shall be construed accordingly. The term "**original exchange contract**" shall include a confirmed contract, except where the context otherwise requires. For the avoidance of doubt, the term "**original exchange contract**" shall not include any EquityClear ATP Match made pursuant to the rules of an Approved EquityClear Trading Platform or any Rates Exchange Match

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"Price"

means in the case of:

- (a) a contract on the terms of an exchange contract or Listed Interest Rates Contract which is to be performed by delivery of a reference asset or commodity, the consideration to be paid by the buyer in cash in the currency prescribed by the terms of the exchange contract or Listed Interest Rates Contract, and in the case of an exchange contract or Listed Interest Rates Contract which is a contract for differences, the valuation quoted as a price under its terms; or
- (b) an OTC Contract, the price calculated by the Clearing House in accordance with the Regulations and the Procedures; or
- (c) an EquityClear Contract, the consideration to be paid by the buyer in cash in the currency as set out in the [EquityClear](#) ATP Match or EquityClear Novation Transaction information received by the Clearing House or its relevant approved agent; or
- (d) an LCH EnClear Contract, the price calculated by the Clearing House in accordance with the Regulations and Procedures

"Price Alignment Amount"

has the meaning assigned to it in Regulation 57A

"Price Alignment Amount Rate"

has the meaning assigned to it in Regulation 57A

"Procedures"

means Section 1 (*Clearing Member, Non-Member Market Participant and Dealer Status*), Section 2B (*RepoClear Service*) to Section 2J (*Listed Interest Rates Service*) and Sections 3 (*Financial Transactions*) to 8 (*Complaints*) of the Rulebook and the procedures for application for and regulation of membership of the Clearing House and in respect of SwapClear Dealers, RepoClear Dealers, and ForexClear Dealers respectively, for:

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"Rates Exchange"

means any trading platform approved as such from time to time by the Clearing House in respect of the Listed Interest Rates Service

"Rates Exchange Match"

means, in respect of a Rates Exchange, a match made on such Rates Exchange of Rates Exchange Particulars submitted by, or on behalf of, Listed Interest Rates Clearing Members, which is made either:

(i) other than through an order book of the Rates Exchange; or

(ii) through an order book of the Rates Exchange, and

in each case:

(a) which the Clearing House and the Rates Exchange have agreed will be cleared in accordance with, and subject to, the Rates Exchange Rules and the Rulebook via the Listed Interest Rates Open Offer clearing mechanism (and not via novation under Regulation 98); and

(b) regardless of whether such match is described or characterised as a trade, transaction or agreement in the relevant Rates Exchange Rules,

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"Rates Exchange Particulars"

means the orders or trade particulars, in respect of a Listed Interest Rates Eligible Product, submitted to a Rates Exchange in accordance with the relevant Rates Exchange Rules by, or on behalf of, a Listed Interest Rates Clearing Member

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"Rates Exchange Rules"

means the rules, regulations, administrative procedures, Memorandum and Articles of Association and by-laws which regulate a Rates Exchange and the market administered by it as notified from time to time to the Clearing House

"Rates Service"

means the SwapClear Service and the Listed Interest Rates Service

"Rates Service Business"

means SwapClear Business and/or Listed Interest Rates Business (as applicable)

"Rates Service Clearing House Business"

means SwapClear Clearing House Business and/or Listed Interest Rates Clearing House Business (as applicable)

"Rates Service Contracts"

means SwapClear Contracts and/or Listed Interest Rates Contracts

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"Register of ForexClear Dealers"

means the register which lists ForexClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as ForexClear Contracts by the Clearing House

"Register of RepoClear Dealers"

means the register which lists RepoClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as RepoClear Contracts or RepoClear GC Contracts by the Clearing House or to deal through one or more Automated Trading Systems specified by the Clearing House in respect of each such RepoClear Dealer pursuant to which the Clearing House becomes a party to RepoClear Contracts or RepoClear GC Contracts, as the case may be, in accordance with the terms of the RepoClear Dealer Clearing Agreement and Regulation 19

"Register of SwapClear Dealers"

means the register 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"

- (i) in respect of SwapClear Contracts shall have the meaning given in Regulation 55(f);
- (ii) in respect of Nodal Contracts and Listed Interest Rates Contracts shall have the meaning given in the Procedures; and
- (iii) in respect of RepoClear Contracts, RepoClear Term £GC Contracts, RepoClear €GC Contracts, EquityClear Contracts, LCH EnClear Contracts, LSE Derivatives Markets Cleared Exchange Contracts and ForexClear Contracts, shall have the meaning given in the Procedures,

in each case subject to Regulation 16(e)

"Regulations"

means the Clearing House's General Regulations, Default Rules and Clearing House Settlement Finality Regulations, from time to time in force

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"RepoClear Term £GC Transaction"

means a contract, meeting the requirements of the Regulations and Procedures for registration as a RepoClear Term £GC Contract, details of which are presented to the Clearing House for registration in the name of RepoClear Clearing Members in accordance with the Regulations, Procedures and the terms of any agreement entered into between the Clearing House and each such RepoClear Clearing Member, and any RepoClear Dealer Clearing Agreement, as applicable

"RepoClear Transaction"

means a contract (which includes for the avoidance of doubt, ATS Contracts), meeting the requirements of the Regulations and Procedures for registration as a RepoClear Contract, details of which are presented to the Clearing House for registration in the name of RepoClear Clearing Members in accordance with the Regulations, Procedures and the terms of any agreement entered into between the Clearing House and each such RepoClear Clearing Member, and any RepoClear Dealer Clearing Agreement, as applicable. A **"RepoClear Repo Transaction"** is such a contract for the trade of a repo; a **"RepoClear Bond Transaction"** is such a contract for the trade of bond/s

"RepoClear Unfunded Contribution"

has the meaning assigned to it in Rule R8 of the RepoClear Default Fund Supplement

"RepoClear Unfunded Contribution Notice"

has the meaning assigned to it in Rule R8 of the RepoClear Default Fund Supplement

"Repo Trade"

means a trading activity in which a RepoClear Participant ("**the First Participant**") offers to sell (or buy) RepoClear Eligible Securities, and another RepoClear Participant ("**the Second Participant**") offers to buy (or sell, as the case may be) those securities, on condition that, at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) equivalent securities and the First Participant buys (or sells, as the case may be) those equivalent securities, and a trade subsequently ensues

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"Reporting Threshold Amount"

has the meaning assigned to it in Chapter XIV(e)

"Required Initial Margin Amount"

means, in respect of one or more Contract(s) and associated hedge positions, the most recent amount of initial margin which the Clearing House requires in respect of such Contract(s) and hedge positions as determined by the Clearing House and as recorded on its books and records

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"Required Margin Amount"

means: (i) in respect of any type of margin and any account (other than an Omnibus Gross Segregated Account or Indirect Gross Account); (ii) in respect of any type of margin and (a) each individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) within an Omnibus Gross Segregated Account; or (b) the Combined Omnibus Gross Segregated Clearing Clients grouped together within an Omnibus Gross Segregated Account; and (iii) in respect of any type of margin and each Indirect Gross Sub-Account, the most recent amount of each type of margin which the Clearing House requires in respect of the relevant account, sub-account or client(s) (as the case may be) as determined by the Clearing House and as recorded on its books and records

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"Resignation Effective Date"

means the date on which the termination of a Resigning Member's Clearing Member status in respect of a specific Service becomes effective, as specified in Regulation 5(a)

"Resigning Member"

means at any time any Clearing Member: (i) who has given notice to the Clearing House for the purposes of resigning from a particular Service; or (ii) in respect of whom the Clearing House has given notice for the purposes of requiring such Clearing Member to resign from a particular Service

"Resulting Forexclear Contract"

means a ForexClear Contract that will exist at the time the Clearing House undertakes compression, in respect of such ForexClear Contract, in accordance with the Rulebook, but that did not exist at the time at which the applicable ForexClear Clearing Member requested such compression

"Retirement Effective Date"

means the date on which the termination of a Retiring Member's Clearing Member status becomes effective, as specified in Regulation 5(e)

"Retiring Member"

means at any time any Clearing Member or, as the context may require, any former Clearing Member: (i) who has given notice to terminate its Clearing Member status to the Clearing House; or (ii) in respect of whom the Clearing House has terminated or given notice to terminate its Clearing Member status

"Return Window"

has the meaning assigned to it in the Client Clearing Annex to the Default Rules

"Risk Neutralisation"

has the meaning assigned to it in the Default Rules

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"Specified Exchange"	means London Stock Exchange plc, Nodal Exchange LLC, Hong Kong Mercantile Exchange Limited or any Exchange succeeding to any such person
"Sponsored Member"	has the meaning assigned to it in the SC Regulations
"Standard Terms"	means that part of the SwapClear Contract Terms, the RepoClear Contract Terms, the LCH EnClear Contract Terms, the ForexClear Contract Terms, or, in respect of a Designated Listed Interest Rates Contract, the Listed Interest Rates Contract Terms designated as Standard Terms by the Clearing House from time to time
"STM Conversion Contracts"	has the meaning assigned to it in Regulation 57A
"STM Conversion Date"	has the meaning assigned to it in Regulation 57A
"STM Conversion Request"	has the meaning assigned to it in Regulation 57A
"strike price"	means the price specified in an option contract which becomes the price of the reference asset or commodity under a contract for the future sale and purchase of that reference asset or commodity for future delivery or, as the case may be, under a delivery contract, in either case on the exercise of the option the subject of such option contract, in accordance with Exchange Rules, these Regulations and the Procedures, as applicable
"Sub-Block Trading Venue Transaction"	means a transaction, identified by the Clearing House as having been executed on <u>Trading Venue</u> , the notional amount of which is below the minimum block size <u>determined by the Clearing House in its sole and absolute discretion and published on the Clearing House's website in respect of the particular transaction</u> and in effect as of the date of <u>presentation</u> of such transaction to the Clearing House for registration
"Supplement"	means a supplement specific to a particular Service and includes the Commodities Default Fund Supplement, the Equities Default Fund Supplement, the ForexClear Default Fund Supplement, the Rates Service Default Fund Supplement – Listed Interest Rates, the RepoClear Default Fund Supplement and the Rates Service Default Fund Supplement – SwapClear
"Supplementary Contribution"	means a supplementary Contribution of a Clearing Member, provided for under Rule C7(b), E7(b), F7(c), R7(c) or CS7 (as applicable), and referable to the relevant Service provided by the Clearing House

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"SwapClear Amendment"	has meaning assigned to it in Rule S12 of the SwapClear Default Fund Supplement
"SwapClear Business"	means any transaction, obligation or liability arising out of any SwapClear Contract (which, for the avoidance of doubt, includes for purposes of the Rates Service DMP Annex the Portfolio Margined Contracts (if any) of a Portfolio Margining Clearing Member)
"SwapClear Clearing Client"	means, in respect of SwapClear Client Clearing Business, an Individual Segregated Account Clearing Client, <u>an Indirect Gross Account Clearing Client</u> , a Custodial Segregated Client or an Omnibus Segregated Clearing Client
"SwapClear Clearing House Business"	means SwapClear Contracts entered into by a SwapClear Clearing Member with the Clearing House on a proprietary basis and for its own account
"SwapClear Clearing Member" or "SCM"	means a Member who is designated by the Clearing House as a SwapClear Clearing Member eligible to clear SwapClear Contracts which includes, in the case of the Default Rules (including the Rates Service DMP Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM Clearing Member
"SwapClear Client Clearing Business"	means the provision of SwapClear Client Clearing Services by a SwapClear Clearing Member
"SwapClear Client Clearing Services"	means the entering into of SwapClear Contracts by a SwapClear Clearing Member in respect of its Individual Segregated Account Clearing Clients, <u>Indirect Gross Account Clearing Clients</u> , Custodial Segregated Clients and/or Omnibus Segregated Clearing Clients
"SwapClear Contract"	means a Contract entered into by the Clearing House with a SwapClear Clearing Member on the SwapClear Contract Terms which includes, in the case of the Default Rules (including the Rates Service DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM SwapClear Contract
"SwapClear Contract Terms"	means the terms applicable to each SwapClear Contract as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual

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"Total Required Margin Amount" means the aggregate of the Required Margin Amount for all types of margin relating to (i) in respect of an Individual Segregated Account, the relevant account after deducting any amounts pursuant to a Cross-ISA Client Excess Deduction (if applicable), (ii) in respect of an Indirect Gross Account, a Custodial Segregated Account, an Omnibus Segregated Account (that is not an Omnibus Gross Segregated Account) or a Proprietary Account, the relevant account, or (iii) in respect of an Omnibus Gross Segregated Account, the relevant Omnibus Gross Segregated Clearing Client or Combined Omnibus Gross Segregated Clearing Clients together (as applicable)

"trade correction procedures" means the procedures established for the purposes of a Link to facilitate the correction of errors contemplated by such procedures

"Trading Platform Particulars" means the order or trade particulars, in respect of EquityClear Eligible Equities or EquityClear Eligible ccCFD(s), submitted to an ATP in accordance with the relevant ATP Market Rules by, or on behalf of, an EquityClear Clearing Member or a member of a relevant Co-operating Clearing House

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"Trading System" means the Nodal Trading Facility

"Trading Venue" means: (i) a swap execution facility or designated contract market registered as such with the CFTC; (ii) a regulated market, multilateral trading facility or organised trading facility operated in accordance with MiFID II; or (iii) any other electronic trading facility, in each case which the Clearing House has approved for the purposes of having transactions executed thereon presented to the Clearing House for registration. For the avoidance of doubt, a Trading Venue need not be an Approved Trade Source System

"Trading Venue Transaction" means, in respect of a Clearing Member, a transaction recorded in the Clearing House's systems (via applicable messaging from the relevant Trading Venue, Approved Trade Source System or otherwise) as a transaction that was executed on a Trading Venue

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"Unfunded Contribution" means the unfunded Contribution of a Clearing Member referable to a specific Service provided by the Clearing House

"variation margin" means an amount determined by the Clearing House in accordance with these Regulations and/or the Procedures in respect of original contracts or open contracts (as the case may be)

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For the purpose of a ballot under clause 9.4(c) of the Clearing Membership Agreement, **"Quarter Day"** shall be construed as referring to a Determination Date.

Any reference in these Regulations or the Procedures to statutes or statutory instruments or provisions thereof shall be to such statutes or statutory instruments or provisions thereof as amended, modified or replaced from time to time.

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

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

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

Any reference in these Regulations to a person or a party (howsoever described) shall include its successors.

Headings are used herein for ease of reference only.

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REGULATION 6 CO-OPERATING CLEARING HOUSE STATUS

- (a) A Co-operating Clearing House is a (i) a Co-operating Exchange or Associated Clearing House party to a Link Agreement with the Clearing House; or (ii) a clearing house party to an agreement with the Clearing House in respect of the co-clearing of an Exchange pursuant to which such organisation co-clears specific types of Contract.
- (b) Regulation 4(a) above, shall not apply to a Co-operating Clearing House. Admission of a Co-operating Clearing House shall be governed by the policies of the Clearing House. A Co-operating Clearing House is a Special Member.
- (c) A list of Co-operating Clearing Houses currently admitted and information regarding the Link Agreements is available on the Clearing House's website.

REGULATION 7 NON-MEMBER MARKET PARTICIPANT STATUS

- (a) In accordance with this Regulation 7 and the Procedures, an NCP may submit instructions and present LSE Derivative Markets Matches, EquityClear ATP Matches, EquityClear Novation Transactions, Rates Exchange Matches or Listed Interest Rates Novation Transactions to the Clearing House on behalf of a Clearing Member.
- (b) A Clearing Member must, in accordance with the Procedures, notify the Clearing House of the appointment of an NCP as the Clearing Member's agent.
- (c) The Clearing House shall be entitled to rely on information and instructions received from an NCP. The Clearing Member remains fully responsible for meeting all obligations to the Clearing House in respect of all Contracts arising from such instructions delivered by or on behalf of an NCP.
- (d) The termination by the Clearing Member of its arrangement with an NCP shall be without prejudice to the Clearing Member's obligations arising from or in relation to any LSE Derivative Markets Match, EquityClear ATP Match, EquityClear Novation Transaction, Rates Exchange Match, Listed Interest Rates Novation Transaction or Contract arising prior to such termination.

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CHAPTER III – ACCOUNTS AND CLIENT CLEARING

REGULATION 10 ACCOUNTS

- (a) Accounts (including, where requested, Client Accounts) shall be opened between each Member and the Clearing House in accordance with the Procedures. The Clearing House shall offer segregated accounts (i) by maintaining separate records enabling it to distinguish in accounts the positions and assets held for the account of one Clearing Member from the positions and assets held for the account of any other Clearing Member; (ii) by allowing Clearing Members to provide Client Clearing Services to Clearing Clients on an Omnibus Segregated Account basis, by offering to keep separate records enabling each Clearing Member to distinguish in accounts with the Clearing House its own proprietary positions and assets from those held for the account of its Clearing Clients; (iii) by allowing Clearing Members to provide Client Clearing Services to Clearing Clients on an Individual Segregated Account basis and/or a Custodial Segregated Account basis, by offering to keep separate records enabling each Clearing Member to distinguish in accounts with the Clearing House positions and assets (including, for the avoidance of doubt, Client Excess) for the account of an individual Clearing Client from those held for the accounts of other Clearing Clients and those held by the Clearing Member; and (iv) by allowing Clearing Members to provide Client Clearing Services to Clearing Clients who are, in turn, providing clearing services to their Indirect Clearing Clients on an Indirect Account basis. Regulation 11(g) below provides information in respect of the different types of Client Accounts. For the avoidance of doubt, a Member shall be responsible for all obligations owed to the Clearing House in respect of every account opened in respect of such Member.
- (b) This paragraph applies to a Member's Proprietary Accounts. In the event that more than one Proprietary Account is opened in respect of a Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the Member's Proprietary Accounts, and to 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 Member's liabilities to the Clearing House on any one or more of such accounts. Further detail in respect of the composition and operation of Proprietary Accounts is set out in the Procedures Section 3 (*Financial Transactions*), paragraph 1.1 (*Accounts and Ledgers*).
- (c) This paragraph applies to a Member's Client Accounts. The Clearing House shall not combine or consolidate the balances on or positions recorded in a Member's Client Accounts or set off any amount or amounts standing to the credit of any such Client Account in or towards payment or satisfaction of the Member's liabilities to the Clearing House on any other such Client Account or on any Proprietary Account, except: (i) in the case of a Cross-ISA Client Excess Deduction; (ii) as provided under Rule 15(a)(ii) of the Default Rules; or (iii) in the case of an Insufficient Resources Determination, pursuant to any of the Insufficient Resources Determination Rules. Further detail in respect of the composition and operation of Client Accounts is set out in the Procedures Section 3 (*Financial Transactions*), paragraph 1.1 (*Accounts and Ledgers*).
- (d) Amounts standing to the credit of a Member's Proprietary Accounts may be applied by the Clearing House towards the payment of any sum whatsoever due by the

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REGULATION 11 CLIENT CLEARING BUSINESS

- (a) The Services are provided by the Clearing House to Clearing Members. Any Clearing Member who wishes to offer Client Clearing Services in respect of a Service to its clients shall apply to the Clearing House and obtain the approval of the Clearing House before first offering such Client Clearing Services in respect of such Service. Any Client Clearing Services related services which are offered by a Clearing Member prior to obtaining the approval of the Clearing House shall not be treated as Client Clearing Services and the clients of the Clearing Member receiving such services shall not be treated as Clearing Clients. In accordance with the requirement under Article 39(7) of EMIR the Clearing House has published the Account Information Documents which together contain information regarding the levels of protection and account segregation which the Clearing House provides and the costs associated with such levels of segregation. The Account Information Documents are available on the Clearing House's website and are also made available to Clearing Members and Clearing Clients upon request.
- (b) Following the receipt of an application from a Clearing Member pursuant to paragraph (a) above, the Clearing House will confirm to a Clearing Member whether or not it is an Exempt Client Clearing Member.
- (c) Each Clearing Member which is designated by the Clearing House as an Exempt Client Clearing Member undertakes and agrees with the Clearing House on the following terms:
- (i) such Exempt Client Clearing Member shall pay or deliver (as applicable) to or to the order of the Clearing House each of the Account Balances relating to those of its Clearing Clients whose Relevant Contracts are:

(A) ~~transferred to; or~~

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(B) terminated and closed out and new contracts entered into on equivalent terms with,

a Backup Clearing Member in accordance with the Client Clearing Annex (each such obligation of the Exempt Client Clearing Member being accelerated so as to become immediately due and payable at the time of the relevant transfer or termination and close out);

- (ii) such Exempt Client Clearing Member shall pay or deliver (as applicable) to or to the order of the Clearing House each of the Client Clearing Entitlements relating to those of its Individual Segregated Account Clearing Clients, Indirect Gross Account Clearing Clients, Custodial Segregated Clients, Affiliated Omnibus Segregated Clearing Clients and Identified Omnibus Segregated Clearing Clients, in each case, whose Relevant Contracts are closed out and liquidated in accordance with the Client Clearing Annex (each such obligation of the Exempt Client Clearing Member being accelerated so as to become immediately due and payable at the time of the relevant close out and liquidation); and

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(iii) the obligations set out in sub-paragraphs (i) and (ii) of this paragraph (c) (the "**Undertaking to Pay and Deliver**") shall, for the avoidance of doubt, constitute Secured Obligations as defined in and provided for by the relevant Deed of Charge between such Exempt Client Clearing Member and the Clearing House.

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(d) The approval of the offering and the provision of Client Clearing Services on an Individual Segregated Account basis, Indirect Gross Account basis, Custodial Segregated Account basis, Affiliated Client Omnibus Segregated Account basis or Identified Client Omnibus Segregated Account basis by any Clearing Member which is not such an Exempt Client Clearing Member will be conditional upon (i) the entering into by such Clearing Member of a Security Deed in respect of each of its Clearing Clients in relation to amounts due to it from the Clearing House; (ii) delivery to the Clearing House of evidence of the Clearing Member having entered into such Security Deed, such evidence to be in a form satisfactory to the Clearing House (in the Clearing House's sole discretion) and (iii) the making of any amendments to each such Security Deed as may be prescribed by the Clearing House from time to time.

(e) In determining whether or not to grant approval to a Clearing Member in respect of the offering of Client Clearing Services, the Clearing House will consider factors including but not limited to the relevant concentration of risks relating to the provision (by the Clearing Member and or any other Clearing Member) of Client Clearing Services to Clearing Clients. The Clearing House shall be entitled to require the delivery of information from a Clearing Member about the criteria and arrangements it adopts for the provision of Client Clearing Services to Clearing Clients, both at the time of the process for the approval of the offering by the relevant Clearing Member of Client Clearing Services and as deemed necessary by the Clearing House on an ongoing basis.

(f) Subject to the provisions of the Rulebook, Client Clearing Services may be provided by the relevant Clearing Member to its Clearing Clients on whatever terms the Clearing Member decides should apply provided, however, that:

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(i) each Clearing Member shall, before providing the relevant Client Clearing Services to any client, ensure that it has entered into a Clearing Agreement with that client which gives the Clearing House enforceable rights against that client in the terms of the Clearing House Prescribed Language;

(ii) Contracts entered into by the Clearing Member in respect of Client Clearing Business and Collateral transferred by the Clearing Member to the Clearing House in respect of Client Clearing Business shall always be separately identified by the Clearing Member to the Clearing House and, subject to the provisions of Rule 8(d) of the Default Rules and the Insufficient Resources Determination Rules, shall never be combined with House Clearing Business or Collateral transferred to the Clearing House in respect of House Clearing Business;

(iii) in no circumstances will the client money protections provided for by the Client Assets sourcebook of the Handbook published by the Financial

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Conduct Authority be available in relation to accounts opened with the Clearing House in respect of Client Clearing Business;

- (iv) each Clearing Member shall, before providing Client Clearing Services to any Clearing Client ensure that the Clearing Client has been provided with or has been directed to a copy of the Client Clearing End-User Notice; and
 - (v) each Clearing Member shall, before providing Client Clearing Services to any Individual Segregated Account Clearing Client, Indirect Gross Account Clearing Client, Custodial Segregated Client, Affiliated Omnibus Segregated Clearing Client or Identified Omnibus Segregated Clearing Client, deliver to the Clearing House information regarding the identity of such Clearing Client and, in the case of an Indirect Gross Account, of any Indirect Clearing Clients grouped within such Indirect Gross Account, in accordance with the Clearing House's client identification requirements as published from time to time on the Clearing House's website.
- (g) Client Clearing Services in respect of a Service may be provided by a Clearing Member to its Clearing Clients in accordance with, and subject to, the Rulebook and Contracts may be entered into by a Clearing Member with the Clearing House in respect of such Clearing Clients, on:
- (i) an Individual Segregated Account basis;
 - (ii) an Indirect Gross Account basis;
 - (iii) a Custodial Segregated Account basis; and/or
 - (iv) an Omnibus Segregated Account basis with segregation, by the opening of:
 - (A) one or more Non-Identified Client Omnibus Net Segregated Accounts;
 - (B) one or more Identified Client Omnibus Net Segregated Accounts;
 - (C) one or more Affiliated Client Omnibus Net Segregated Accounts;
 - (D) one or more Omnibus Gross Segregated Accounts; and/or
 - (E) one or more Indirect Net Accounts.
- (h) A Clearing Member may operate one or more Individual Segregated Accounts on behalf of an Individual Segregated Account Clearing Client in respect of one or more Service(s).
- (i) A Clearing Member may operate one or more Custodial Segregated Accounts on behalf of a Custodial Segregated Client in respect of the SwapClear Service.
- (j) A Clearing Member may operate one or more Omnibus Segregated Accounts on behalf of its Clearing Clients in respect of one or more Service(s).

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(k) Client Clearing Services may be provided by a Clearing Member to one or more Clearing Clients who are, in turn, providing clearing services to their Indirect Clearing Clients. In such circumstances, the following will apply:

(i) in respect of a Service, the Clearing Member may open:

(A) one or more Indirect Gross Accounts; and/or

(B) one or more Indirect Net Accounts;

(ii) [intentionally left blank];

(iii) the Clearing Member shall, before providing the relevant Client Clearing Services to the relevant Clearing Client, ensure that each relevant Indirect Clearing Client has been provided with or has been directed to a copy of the Client Clearing End-User Notice; and

(iv) the Clearing Member acknowledges that a Clearing Client that is an Indirect Net Account Clearing Client or an Indirect Gross Account Clearing Client acting in respect of its Indirect Clearing Clients may also be an Omnibus Segregated Clearing Client, an Individual Segregated Account Clearing Client or a Custodial Segregated Client acting for its own account and that the provisions of the Rulebook shall apply separately in respect of each capacity in which a Clearing Client may act.

(l) The fees and charges applied by the Clearing House to Clearing Members in respect of the provision, maintenance and administration of Individual Segregated Accounts, Indirect Gross Accounts, Custodial Segregated Accounts and each type of Omnibus Segregated Account shall be as set out in the Clearing House's Account Information Documents.

(m) The Total Required Margin Amount relating to each Client Account of a Clearing Member will be calculated by the Clearing House and the obligation to provide Collateral in respect of such margin obligations will be discharged by:

(i) if and to the extent that there is Collateral available in the relevant Client Account, deduction by the Clearing House of amounts from such Collateral;

(ii) if the relevant Client Account is an Individual Segregated Account, the Clearing House applying a Cross-ISA Client Excess Deduction;

(iii) if the relevant account is a Client Account opened in connection with SwapClear Client Clearing Business and there is insufficient Collateral available in that Client Account, allocation by the Clearing House of Client Buffer (to the extent available);

(iv) where applicable, if the relevant account is a Client Account opened in connection with SwapClear Client Clearing Business and there is insufficient Client Buffer available in relation to that Client Account, the Clearing House providing temporary tolerance in the form of SwapClear Tolerance; and

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CHAPTER IV – CONTRACT FORMATION, REGISTRATION AND TRANSFER

REGULATION 12 NOVATION

- (a) Upon registration of an original contract by the Clearing House, such contract shall be replaced by novation (without prejudice to the Clearing House's rights to effect further novation under paragraph (b) below) by two open contracts, one between the seller and the Clearing House as buyer, as principals to such contract, and one between the buyer and the Clearing House as seller, as principals to such contract. Following such novation the original contract shall be extinguished. Each open contract shall be subject to the Regulations including the restrictions on the Clearing House's obligations and liabilities set out in the Regulations (including, without limit, Regulation 32 and Regulation 52) and otherwise on the same terms as the original contract replaced by such open contracts.
- (b) Upon the transfer of an open contract (including, for the avoidance of doubt, Relevant Contracts transferred to a Backup Clearing Member pursuant to the Client Clearing Annex) pursuant to these Regulations such open contract shall be discharged and replaced by novation by an open contract between the Member into whose name the contract was transferred and the Clearing House, as principals to such open contract. Such open contract shall be subject to the Regulations and otherwise on the same terms as the open contract which it replaced, subject in the case of SwapClear Contracts to any variations contemplated under the SwapClear Regulations.
- (c) Upon the exercise of an option by or on behalf of a Member or, as the case may be, by the Clearing House or upon the deemed exercise of such option pursuant to these Regulations, the option contract shall be replaced by novation by an open contract on the terms specified in the option contract at the strike price or at some other price in accordance with the terms of such option contract.

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REGULATION 16 REGISTRATION

- (a) The Clearing House shall not register an original exchange contract in the name of a Member unless such contract has been confirmed or deemed confirmed pursuant to Regulation 12, 14 or 27 by or on behalf of a Member as a buyer and a Member as a seller who thereby have consented to such contract being registered in his name. For the avoidance of doubt, the same Member may act in a capacity of seller and buyer in respect of such registration of a contract. The Clearing House shall register a contract in the name of a Member which is a Co-operating Clearing House in accordance with the terms of any agreement made with the Co-operating Clearing House and none of the following paragraphs shall apply in respect of a Member which is a Co-operating Clearing House.
- (b) Where the Procedures so provide the Clearing House may require the Members in whose names one or more contracts are to be registered to transfer Collateral to the Clearing House in respect of their initial and variation margin obligations as a condition of registration of such contract or contracts, and such Collateral shall be transferred to the Clearing House in accordance with Regulation 20 and, if applicable, the SwapClear Regulations, the RepoClear Regulations, the EquityClear Regulations, the LCH EnClear Regulations, the ForexClear Regulations, the LSE Derivatives Markets Regulations and the Listed Interest Rates Regulations.
- (c) The Clearing House may decline to register a contract in the name of a Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any contract subject to any conditions stipulated by the Clearing House including, without limitation, the transfer of sufficient Collateral by both Members in whose name any such contract is to be registered.
- (d) No original exchange contract for a commodity shall be registered in the name of a Member who is not entitled under Exchange Rules to have original exchange contracts for such commodity registered in his name.
- (e) The Clearing House shall be deemed to register in the name of a Member an original contract or RepoClear Transaction at the Registration Time in respect of the relevant type of Contract, provided that, in the case of a Contract registered by the Clearing House pursuant to Rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this Regulation 16 shall take effect.
- (f) Without prejudice to the Clearing House's rights under paragraph (g) of this Regulation, a Clearing Member shall be bound by a Contract registered in its name pursuant to the presentation of particulars of an Exchange Transaction, an OTC Transaction, an Eligible EnClear Trade, an EquityClear Novation Transaction, or a Listed Interest Rates Novation Transaction, as the case may be, by him or on his behalf, including: (i) in the case of a RepoClear Transaction or RepoClear GC Transaction, where such particulars are presented by a RepoClear Dealer with whom it is party to a RepoClear Dealer Clearing Agreement; (ii) in the case of a ForexClear Transaction, where such particulars are presented by a ForexClear Dealer with whom it is party to a FDC Agreement; (iii) in the case of an Eligible EnClear Trade, where such particulars are presented by an Approved Broker or

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otherwise on the Clearing Member's behalf; (iv) in the case of an EquityClear Novation Transaction, where such particulars are presented by an NCP; and (v) in the case of a Listed Interest Rates Novation Transaction, where such particulars are presented by an NCP.

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- (g) For the avoidance of doubt, any transaction of which details have been presented by or on behalf of a Clearing Member for registration as a Contract which is not so registered shall remain in effect between the original parties to that transaction or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of the application of the relevant ATP Market Rules or Rates Exchange Rules or of their common participation or membership of the relevant Trading System or Rates Exchange through or on which the transaction was executed or by which it was registered) but subject to the relevant Exchange Rules and the Clearing House (and each other member of the LCH Group Holdings Limited and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.

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- (h) Without prejudice to the Clearing House's rights under Regulation 16(i), an original exchange contract, Eligible EnClear Trade, OTC Transaction or Listed Interest Rates Novation Transaction presented for registration must, in order that it be registered as the relevant type of Contract, meet the eligibility criteria and other requirements as prescribed on the Clearing House's website for the relevant type of Contract, at the time when the details (as prescribed from time to time by the Clearing House) of the original exchange contract, Eligible EnClear Trade, OTC Transaction or Listed Interest Rates Novation Transaction are presented to the Clearing House and at all times thereafter up to and including the Registration Time. A Clearing Member may not revoke, cancel or transfer an Exchange Transaction, Eligible EnClear Trade, OTC Transaction or Listed Interest Rates Novation Transaction that has been submitted for registration unless permitted (as applicable) by the relevant Exchange Rules and by the relevant Regulations or the relevant Procedures or with the consent of the Clearing House. A Clearing Member shall not allow the submission for registration of a transaction which is not a relevant Exchange Transaction, Eligible EnClear Trade, OTC Transaction or Listed Interest Rates Novation Transaction.

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- (i) If at any time after registration of a Contract the Clearing House determines that the corresponding transaction of which details were presented for registration did not, at the Registration Time, meet the eligibility criteria for registration as a Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such Contract. Upon the purported Contract being set aside under this Regulation 16, the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House (and such transaction shall remain in effect between the original parties thereto or be terminated, as the case may be, in accordance with any terms agreed between them, whether directly or (where applicable) by virtue of the application of the relevant ATP Market Rules, Rates Exchange Rules or Trading System rules). Any payment made under, or in respect of, a Contract set aside under this paragraph shall be repayable to the person who made the payment and any securities delivered under such Contract shall be re-delivered to the person who made the delivery of such securities. Without prejudice to Regulation 52 and its obligations under this Regulation 16, the Clearing House (and each other member of

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REGULATION 19 TRANSACTIONS ENTERED INTO THROUGH AN AUTOMATED TRADING SYSTEM OR PLATFORM

- (a) This Regulation 19 applies in respect of: (i) RepoClear Contracts or RepoClear GC Contracts entered into by the Clearing House under Regulation 63(d); and (ii) EquityClear Contracts entered into by the Clearing House under Regulation 68(e).
- (b) Any Contract to which this Regulation applies which is entered into by the Clearing House with Clearing Members shall be registered in the name of each relevant Clearing Member following receipt of the details required by the Clearing House of such Contracts from the operator of the relevant ATS, the operator of the relevant ATP, or the relevant approved agent (in accordance with the arrangements made between the Clearing House and such ATS, ATP or approved agent from time to time), as applicable.
- (c) If the details required by the Clearing House in respect of a Contract to which this Regulation 19 applies are not provided to the Clearing House by the operator of the relevant ATS, the operator of the relevant ATP or the relevant approved agent, as applicable, in accordance with the Clearing House's requirements, by the time prescribed by the Clearing House from time to time, or the Clearing House is not able to access such details, the Clearing House may decree that neither the Clearing House nor the Clearing Member party thereto shall be obliged to perform their respective obligations under the Contracts in question. If the Clearing House so decrees, such Contracts shall be performed in accordance with any directions given by the Clearing House which may, without limitation, impose a change to the terms of an affected Contract. Any directions given by the Clearing House under this paragraph (c) shall be binding on all affected Clearing Members or Dealers.
- (d) Without prejudice to Regulation 52, the Clearing House (and each other member of the LCH Group Holdings Limited and their respective officers, employees and agents) shall not be liable to any Clearing Member or anyone else for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any Contract to which this Regulation 19 applies if the Clearing House does not receive the relevant details referred to in paragraph (c) by the time referred to in such paragraph (c) in respect of such Contract.
- (e) If the Clearing House or, where relevant, its approved agent receives details:
- (i) of a trade from an ATS specified by an ATS Participant by notice given under Regulation 63(b) and the details of the trade purportedly meet the ATS Contract Eligibility Criteria set out in Regulation 63(e) (as applicable); or
 - (ii) of an EquityClear (Equities) ATP Match or of an EquityClear (ccCFD) ATP Match in respect of an EquityClear Clearing Member from an ATP specified in the approval given to the EquityClear Clearing Member by notice given under Regulation 68(b) and which has not been withdrawn in respect of that ATP, and the details of the EquityClear (Equities) ATP Match or EquityClear (ccCFD) ATP Match purportedly meet the relevant EquityClear Open Offer Eligibility Criteria set out in Regulation 68(c),

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REGULATION 27 DELIVERY CONTRACT ARISING UPON THE EXERCISE OF AN OPTION

- (a) Subject to these Regulations open contracts which are delivery contracts shall be fulfilled in accordance with Exchange Rules or, where relevant, the Procedures. No delivery contract shall be for a unit or quantity smaller than one lot and the amount or quantity to be delivered shall be one lot or such other amount or quantity as may be specified for the commodity in (i) Exchange Rules from time to time after agreement with the Clearing House or (ii) where relevant, the Product Specific Contract Terms and Eligibility Criteria Manual.
- (b) Where an open contract which is a delivery contract arises by novation pursuant to Regulation 12(c) upon the exercise or deemed exercise of an option, the buyer under the terms of the delivery contract shall give to the Clearing House such information as may be prescribed by Exchange Rules or, where relevant, the Procedures by the time and in the manner specified in Exchange Rules or the Procedures. The Clearing House as buyer under the terms of a delivery contract shall, in accordance with Regulation 3, give to the seller under the terms of such contract, such information as may be prescribed by Exchange Rules or the Procedures.
- (c) The seller under the terms of a delivery contract shall deliver the commodity to the Clearing House as buyer in such manner and at such time as may be prescribed in Exchange Rules or, where relevant, the Procedures, and the Clearing House as seller under the terms of a delivery contract shall, in accordance with Regulation 3, deliver the commodity the subject of such contract to a Member as buyer under the terms of such contract.
- (d) The buyer shall pay the price and such other amounts to the Clearing House as may be required by Exchange Rules or, where relevant, the Procedures in the form and manner and by the time prescribed in Exchange Rules or the Procedures, and the Clearing House shall, in accordance with Regulation 3, pay the seller his price and such other amounts as may be required by Exchange Rules or, where relevant, the Procedures.
- (e) Notwithstanding paragraphs (c) and (d) above, the Clearing House may in its absolute discretion in accordance with the Procedures:
 - (i) direct a Member who is a seller under a delivery contract to deliver the commodity the subject matter of such contract to such other Member, being a buyer under a delivery contract, as the Clearing House may appoint; and
 - (ii) direct a Member who is a buyer under a delivery contract to pay the price and any other amounts payable pursuant to such contract to such other Member, being a seller under a delivery contract, as the Clearing House may appoint;

and delivery or payment in accordance with such direction shall constitute the due performance of such obligations of such buyer or seller as the case may be towards the Clearing House. Each Member agrees that it will accept delivery of a commodity, or as the case may be, payment of the price, from a Member directed in accordance with (i) or (ii) above, in satisfaction of the obligations owed to it by the Clearing

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REGULATION 29 DELIVERY CONTRACTS

- (a) The obligations of Members under delivery contracts shall be performed in accordance with the terms of such delivery contracts and in the manner and by the time prescribed by Exchange Rules, these Regulations and the Procedures, as applicable. The Clearing House shall fulfil its obligations as seller or buyer, as the case may be, under the terms of a delivery contract in accordance with Regulation 3 and the Procedures.
- (b) Where the terms of an open contract so permit, the Clearing House may give directions to one or more Members concerning the performance of such open contract and in such case each such Members shall be bound by and shall comply with any such direction.

REGULATION 55 REGISTRATION OF SWAPCLEAR CONTRACTS

(a) A SwapClear Transaction may be presented to the Clearing House for registration as two SwapClear Contracts or one SwapClear Contract, and one FCM SwapClear Contract (in accordance with the other provisions of the Rulebook).

(b) Once a SwapClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (d) below and Section 1.3 (Registration) of Procedure 2C (SwapClear Clearing Service) request the consent of the relevant SwapClear Clearing Member with whom a SwapClear Contract shall be registered as a result thereof to such registration. Upon the SwapClear Clearing Member providing its consent, such SwapClear Transaction shall be deemed to have been submitted (as such term is defined in the Procedures) by such SwapClear Clearing Member to the Clearing House for registration. Any such consent shall be provided in accordance with the Procedures.

(c) Each SwapClear Contract shall be registered by the Clearing House either as a SwapClear CTM Contract or a SwapClear STM Contract, and a SwapClear Transaction may be registered as two SwapClear CTM Contracts, a SwapClear CTM Contract and an FCM SwapClear Contract, two SwapClear STM Contracts, a SwapClear STM Contract and an FCM SwapClear Contract or one SwapClear CTM Contract and one SwapClear STM Contract (in accordance with the other provisions of the Rulebook). The registration of a SwapClear Contract as a SwapClear CTM Contract or a SwapClear STM Contract shall be determined by the Clearing House on the basis of an election made by the relevant SwapClear Clearing Member either generally, with reference to a particular account or on a case-by-case basis in accordance with the Procedures. In the absence of any such election, the Clearing House shall register the SwapClear Contract as a SwapClear CTM Contract.

(d) A SwapClear Clearing Member which has been nominated to clear the SwapClear Contract arising from the registration of a SwapClear Transaction on behalf of a third party Executing Party other than a SwapClear Dealer will (only where such SwapClear Transaction is not a Trading Venue Transaction) be notified by the Clearing House of the relevant SwapClear Transaction and shall choose whether to grant or refuse consent to the registration of such SwapClear Transaction and the SwapClear Contract resulting from such SwapClear Transaction. Where:

(i) a SwapClear Clearing Member is an Executing Party to a SwapClear Transaction and shall clear a SwapClear Contract resulting from such SwapClear Transaction;

(ii) a SwapClear Dealer approved to clear SwapClear Transactions through a SwapClear Clearing Member is an Executing Party to a SwapClear Transaction and such SwapClear Clearing Member is to clear a SwapClear Contract resulting from such SwapClear Transaction; or

(iii) a SwapClear Transaction is an Eligible Trading Venue Transaction in respect of a SwapClear Clearing Member, and a third party Executing Party (other than a SwapClear Dealer) to such SwapClear Transaction has nominated such SwapClear Clearing Member to clear a SwapClear Contract resulting from such SwapClear Transaction.

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the consent of that SwapClear Clearing Member to the registration of the relevant SwapClear Contract will occur automatically and without the need for any further action by such SwapClear Clearing Member.

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(e) The Clearing House shall register or reject the registration of a SwapClear Contract in respect of a SwapClear Transaction presented for registration subject to, and in accordance with these Regulations, the Procedures and all Applicable Law, where the following are conditions for registration of such SwapClear Contract;

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(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 as prescribed on the Clearing House's website at the time the particulars of the SwapClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;

(iii) such SwapClear Contract is consented to by the relevant SwapClear Clearing Member (to the extent such consent is required) in accordance with paragraph (d) above and Section 1.3.2 of Procedure 2C;

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(iv) the applicable SwapClear Clearing Member has transferred, upon request of the Clearing House and in accordance with Regulation 20 and such other applicable provisions of the Rulebook, all required Collateral in respect of such SwapClear Contract prior to registration (taking into account any available MER and/or SwapClear Tolerance, if any); provided that such Collateral need not be transferred prior to registration as a condition to the registration of such SwapClear Contract where such SwapClear Contract results from a SwapClear Transaction that is a Sub-Block Trading Venue Transaction; and

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(v) all the conditions applicable (under the terms of the Rulebook or the FCM Rulebook, as the case may be) for the registration of the other SwapClear Contract or the FCM SwapClear Contract (as the case may be) deriving from the relevant SwapClear Transaction have been satisfied.

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

(i) in respect of an Executing Party to the SwapClear Transaction which is:

(A) not a SwapClear Clearing Member, FCM Clearing Member or SwapClear Dealer, the rights and obligations of such Executing Party, in respect of the SwapClear Transaction, shall be governed by the applicable Execution Terms (if any); and

(B) a SwapClear Clearing Member, FCM Clearing Member or SwapClear Dealer, such Executing Party shall be released and discharged from all

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rights and obligations (in respect of its role as Executing Party), in respect of the SwapClear Transaction, which fall due for performance on or after the Registration Time;

- (ii) the relevant SwapClear Clearing Member(s) will be deemed to be and will be bound by the SwapClear Contract(s) with the Clearing House automatically and without any further action on its part, on terms that, without limitation, incorporate all applicable terms of the Rulebook (including the SwapClear Contract Terms applicable to the relevant SwapClear Contract); and
 - (iii) if the SwapClear Contract applicable to a SwapClear Clearing Member is designated as a SwapClear STM Contract pursuant to Regulation 55(b), the SwapClear Contract Terms applicable to that SwapClear STM Contract will automatically, and without any further action by either party, include the SwapClear STM Terms.
- (g) The Economic Terms shall be such that: (A) a SwapClear Clearing Member paying (or clearing on behalf of a person paying) Rate X and receiving (or clearing on behalf of a person receiving) Rate Y under a SwapClear Transaction shall have such rights against, and owe such obligations to, the Clearing House under the corresponding SwapClear Contract registered by it in respect of such SwapClear Transaction as further provided for in the final paragraph of this sub-paragraph (g) and (B) a SwapClear Clearing Member paying (or clearing on behalf of a person paying) Rate Y and receiving (or clearing on behalf of a person receiving) Rate X under a SwapClear Transaction shall have such rights against, and owe such obligations to, the Clearing House under the corresponding SwapClear Contract registered by it in respect of such SwapClear Transaction as further provided for in the final paragraph of this sub-paragraph (g).

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In this sub-paragraph (g), 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 (g), 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.

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- (h) 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 SwapClear Eligibility Criteria in existence at the Registration Time (an "**Ineligible SwapClear Transaction**"), the Clearing House shall, immediately set aside both SwapClear Contracts (or, in the case of a SwapClear Transaction that resulted in a SwapClear Contract and an FCM SwapClear Contract, such SwapClear Contract) arising from such Ineligible SwapClear Transaction. Upon a SwapClear Contract (an "**Ineligible SwapClear Contract**") being set aside under this paragraph (h): (1) the Clearing

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House will notify the SwapClear Clearing Member party to such Ineligible SwapClear Contract via the Approved Trade Source System through which details of the relevant Ineligible SwapClear Transaction were originally presented to the Clearing House that such Ineligible SwapClear Contract has been set aside; and (2) such Ineligible SwapClear Contract shall immediately be deemed to be terminated and shall thereafter have no force or effect. Where an Ineligible SwapClear Contract is set aside pursuant to this paragraph (h), all payments (including, without limitation, variation margin) (if any) paid by the Clearing House or by a SwapClear Clearing Member in respect of such ineligible SwapClear Contract up to and including the time when such Ineligible SwapClear Contract was set aside shall be retained by the receiving party upon termination as a termination payment. Any other payment obligations in respect of an Ineligible SwapClear Contract and/or the relevant Ineligible SwapClear Transaction shall be as agreed between the Executing Parties to such Ineligible SwapClear Transaction and shall not be paid by or to the Clearing House.

- (i) Notwithstanding anything to the contrary in this Rulebook, the Clearing House may decline to register a SwapClear Transaction as a SwapClear Contract or a SwapClear Contract and a FCM SwapClear Contract (as the case may be) where it considers such action advisable for its own protection or the protection of the relevant market; **provided that** the Clearing House may (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 subparagraph (e) 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 transfer to the Clearing House of additional Collateral by any SwapClear Clearing Member in whose name any such SwapClear Transaction is to be registered.
- (j) Any SwapClear Transaction of which details have been presented for registration and which are not so registered will be governed by the applicable Execution Terms among the relevant parties, and the Clearing House shall have no obligations or liability in relation thereto.
- (k) 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 55, Regulation 12(b) or Regulation 18.

(l) Where a transfer of an open contract (the **Original Contract**) which is a SwapClear Contract takes place pursuant to Regulation 12(b), if so instructed by the SwapClear Clearing Member into whose name the contract was transferred the Clearing House may, in its sole and absolute discretion, and subject to any conditions stipulated by it, register the new open contract as a SwapClear STM Contract notwithstanding that the Original Contract was registered as a SwapClear CTM Contract. If the Clearing House makes such a designation, the new open contract shall automatically, and without any further action from either party, be a SwapClear STM Contract that is subject to the SwapClear STM Terms. For the avoidance of doubt, the transfer of an Original Contract (including a transfer that is made pursuant to the Default Rules) shall be effected by that Original Contract being closed-out and a new SwapClear

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Contract being established, and the applicable provisions of this Regulation 55 shall apply to the registration of such new SwapClear Contract.

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(m) In the case of a SwapClear Contract registered by the Clearing House pursuant to Rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this Regulation 55 shall take effect.

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REGULATION 56 COMPRESSION

- (a) Notwithstanding any other provision of these Regulations if:
- (i) one or more SwapClear Contracts registered by a SwapClear Clearing Member in accordance with the Rulebook has substantially the same Economic Terms as one or more other SwapClear Contracts registered for the account of such SwapClear Clearing Member, and
 - (ii) all such SwapClear Contracts are registered (a) on the SwapClear Clearing Member's own behalf to its Proprietary Account, (b) on behalf of the same SwapClear Clearing Client and to the same Client Account (which is not an Indirect Gross Account), or (c) on behalf of the same SwapClear Clearing Client and to the same Indirect Gross Sub-Account,

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then, to the extent permitted in the Procedures and this Regulation 56, the SwapClear Clearing Member may request that the Clearing House compress and combine all such SwapClear Contracts by terminating the relevant existing SwapClear Contracts and in some instances, compressing them into one or more SwapClear Contracts having a net future cash flow equal to the net future cash flow of such original SwapClear Contracts (including, for the purposes of determining the net future cash flow of a SwapClear STM Contract, the payment obligations of the SwapClear Clearing Member and the Clearing House under the SwapClear STM Terms applicable to such SwapClear STM Contract). For the avoidance of doubt, in no circumstances can a SwapClear Contract registered in the Proprietary Account of a SwapClear Clearing Member be compressed pursuant to this Regulation 56 with a SwapClear Contract registered in the Client Account of that SwapClear Clearing Member.

- (b) For purposes of paragraph (a) above, 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. For the avoidance of doubt, the Clearing House may determine that two or more SwapClear Contracts have "substantially the same Economic Terms" even if (i) they have differing fixed rates or (ii) they include at least one each of a SwapClear CTM Contract and a SwapClear STM Contract. Two or more SwapClear Contracts that are compressed under the terms of this paragraph and paragraph (a) above shall be aggregated if the position of the SwapClear Clearing Member 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 paragraph and paragraph (a) above shall be netted if the position of the SwapClear Clearing Member 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). In most such cases 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, however, in some cases

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- (g) In any Multilateral Compression Cycle, Multilateral Compression shall only take place in accordance with the terms of a Compression Proposal which has been established and accepted by all participating Compression Clearing Members in accordance with this Regulation 56, FCM Regulation 46 and/or the Procedures, as applicable. Notwithstanding the other provisions of this Regulation 56, the Clearing House shall determine (in its sole discretion) whether SwapClear Contracts proposed for inclusion in a Compression Proposal may be so included.
- (h) A Compression Proposal shall:
- (i) in relation to an ACSP Compression Cycle, be generated by the nominated ACSP in accordance with the relevant Compression Documentation and details submitted to the ACSP by participating Compression Clearing Members and be communicated by the ACSP to each participating Compression Clearing Member in the manner contemplated in the relevant Compression Documentation for acceptance;
 - (ii) in relation to a Member Compression Cycle, be constituted by the details submitted to the Clearing House by the requesting Compression Clearing Members (subject to the Clearing House's determination that such proposed details are eligible for Multilateral Compression), and shall form the basis for the subsequent acceptance by each requesting Compression Clearing Member; and
 - (iii) in all cases include only those SwapClear Contracts that are eligible for Multilateral Compression in the relevant Multilateral Compression Cycle.
- (i) Where it wishes to participate in a Multilateral Compression Cycle, each participating Compression Clearing Member shall confirm its acceptance of a Compression Proposal in the manner and by the time specified by the Clearing House or otherwise contemplated in the relevant Compression Documentation. In relation to an ACSP Compression Cycle, each participating Compression Clearing Member agrees and acknowledges that the ACSP's confirmation to the Clearing House that such Compression Clearing Member has confirmed its acceptance of the Compression Proposal, either on its own account or with respect to a SwapClear Clearing Client (including, where relevant, with respect to an Indirect Gross Sub-Account), to the ACSP shall constitute a binding acceptance by such Compression Clearing Member to the Clearing House for the purposes of this Regulation 56. Upon a Compression Clearing Member's acceptance of a Compression Proposal in accordance with this paragraph, either on its own account or with respect to a SwapClear Clearing Client (including, where relevant, with respect to an Indirect Gross Sub-Account), such Compression Clearing Member shall be irrevocably bound to the terms of that Compression Proposal and the Multilateral Compression contemplated thereunder.
- (j) The Clearing House may require margin, subsequent to a Compression Clearing Member's acceptance of a Compression Proposal but prior to the Compression Time, in connection with the Multilateral Compression Cycle and the Compression Clearing Member's positions thereunder.

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Compression Clearing Members (either in their respective Proprietary Account or Client Account, as applicable). The Clearing House shall notify the participating Compression Clearing Members once the Multilateral Compression has been effected. Compression Clearing Members are responsible for providing notifications to SwapClear Clearing Clients.

- (o) Unless otherwise stated in the relevant Compression Documentation, the Clearing House shall have no involvement in and accepts no responsibility or liability in relation to any Multilateral Compression-related balancing, termination or ancillary payments or fees that participating Compression Clearing Members (or SwapClear Clearing Clients) may agree between themselves in accordance with relevant Compression Documentation or otherwise. In the event the Clearing House agrees to participate in the processing of ancillary payments or fees pursuant to the relevant Compression Documentation, the Clearing House accepts no liability to any Compression Clearing Member, SwapClear Clearing Client or third party in connection with or related to the processing of such ancillary payments or fees.
- (p) Without prejudice to any other provisions of these Regulations, in particular Regulation 45, or any Compression Documentation, neither the Clearing House, nor any other member of LCH Group Holdings Limited shall have any liability whatsoever to any Compression Clearing Member or to any other person (including any SwapClear Clearing Client and any Indirect Clearing Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damages, losses, costs or expenses of whatsoever nature suffered or incurred by a Compression Clearing Member or any other person (including any SwapClear Clearing Client and any Indirect Clearing Client), as the case may be:
 - (i) as a result of any action the Clearing House takes under this Regulation 56, whether in accordance with a Compression Proposal, in reliance on information provided by Compression Clearing Members or any ACSP or otherwise;
 - (ii) in relation to an ACSP Compression Cycle, as a result of any action or omission of an ACSP, including, without limitation, any error or omission in the terms of any Compression Proposal; or
 - (iii) in relation to any Multilateral Compression Cycle, as a result of any action or omission of a participating Compression Clearing Member, including, without limitation, any error or omission in the terms of any Compression Proposal.
- (q) An ACSP's liability in respect of its acts or omissions is subject to the relevant terms of the applicable Compression Documentation.
- (r) Any notification or communication required in connection with a Multilateral Compression Cycle shall be made in accordance with the Compression Documentation (if any) or, if not specified in the Compression Documentation, the Procedures or such other guidance as the Clearing House may provide from time to time.

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REGULATION 57 COLLATERALISATION OF SWAPCLEAR CTM CONTRACTS

- (a) The net present value of each SwapClear CTM Contract shall be calculated by the Clearing House for the purposes of determining required variation margin in such manner and at such times as may be provided in the Procedures. Except as prescribed in the Procedures, the net present value calculated by the Clearing House may in no circumstances be called in question.
- (b) The Clearing House shall, at least daily:
- (i) where the net present value of an outstanding SwapClear CTM Contract has moved in favour of the Clearing House since the last valuation, call on the SwapClear Clearing Member to transfer to the Clearing House cash in an amount equal to (A) the net present value to the Clearing House of the relevant SwapClear Contract minus (B) the current balance of cash Collateral provided to the Clearing House by such SwapClear Clearing Member in respect of its variation margin obligations in respect of that SwapClear CTM Contract; and
 - (ii) where the net present value of an outstanding SwapClear CTM Contract has moved in favour of the SwapClear Clearing Member since the last valuation, transfer to the SwapClear Clearing Member cash in an amount equal to (A) the net present value to the SwapClear Clearing Member of the relevant SwapClear CTM Contract minus (B) the current balance of cash Collateral provided to such SwapClear Clearing Member by the Clearing House in respect of its variation margin obligations in respect of that SwapClear CTM Contract,

provided that:

- (iii) (A) and/or (B), as used in sub-paragraphs (i) and (ii) above, may be negative numbers where the net present value of a SwapClear Contract has moved in favour of the party that was "out of the money" at the time of the preceding valuation;
 - (iv) any time the calculation provided for in this Regulation 57(b) is performed for the first time in respect of any particular SwapClear CTM Contract that SwapClear CTM Contract shall for the purpose of sub-paragraphs (i) and (ii) above be deemed to have had a net present value of zero at the time of the preceding valuation; and
 - (v) the calculations under this Regulation 57(b) shall disregard any amount previously determined to be payable by one party to the other pursuant to Regulation 57(d) but which has not yet been so transferred.
- (c) Cash provided by the Clearing House or a SwapClear Clearing Member under Regulation 57(b) is provided by way of title transfer and, other than where the provision of cash reduces a party's current balance of cash Collateral, for the purpose of collateralising the relevant party's obligations under the relevant SwapClear CTM Contract(s).

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- (d) In respect of all SwapClear CTM Contracts, on every Business Day, the Clearing House shall aggregate:
- (i) the sums which would otherwise have been payable by the SwapClear Clearing Member to the Clearing House as cash Collateral (in respect of variation margin obligations) on such date, any coupon payments which would otherwise have been due on that date from the SwapClear Clearing Member to the Clearing House and any other sums which would otherwise have been payable by the SwapClear Clearing Member to the Clearing House on such date (including any amounts due in respect of an obligation to return cash Collateral and any settlement amounts payable under a SwapClear CTM Contract or a Portfolio Margined Contract and excluding any amounts which are to be Charged Cash Collateral); and
 - (ii) the sums which would otherwise have been payable by the Clearing House to the SwapClear Clearing Member as cash Collateral (in respect of variation margin obligations) on such date, any coupon payments which would otherwise have been due on that date from the Clearing House to the SwapClear Clearing Member and any other sums which would otherwise have been payable by the Clearing House to the SwapClear Clearing Member on such date (including any amounts due in respect of an obligation to return cash Collateral which is not Charged Cash Collateral and any settlement amounts payable under a SwapClear CTM Contract or a Portfolio Margined Contract),

(in each case which are payable in the same currency and which are payable in respect of the same Client Account (that is not an Indirect Gross Account), Proprietary Account or Indirect Gross Sub-Account (as applicable), and all such sums shall be automatically satisfied and discharged and only the excess of the larger aggregate amount over the smaller aggregate amount shall be payable by the party by whom the larger aggregate amount would otherwise have been payable.

- (e) The parties acknowledge that the effect of Regulation 57(d) is that any settlement payment obligation of a Clearing Member (or of the Clearing House) under a SwapClear CTM Contract and any obligation of the Clearing House's (or of the Clearing Member) on the date of such settlement to return same-currency cash Collateral provided to it by way of variation margin in respect of that SwapClear CTM Contract will be netted against each other, with only the balance being payable in accordance with Regulation 57(d).

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REGULATION 57A SETTLEMENT OF SWAPCLEAR STM CONTRACTS AND CONVERSION TO SWAPCLEAR STM CONTRACTS

- (a) Notwithstanding anything to the contrary in Regulation 20, neither the Clearing House nor a SwapClear Clearing Member shall be obliged to make any payment by way of variation margin in respect of a SwapClear STM Contract. This Regulation 57A shall be without prejudice to the Clearing House's other rights to require Collateral to be transferred to it under Regulation 20 (including, but not limited to, its right to require Collateral to be transferred to it in respect of a SwapClear Clearing Member's initial margin obligations in respect of a SwapClear STM Contract).
- (b) The Clearing House shall, at least once per Business Day, determine (i) the change in the net present value of each SwapClear STM Contract, and (ii) the Price Alignment Amount payable on such Business Day, in each case in such manner and at such times as may be provided in the Procedures. Immediately upon the Clearing House making each such determination of the net present value of a SwapClear STM Contract, an NPV Reset shall occur with respect to that SwapClear STM Contract.
- (c) Upon the occurrence of an NPV Reset in relation to a SwapClear STM Contract:
- (i) if the Clearing House has determined that the net present value of the SwapClear STM Contract has increased since the immediately preceding NPV Reset, an amount of cash denominated in the currency of the SwapClear STM Contract (as specified in the Economic Terms relating to that SwapClear STM Contract) equal to the amount of such increase shall immediately become due and payable by the SwapClear Clearing Member to the Clearing House under the SwapClear STM Terms;
 - (ii) if the Clearing House has determined that the net present value of the SwapClear STM Contract has decreased since the immediately preceding NPV Reset, an amount of cash denominated in the currency of the SwapClear STM Contract (as specified in the Economic Terms relating to that SwapClear STM Contract) equal to the amount of such decrease shall immediately become due and payable by the Clearing House to the SwapClear Clearing Member under the SwapClear STM Terms;
 - (iii) if the Clearing House has determined that the net present value of the SwapClear STM Contract has not changed since the immediately preceding NPV Reset, neither the Clearing House nor the SwapClear Clearing Member shall be obliged to make any payment; and
 - (iv) the net present value of the SwapClear STM Contract shall for all purposes be equal to zero.
- (d) The SwapClear Clearing Member and the Clearing House hereby agree that:
- (i) for the avoidance of doubt, an "increase" in the net present value of a SwapClear STM Contract shall mean that the net present value of that SwapClear STM Contract has moved in favour of the Clearing House since the immediately preceding NPV Reset;

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(i) The payment of each of the amounts due and payable under the SwapClear STM Terms applicable to a SwapClear STM Contract shall be made in such manner and at such times as may be provided in the Procedures.

(j) In respect of all SwapClear STM Contracts the Clearing House shall:

(i) on each Business Day (as such term is defined in the SwapClear STM Terms relating to that SwapClear STM Contract), and to the extent that the following amounts are payable in the same currency and in respect of the same Client Account ~~(that is not an Indirect Gross Account), Proprietary Account or Indirect Gross Sub-Account~~ (as applicable), aggregate:

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(A) the amounts (if any) payable by the SwapClear Clearing Member to the Clearing House on such Business Day in accordance with Regulation 57A(c);

(B) the Price Alignment Amount (if any) payable by the SwapClear Clearing Member to the Clearing House on such Business Day in accordance with Regulation 57A(f);

(C) the amounts (if any) of the coupon payment payable by the SwapClear Clearing Member to the Clearing House on such Business Day in accordance with the Procedures; and

(D) any other amounts which are payable by the SwapClear Clearing Member to the Clearing House on such Business Day (excluding any amounts which are to be Charged Cash Collateral),

(ii) on each Business Day (as such term is defined in the SwapClear STM Terms relating to that SwapClear STM Contract), and to the extent that the following amounts are payable in the same currency and in respect of the same Client Account ~~(that is not an Indirect Gross Account), Proprietary Account or Indirect Gross Sub-Account~~ (as applicable), aggregate:

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(A) the amounts (if any) payable by the Clearing House to the SwapClear Clearing Member on such Business Day in accordance with Regulation 57A(c);

(B) the Price Alignment Amount (if any) payable by the Clearing House to the SwapClear Clearing Member on such Business Day in accordance with Regulation 57A(f);

(C) the amounts (if any) of the coupon payment payable by the Clearing House to the SwapClear Clearing Member on such Business Day in accordance with the Procedures (excluding any amounts which are Charged Cash Collateral); and

(D) any other amounts which are payable by the Clearing House to the SwapClear Clearing Member on such Business Day (excluding any amounts which are Charged Cash Collateral),

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and the amount payable on a Business Day to one party (the **Payee**) by the other party (the **Payer**) under Regulation 57A(j)(i) or (ii) (as applicable) shall be reduced by setting-off such amount against the amount (the **Other Amount**) payable by the Payee to the Payer under Regulation 57A(j)(i) or (ii) (as applicable). To the extent the Other Amount is so applied, the Other Amount will be discharged promptly and in all respects.

- (k) On each Business Day the Clearing House shall, to the extent that the following amounts are payable in the same currency and in respect of the same Client Account ~~(that is not an Indirect Gross Account), Proprietary Account or Indirect Gross Sub-Account~~ (as applicable) aggregate the amount that is payable by either the SwapClear Clearing Member or the Clearing House following the operation of the payment netting provision under Regulation 57(d) and the amount that is payable by either the SwapClear Clearing Member or the Clearing House following the operation of the payment netting provision under Regulation 57A(j), and only the excess of the larger amount over the smaller amount shall be payable by the party by whom the larger amount would otherwise have been payable. To the extent the smaller amount is so applied, the smaller amount will be discharged promptly and in all respects.
- (l) The Clearing House and the SwapClear Clearing Member agree that satisfaction of the payment obligation arising under the SwapClear STM Terms by either party shall discharge such obligation for the purpose of settling the then outstanding exposure under a SwapClear STM Contract.
- (m) A SwapClear Clearing Member (a **Converting SwapClear Clearing Member**) may, from time to time, submit a request, in such form as permitted by the Clearing House from time to time in its sole discretion, or in the case of a compression of the type described in Regulation 56(c)(iii) or Regulation 56(e)(iv)(A) a SwapClear Clearing Member shall be deemed to have submitted a written request (each such request, an **STM Conversion Request**) to the Clearing House requesting that the Clearing House converts one or more of its open SwapClear CTM Contracts to SwapClear STM Contracts. Such request shall identify those SwapClear CTM Contracts (the **STM Conversion Contracts**) which the SwapClear Clearing Member wishes to be converted to SwapClear STM Contracts. No open SwapClear CTM Contract shall be converted into a SwapClear STM Contract except as provided in this Regulation 57A or the Procedures.
- (n) Following its receipt of an STM Conversion Request made (or deemed to have been made) by a Converting SwapClear Clearing Member pursuant to (m) above, the Clearing House may, in its sole and absolute discretion, nominate a Business Day (the **STM Conversion Date**) from, and including which, some or all of the STM Conversion Contracts shall, subject to the satisfaction of the conditions specified in (o) below, cease to be registered as SwapClear CTM Contracts and shall immediately and automatically become registered as SwapClear STM Contracts which are subject to this Regulation 57A and the SwapClear STM Terms. For the avoidance of doubt, if the Clearing House determines that it shall convert a SwapClear CTM Contract into a SwapClear STM Contract, such conversion shall be effected through the Clearing House and the Converting SwapClear Clearing Member agreeing to a modification of the terms of the relevant STM Conversion Contract, and such conversion shall not be effected through the Clearing House and the Converting SwapClear Clearing Member

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REGULATION 68 EQUITYCLEAR OPEN OFFER FOR EQUITYCLEAR ATP MATCHES

- (a) This Regulation 68 applies to EquityClear ATP Matches arising pursuant to Trading Platform Particulars submitted by or on behalf of an EquityClear Clearing Member (which shall, for the avoidance of doubt, exclude any Co-operating Clearing House in connection with the EquityClear service). In the event of any inconsistency between the Rulebook and any relevant ATP Market Rules, the Rulebook shall prevail.
- (b) If an EquityClear Clearing Member has been given approval by the Clearing House to clear eligible EquityClear (Equities) ATP Matches and/or eligible EquityClear (ccCFD) ATP Matches in respect of the ATP specified in such approval and such approval has not been withdrawn by the Clearing House the Clearing House will enter into EquityClear Contracts with that EquityClear Clearing Member pursuant to such approval in accordance with and subject to the provisions of the Regulations and the Procedures. The terms of a registered EquityClear Contract shall be as received by the Clearing House, or its relevant approved agent, from the relevant ATP (in the case of EquityClear (Equities) ATP Matches) or from the relevant EquityClear Clearing Member (in the case of EquityClear (ccCFD) ATP Matches) and otherwise subject to the Regulations (and the Clearing House and the EquityClear Clearing Member party to the registered EquityClear Contract shall be obliged to perform their obligations thereunder in accordance with such terms and the Regulations and the Procedures).
- (c) The Clearing House makes an open offer to EquityClear Clearing Members to enter into an EquityClear Contract in respect of an EquityClear ATP Match in accordance with paragraphs (e) and (f) of this Regulation 68, as applicable, pursuant to the submission of Trading Platform Particulars by or on behalf of those EquityClear Clearing Members **provided that** the following requirements ("**EquityClear Open Offer Eligibility Criteria**") shall have been satisfied:
 - (i) at the relevant times the EquityClear Clearing Member was party to a valid and subsisting Clearing Membership Agreement;
 - (ii) at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under sub-paragraph (iv) of this paragraph (c), the EquityClear Clearing Member is not a Defaulter;
 - (iii) the financial instruments or securities the subject of the EquityClear ATP Match are, at the relevant times, EquityClear Eligible Equities, EquityClear Eligible ccCFDs or EquityClear Eligible Instruments (as applicable);
 - (iv) all necessary details as required by the Clearing House from time to time in respect of the EquityClear ATP Matches shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;

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(v) the EquityClear Eligible Equities, ~~EquityClear Eligible ccCFDs or EquityClear Eligible Instruments~~, which are or is the subject of the EquityClear ATP Match, are or is not subject to any trading halts, suspension of dealings or any other action having equivalent effect;

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(vi) at the relevant times, the EquityClear service or any relevant part of the EquityClear Open Offer in respect of EquityClear ATP Matches made on such ATP had not been suspended or withdrawn;

(vii) the EquityClear Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the EquityClear service;

(viii) in the case of an EquityClear (Equities) ATP Match, there are in place appropriate arrangements (as prescribed from time to time by the Clearing House) between the EquityClear Clearing Member (or its nominated agent, where applicable) and an Approved EquityClear Settlement Provider for the delivery, or receipt, as applicable, of the EquityClear Eligible Equities which are the subject of an EquityClear (Equities) ATP Match; and

(ix) in the case of an EquityClear (Equities) ATP Match which is an EquityClear Mixed Member Match:

(A) the eligibility criteria (howsoever defined on the Clearing House's website) of the relevant Co-operating Clearing House in respect of such EquityClear (Equities) ATP Match have been satisfied and the relevant Co-operating Clearing House has not declined to register, rejected, cancelled, avoided or terminated such EquityClear (Equities) ATP Match or any contract between the Co-operating Clearing House and its member arising out of it; and

(B) a balancing contract is deemed to arise between the Clearing House and the relevant Co-operating Clearing House in respect of such EquityClear (Equities) ATP Match pursuant to the agreement in place between them in relation to the co-clearing of the relevant ATP and such balancing contract has not been rejected, cancelled, avoided or terminated for any reason; and

(C) at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under sub-paragraph (iv) of this paragraph (c), neither of the Clearing House or the relevant Co-operating Clearing House has been declared a ~~defaulter~~ by the other, by default notice or otherwise.

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(d) For the avoidance of doubt, Trading Platform Particulars are deemed to have been submitted by or on behalf of the EquityClear Clearing Member if the details of the EquityClear ATP Matches received by the Clearing House identify, in accordance with any relevant ATP Market Rules, the Regulations or the Procedures, the EquityClear ATP Matches as having been made by or on behalf of that EquityClear Clearing Member.

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(e) If Trading Platform Particulars have been submitted to the relevant ATP by or on behalf of an EquityClear Clearing Member, as seller (the "**selling EquityClear Clearing Member**") (or buyer (the "**buying EquityClear Clearing Member**")) and have been matched by, or in accordance with, the ATP Market Rules with Trading Platform Particulars submitted to such ATP by or on behalf of another or the same EquityClear Clearing Member, as buyer (the "**buying EquityClear Clearing Member**") (or seller (the "**selling EquityClear Clearing Member**")), and the resulting EquityClear ATP Match has been presented to the Clearing House for registration, then, subject to the satisfaction of the EquityClear Open Offer Eligibility Criteria and to the Regulations and the Procedures, the Clearing House shall automatically and immediately register two EquityClear Contracts as follows:

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- (i) the Clearing House shall be the buyer under one EquityClear (Equities) Contract or one EquityClear (ccCFD) Contract (as the case may be) to the selling EquityClear Clearing Member; and
- (ii) the Clearing House shall be the seller under one EquityClear (Equities) Contract or one EquityClear (ccCFD) Contract (as the case may be) to the buying EquityClear Clearing Member.

(f) In respect of an EquityClear Mixed Member Match which is an EquityClear (Equities) ATP Match, if Trading Platform Particulars submitted by, or on behalf of, an EquityClear Clearing Member to the relevant ATP have been matched by, or in accordance with, the ATP Market Rules with Trading Platform Particulars submitted by, or on behalf of, a member of a relevant Co-operating Clearing House, and the resulting EquityClear Mixed Member Match has been presented to the Clearing House for registration, then, subject to satisfaction of the EquityClear (Equities) Open Offer Eligibility Criteria, the Regulations and the Procedures, and the relevant Co-operating Clearing House being party to a valid and subsisting agreement with the Clearing House for the co-clearing of EquityClear Mixed Member Matches, the Clearing House shall automatically and immediately register Contracts in the name of the EquityClear Clearing Member and in the name of the relevant Co-operating Clearing House as follows:

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- (i) where the EquityClear Clearing Member is identified in the EquityClear (Equities) ATP Match as the buyer, (A) the Clearing House shall be the seller under an EquityClear (Equities) Contract with the EquityClear Clearing Member as buyer; and (B) the Clearing House shall be the buyer under a Contract with the Co-operating Clearing House as seller; and
- (ii) where the EquityClear Clearing Member is identified in the EquityClear (Equities) ATP Match as the seller, (A) the Clearing House shall be the buyer under an EquityClear (Equities) Contract with the EquityClear Clearing Member as seller; and (B) the Clearing House shall be the seller under a Contract with the Co-operating Clearing House as buyer.

(g) Subject to its rights to suspend the EquityClear Open Offer and/or the EquityClear service generally or in respect of one or more ATPs or to withdraw the EquityClear service in whole or in part, as set out in these Regulations or the Procedures, the Clearing House undertakes to keep open the offer made by it in this Regulation 68 until such EquityClear Clearing Member is no longer eligible to have EquityClear

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Contracts registered in its name or has withdrawn from trading through each ATP approved by the Clearing House under paragraph (b). Any such intended withdrawal from trading through an ATP must be notified to the Clearing House in accordance with the Procedures.

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REGULATION 69 EQUITYCLEAR NOVATION TRANSACTIONS

- (a) Details of any EquityClear Novation Transaction in respect of an ATP which is to be presented for registration must be presented in accordance with the Procedures by or on behalf of the EquityClear Clearing Member who is party to, or is providing clearing services to a party to, such EquityClear Novation Transaction. For the avoidance of doubt, where the particulars of an EquityClear Novation Transaction presented by or on behalf of an EquityClear Clearing Member and received by the Clearing House identify, in accordance with the relevant ATP Market Rules or the Procedures, that EquityClear Clearing Member as buyer or seller, or as acting as Clearing Member for the buyer or seller, in respect of the EquityClear Novation Transaction, the Clearing House will enter into an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract, as applicable with that EquityClear Clearing Member in accordance with and subject to the provisions of the Regulations and the Procedures.
- (b) Without prejudice to the Clearing House’s rights under Regulation 16(i), the Clearing House shall register or reject the registration of an EquityClear Novation Transaction presented for registration by or on behalf of an EquityClear Clearing Member subject to, and in accordance with, these Regulations, the Procedures and all Applicable Law, where a condition of such registration is that the following requirements (“EquityClear Novation Transaction Eligibility Criteria”) are satisfied at the time when the particulars of such EquityClear Novation Transaction are presented to the Clearing House and continue to be satisfied at all times thereafter up to and including the Registration Time (each such time, for the purposes of this Regulation 69, the **“relevant times”**):
 - (i) the financial instruments or securities the subject of the EquityClear Novation Transaction are, at the relevant times, EquityClear Eligible Equities, EquityClear Eligible ccCFDs or EquityClear Eligible Instruments, as applicable;
 - (ii) all necessary details as required by the Clearing House from time to time in respect of the EquityClear Novation Transaction shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;
 - (iii) the EquityClear Eligible Equities, EquityClear Eligible ccCFDs or EquityClear Eligible Instruments which are the subject of the EquityClear Novation Transaction, are not subject to any trading halts, suspension of dealings or any other action having equivalent effect;
 - (iv) at the relevant times, the EquityClear services for the relevant ATP has not been suspended or withdrawn, generally or in relation to the relevant EquityClear Eligible Equities, EquityClear Eligible ccCFDs, EquityClear Eligible Instruments or EquityClear Clearing Member;

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- (v) the EquityClear Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the EquityClear service;
- (vi) there are in place appropriate arrangements (as prescribed from time to time by the Clearing House) between the EquityClear Clearing Member (or its nominated agent, where applicable) and an ASP for the delivery, or receipt, as applicable, of the EquityClear Eligible Equities which are the subject of the EquityClear Novation Transaction; and
- (vii) in the case of an EquityClear Novation Transaction which is an EquityClear Mixed Member Match:
 - (A) the eligibility criteria (howsoever defined on the Clearing House's website) of the relevant Co-operating Clearing House in respect of such EquityClear Novation Transaction have been satisfied and the relevant Co-operating Clearing House has not declined to register, rejected, cancelled, avoided or terminated such EquityClear Novation Transaction or any contract between the Co-operating Clearing House and its member arising out of it; and
 - (B) a balancing contract is deemed to arise between the Clearing House and the relevant Co-operating Clearing House in respect of such EquityClear Novation Transaction pursuant to the agreement in place between them in relation to the co-clearing of the relevant ATP and such balancing contract has not been rejected, cancelled, avoided or terminated for any reason; and
 - (C) at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under sub-paragraph (ii) of this paragraph (b), neither of the Clearing House or the relevant Co-operating Clearing House has been declared a defaulter by the other, by default notice or otherwise.

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- (c) In the case of an EquityClear Novation Transaction which is an EquityClear Mixed Member Match, the Clearing House shall, on receipt of details of such EquityClear Novation Transaction and subject to satisfaction of the EquityClear Novation Transaction Eligibility Criteria, the Regulations and the Procedures, and the relevant Co-operating Clearing House being party to a valid and subsisting agreement with the Clearing House for the co-clearing of EquityClear Mixed Member Matches, register Contracts in the name of the EquityClear Clearing Member and in the name of the relevant Co-operating Clearing House as follows:

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- (A) where the EquityClear Clearing Member is identified in the EquityClear Novation Transaction as the buyer, (A) the Clearing House shall be the seller under an EquityClear (Equities) Contract with the EquityClear Clearing Member as buyer; and (B) the Clearing House shall be the buyer under a Contract with the Co-operating Clearing House as seller; and

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REGULATION 72 REJECTION OF EQUITYCLEAR ATP MATCHES AND OF EQUITYCLEAR NOVATION TRANSACTIONS

(a) Any EquityClear ATP Match, particulars of which are presented to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an EquityClear Contract, which does not meet the relevant EquityClear Open Offer Eligibility Criteria (or any EquityClear (Equities) ATP Match which is an EquityClear Mixed Member Match where the relevant Co-operating Clearing House subsequently declines to register, rejects, cancels, avoids or terminates such EquityClear (Equities) ATP Match or any contract between the Co-operating Clearing House and its member arising out of it and any balancing contract deemed to arise between the Clearing House and the relevant Co-operating Clearing House in respect of such EquityClear (Equities) ATP Match), or which the Clearing House declines to register under any other provision within these Regulations or the Procedures, will, subject to paragraph (c), be rejected by the Clearing House and no EquityClear Contracts shall be deemed to have arisen. If the Clearing House rejects the EquityClear ATP Match, the presenting Clearing Members and relevant ATP will be notified of the rejection within the required timeframe under all Applicable Law. Without prejudice to the generality of Regulation 52, or any other provision of the Regulation or Procedures concerning liability of the Clearing House or a Member, the Clearing House (and each other member of the LCH Group Holdings Limited and their respective officers, employees and agents) shall have no liability whatsoever to any Member or any other person with regard to the rejection by it of any such EquityClear ATP Match.

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(b) Any EquityClear Novation Transaction, particulars of which are submitted to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an EquityClear Contract, which does not meet the applicable EquityClear Novation Transaction Eligibility Criteria (or any EquityClear Novation Transaction which is an EquityClear Mixed Member Match where the relevant Co-operating Clearing House subsequently declines to register, rejects, cancels, avoids or terminates such EquityClear Novation Transaction or any contract between the Co-operating Clearing House and its member arising out of it and any balancing contract deemed to arise between the Clearing House and the relevant Co-operating Clearing House in respect of such EquityClear Novation Transaction), or which the Clearing House declines to register under any other provision within these Regulations will, subject to paragraph (c), be rejected by the Clearing House and no EquityClear Contracts shall be deemed to have arisen. If the Clearing House rejects the EquityClear Novation Transaction, the presenting Clearing Members and relevant ATP will be notified of the rejection within the required timeframe under all Applicable Law. Without prejudice to the generality of Regulation 52, or any other provision of the Regulation or Procedures concerning liability of the Clearing House or a Member, the Clearing House (and each other member of the LCHGroup Holdings Limited and their respective officers, employees and agents) shall have no liability whatsoever to any Member or any other person with regard to the rejection by it of any such EquityClear Novation Transaction.

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(c) The Clearing House may, in its absolute discretion, agree to register an EquityClear Contract, notwithstanding that it does not meet the relevant EquityClear Open Offer Eligibility Criteria or the EquityClear Novation Transaction Eligibility Criteria (as

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REGULATION 77 LSE DERIVATIVES MARKETS ORDERBOOK MATCHES MADE ON LSE MARKET

- (a) This Regulation 77 applies to LSE Derivatives Markets ~~Matches~~ made in accordance with the Exchange Rules. ~~In the event of any inconsistency between the Rulebook and the Exchange Rules, the Rulebook shall prevail.~~
- (b) The Clearing House will enter into LSE Derivatives Markets Cleared Exchange Contracts with Clearing Members pursuant to LSE Derivatives Markets ~~Matches~~ in accordance with and subject to the Regulations and the Procedures.
- (c) This paragraph (c) shall be without prejudice to paragraph (m). The Clearing House makes an open offer to a Clearing Member to enter into an LSE Derivatives Markets Cleared Exchange Contract in accordance with paragraphs (f) ~~and (g)~~ of this Regulation 77 in respect of an LSE Derivatives Markets ~~Match~~ made in accordance with the Exchange Rules pursuant to the submission of LSE Derivatives Markets ~~Particulars~~ by or on behalf of that Clearing Member, provided that the following requirements ("LSE Derivatives Markets Open Offer Eligibility Criteria") shall have been satisfied:
 - (i) at the relevant times the Clearing Member was party to a valid and subsisting Clearing Membership Agreement;
 - (ii) at the relevant times, the Clearing Member ~~is not a Defaulter~~;
 - (iii) the product the subject of the LSE Derivatives Markets ~~Match~~ is, at the relevant times, an LSE Derivatives Markets Eligible Product;
 - (iv) all necessary details as required by the Clearing House from time to time in respect of the LSE Derivatives Markets ~~Match~~ shall have been received by the Clearing House, through LSE, in accordance with procedures established by the Clearing House with LSE from time to time or otherwise. Such information must be complete, must not be corrupted and must be legible at the time such details were received;
 - (v) ~~the LSE Derivatives Markets Eligible Product which is the subject of the LSE Derivatives Markets Match is not subject to any trading halts, suspension of dealings or any other action having equivalent effect; and~~
 - (vi) at the relevant times, the Open Offer for LSE Derivatives Markets in respect of ~~the LSE Derivatives Markets Match~~ has not been suspended or withdrawn generally or with respect to such Clearing Member.
- (d) A Clearing Member must satisfy the following requirements in order for LSE Derivatives Markets Cleared Exchange Contracts ~~to be~~ registered in its name:
 - (i) the Clearing Member shall have executed such agreements or documents as may be required by the Clearing House from time to time in connection with the LSE Derivatives Markets Service; ~~and~~
 - (ii) there are in place appropriate arrangements (as prescribed from time to time by the Clearing House) between the Clearing Member (or its nominated

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agent) and an Approved LSE Derivatives Markets Settlement Provider for the delivery, or receipt, as applicable, of any securities or other instruments which may be or become deliverable under the terms of an LSE Derivatives Markets Cleared Exchange Contract.

The Clearing House shall be entitled to take such steps as are set out in the Procedures in respect of any Clearing Member who does not satisfy any of these requirements.

(e) For the purposes of this Regulation 77, LSE Derivatives Markets Particulars giving rise to an LSE Derivatives Markets Match are deemed to have been presented by or on behalf of a Clearing Member if the details of a LSE Derivatives Markets Match received by the Clearing House pursuant to Regulation 77(c)(iv) identify that LSE Derivatives Markets Match as having been made by or on behalf of that Clearing Member.

(f) If LSE Derivatives Markets Particulars have been submitted to the LSE Derivatives Markets Platform by or on behalf of a Clearing Member as seller (for the purposes of this paragraph (f), the "**selling Clearing Member**") and have been matched by, or in accordance with, the Exchange Rules with LSE Derivatives Markets Particulars which have been submitted to the LSE Derivatives Markets Platform by or on behalf of another or the same Clearing Member as buyer (for the purposes of this paragraph (f), the "**buying Clearing Member**"), and the resulting LSE Derivatives Markets Match has been presented to the Clearing House for registration, then, subject to the satisfaction of the LSE Derivatives Markets Open Offer Eligibility Criteria and to the Regulations and Procedures, the Clearing House shall automatically and immediately register two LSE Derivatives Markets Cleared Exchange Contracts, as follows:

- (i) the Clearing House shall be the buyer under one LSE Derivatives Markets Cleared Exchange Contract with the selling Clearing Member as the seller; and
- (ii) the Clearing House shall be the seller under one LSE Derivatives Markets Cleared Exchange Contract with the buying Clearing Member as the buyer.

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(g) This paragraph (g) shall be without prejudice to paragraph (m). In respect of an LSE Derivatives Markets Mixed Member Match, if, pursuant to arrangements entered into between LSE and one or more Co-operating Exchanges, LSE Derivatives Markets Particulars submitted by or on behalf of a Clearing Member to the LSE Derivatives Markets Platform have been matched in the LSE Derivatives Markets Platform with LSE Derivatives Markets Particulars submitted by or on behalf of a Linked Member, and the resulting LSE Derivatives Markets Match has been presented to the Clearing House for registration, then, subject to the satisfaction of the LSE Derivatives Markets Open Offer Eligibility Criteria, the Regulations and the Procedures, and the relevant Co-operating Clearing House being party to a valid and subsisting Link Agreement, the Clearing House shall automatically and immediately register an LSE Derivatives Markets Cleared Exchange Contract in the name of the Clearing Member and in the name of the relevant Co-operating Clearing House. The Clearing House shall be party:

- (i) as seller to an LSE Derivatives Markets Cleared Exchange Contract with the Clearing Member, where the Clearing Member is identified in the details received by LSE as the buying Clearing Member and party as buyer to an LSE Derivatives Markets Cleared Exchange Contract with such Co-operating Clearing House as seller; and
- (ii) as buyer to an LSE Derivatives Markets Cleared Exchange Contract with the Clearing Member, where the Clearing Member is identified in the details received by LSE as the selling Clearing Member and party as seller to an LSE Derivatives Markets Cleared Exchange Contract with such Co-operating Clearing House as buyer.

(h) LSE Derivatives Markets Cleared Exchange Contracts registered in respect of an LSE Derivatives Markets Match shall be on the terms received by the Clearing House pursuant to Regulation 77(c)(iv) and otherwise on the terms of the relevant LSE Derivatives Markets Contract Specification contained in the Exchange Rules and any other terms specified in these Regulations and the Procedures. The Clearing House and the Clearing Member party to an LSE Derivatives Markets Cleared Exchange Contract shall be obliged to perform their obligations thereunder in accordance with such terms.

(i) Subject to its rights to suspend the Open Offer for LSE Derivatives Markets generally under Regulation 80 or to withdraw the LSE Derivatives Markets Service in whole or in part as set out in these Regulations or the Procedures, the Clearing House undertakes to keep open the Open Offer for LSE Derivatives Markets to a Clearing Member until the Member is no longer eligible under the Exchange Rules or these LSE Derivatives Markets Regulations to have LSE Derivatives Markets Cleared Exchange Contracts registered in its name or has given notice to the Clearing House, in accordance with the Procedures, stating that it no longer wishes to participate in the LSE Derivatives Markets Service.

(j) Without prejudice to the generality of Regulation 52, and any other provision of these Regulations, the Procedures or the Exchange Rules concerning the liability of the Clearing House, the Clearing House shall not be liable to any Clearing Member (or any other person, Co operating Clearing House or Linked Member) for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them if

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the Clearing House does not receive the details of an LSE Derivatives Markets Match pursuant to Regulation 77(c)(iv) or does not receive accurate, complete or legible details of such LSE Derivatives Markets Match in accordance with such Regulation. The Clearing House shall be under no duty or obligation to verify the accuracy or completeness of details of LSE Derivatives Markets Matches received by the Clearing House ~~from LSE.~~

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(k) Without prejudice to Regulation 35 or Regulation 81, a Clearing Member shall be bound by an LSE Derivatives Markets Cleared Exchange Contract registered in its name in respect of an LSE Derivatives Markets Match under these Regulations and notwithstanding that the ~~LSE Derivatives Markets Open Offer Eligibility Criteria~~ may not have been satisfied in respect of the Clearing Member.

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(l) In the event of a dispute arising out of, or in respect of, the existence or terms of an LSE Derivatives Markets Match or, where applicable, whether LSE Derivatives Markets Particulars giving rise to an LSE Derivatives Markets Match were submitted by or on behalf of the Clearing Members in whose names LSE Derivatives Markets Cleared Exchange Contracts have been (or are to be) registered by the Clearing House, such dispute shall be settled as provided for in the Exchange Rules relating to cancellation of incorrect transactions and Protests and, in connection with this, in accordance with Regulation 3.

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~~(m)~~ If a Clearing Member fails to satisfy the criteria referred to in Regulation 77(c)(i) and (ii) or the Open Offer for LSE Derivatives Markets has been withdrawn with respect to such Clearing Member (as opposed to generally), the Clearing House may, in respect of any LSE Derivatives Markets Match which has been ~~presented~~ by or on behalf of such Clearing Member to the ~~Clearing House for registration~~, register an LSE Derivatives Markets Cleared Exchange Contract in the LSE Derivatives Markets Account where required by, and in accordance with, arrangements agreed from time to time with LSE.

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REGULATION 79 INTENTIONALLY LEFT BLANK

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<#>Regulation 78(d) and 78(g) and the Procedures apply to Reported Trades and LSE Derivatives Markets OTC Trades made by or on behalf of Clearing Members or by or on behalf of a Clearing Member and a Member of a Co-operating Exchange. Reported Trades and LSE Derivatives Markets OTC Trades will not be registered by the Clearing House unless the Clearing House accepts such trades for registration. Acceptance by the Clearing House of Reported Trades and LSE Derivatives Markets OTC Trades for registration shall be at the discretion of the Clearing House.¶
<#>Details of Reported Trades and LSE Derivatives Markets OTC Trades made by or on behalf of LSE Derivatives Markets Members which are reported to LSE in accordance with Exchange Rules for registration with the Clearing House may only be submitted to the Clearing House by LSE, who shall submit such details on behalf of the Clearing Members party thereto in accordance with arrangements made between the Clearing House and LSE from time to time.¶
<#>Details of Reported Trades and LSE Derivatives Markets OTC Trades made by or on behalf of a Clearing Member and a Linked Member may only be submitted to the Clearing House by LSE, who shall submit such details on behalf of the Clearing Member and the relevant Co-operating Exchange in accordance with arrangements made between the Clearing House and LSE from time to time.¶
<#>If the Clearing House determines to accept a Reported Trade or LSE Derivatives Markets OTC Trade for registration, the Clearing House shall arrange for LSE to confirm the Clearing House's acceptance to the relevant LSE Derivatives Markets Members or to the relevant LSE Derivatives Markets Member and the relevant Co-operating Exchange.¶
<#>Subject to paragraph (f), the Clearing House shall register LSE Derivatives Markets Cleared Exchange Contracts which it has accepted for registration pursuant to Regulation 78(d), at the time referred to in the Procedures and in accordance with Regulation 78(g).¶
<#>The Clearing House shall not register a Reported Trade or LSE Derivatives Markets OTC Trade, of which details have been reported to the Clearing House under paragraph (c), if the relevant Co-operating Exchange declines to enter into an LSE Derivatives Markets Cleared Exchange Contract with respect to such Reported Trade.¶
<#>Without prejudice to Regulation 35 or Regulation 81, a Clearing Member shall be bound by an LSE Derivatives ...

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REGULATION 80 SUSPENSION OF THE OPEN OFFER FOR LSE DERIVATIVES MARKETS

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The Clearing House may, from time to time, in its absolute discretion suspend the LSE Derivatives Markets Service for such period of time as it may determine in the circumstances referred to in this Regulation 80 or with the agreement of LSE.

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The LSE Derivatives Markets Service may be suspended:

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(a) as a result of a malfunction, breakdown or other failure in the electronic communication link between LSE and the Clearing House (including any linkage via a third party system) or in the Clearing House's computer systems or any other relevant communication link or computer system such that the Clearing House is not able to receive or otherwise access all such particulars as it may require in order to exercise adequate risk management controls over contracts registered under the LSE Derivatives Markets Service;

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(b) as a result of a significant banking crisis or an extended disruption to any relevant bank payment system or any other event the occurrence of which in the Clearing House's reasonable opinion may jeopardise the solvency or the integrity of the Clearing House, and in any such case in the Clearing House's reasonable opinion there is a need to suspend the LSE Derivatives Markets Service, in order to protect the solvency or the integrity of the Clearing House;

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(c) where a market emergency affecting LSE and/or the Clearing House has a material effect on the provision of the LSE Derivatives Markets Service and/or the LSE market; or

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(d) in order to comply with any requirements to which the Clearing House is subject under Applicable Law or with any order or direction given by, or a requirement of, a relevant regulator or pursuant to the rules of any such regulator.

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REGULATION 81 CANCELLATION, VARIATION ETC OF LSE DERIVATIVES MARKETS CLEARED EXCHANGE CONTRACTS

- (a) The Clearing House shall, in accordance with procedures agreed with LSE, cancel, or vary the terms of, an LSE Derivatives Markets Cleared Exchange Contract and the corresponding LSE Derivatives Markets Cleared Exchange Contract pursuant to a determination to this effect made by LSE under the Exchange Rules that such Contracts have been entered into in error or certain terms have been agreed in error or in such other circumstances as may be set out in the Exchange Rules.
- (b) If following receipt of a statement from LSE recording the details of LSE Derivatives Markets Cleared Exchange Contracts which have been registered on a business day in the name of a Clearing Member under the Regulations, the Clearing Member considers that there has been an error or omission in such statement, it shall submit a Protest to LSE in accordance with, and by the time required, by the Exchange Rules. On receipt of such Protest, LSE will consult with the Clearing House with a view to determining whether the Protest is valid and, if valid, what step or steps (if any) should be taken in respect of such Clearing Member or any other affected Clearing Member, which may include registering, re-registering, cancelling or varying a LSE Derivatives Markets Cleared Exchange Contract. The Clearing House shall take such steps as LSE and the Clearing House determine to be appropriate and any other step or steps as may be required by the Procedures, which may include requiring Collateral to be transferred to the Clearing House as required by the Clearing House. If the Clearing House does not take any steps under this paragraph (b) in respect of an LSE Derivatives Markets Cleared Exchange Contract, the Clearing Member shall remain bound by the terms of each such LSE Derivatives Markets Cleared Exchange Contract registered in his name with the Clearing House. This paragraph shall not apply in the circumstances contemplated by paragraph (a) of this Regulation.
- (c) LSE Derivatives Markets Cleared Exchange Contracts may be registered in the LSE Derivatives Markets Account in connection with any step taken by the Clearing House under paragraph (b) of this Regulation 81 or in such other circumstances as may be agreed between LSE and the Clearing House from time to time.
- (d) A Clearing Member whose LSE Derivatives Markets Cleared Exchange Contracts have been varied under this Regulation 81 shall be bound by the terms of such Contracts as varied and any relevant provisions of the Procedures.
- (e) Upon an LSE Derivatives Markets Cleared Exchange Contract being cancelled under this Regulation 81, the particulars of the transaction in question shall be deemed never to have been presented to the Clearing House for registration. Any payment (other than fees) made to the Clearing House under, or in respect of, an LSE Derivatives Markets Cleared Exchange Contract which has been cancelled under this Regulation 81 shall be repayable to the person who made the payment, subject to the Clearing House's rights under Regulation 20 and the Default Rules.
- (f) Without prejudice to Regulation 52 and its rights and obligations set out in this Regulation 81, the Clearing House shall have no liability whatsoever to any person in respect of any step taken under paragraph (a) or (b) of this Regulation 81.

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REGULATION 82 REJECTION OF LSE DERIVATIVES MARKETS MATCHES

- (a) Subject to paragraphs (b) and (c) of this Regulation 82 and to Regulation 77(m), any LSE Derivatives Markets Match which does not meet the LSE Derivatives Markets Open Offer Eligibility Criteria, or in respect of which the Clearing House declines to register LSE Derivatives Markets Cleared Exchange Contracts under any other provision of these Regulations or the Procedures, will be rejected by the Clearing House and no LSE Derivatives Markets Cleared Exchange Contracts shall be deemed to have arisen. Without prejudice to the generality of Regulation 52, and any other provision of these Regulations, the Procedures, or the Exchange Rules concerning the liability of the Clearing House, the Clearing House shall have no liability whatsoever to any Clearing Member or any other person (including but not limited to any Linked Member)) with regard to the rejection by it of any such LSE Derivatives Markets Match. If the Clearing House rejects an LSE Derivatives Markets Match, the presenting Clearing Members and the LSE Derivatives Markets Platform will be notified of the rejection within the required timeframe under all Applicable Law.
- (b) The Clearing House may, in its absolute discretion, agree to register an LSE Derivatives Markets Cleared Exchange Contract in the account of a Clearing Member in respect of an LSE Derivatives Markets Match in accordance with any provisions in this regard set out in the Procedures, notwithstanding that the LSE Derivatives Markets Open Offer Eligibility Criteria in respect of the LSE Derivatives Markets Match are not met or the Clearing House receives invalid or incomplete message data in respect of an LSE Derivatives Markets Match.
- (c) The Clearing House shall only exercise its rights to decline to register LSE Derivatives Markets Cleared Exchange Contracts under Regulation 16(c) if:
- (i) the Clearing House is required by an order or direction issued by, or a requirement of, a Regulatory Body pursuant to its rules or otherwise, or in order to comply with Applicable Law or court order, to cancel, decline to enter into or reject an LSE Derivatives Markets Cleared Exchange Contract or to take other similar measures in relation to an LSE Derivatives Markets Cleared Exchange Contract; or
 - (ii) an LSE Derivatives Markets Match exceeds a size specified in the Exchange Rules or the Procedures from time to time.
- (d) If any of the circumstances referred to in paragraph (c)(i) apply in respect of an affected Clearing Member, the Clearing House shall take such action as it may determine in order that the Clearing House does not have (or to minimise the effect of) an unbalanced position. Any such action may, without limit, include entering into contracts with a Clearing Member or a third party in order to balance its position, or to vary or cancel LSE Derivatives Cleared Exchange Contracts entered into with a Co-operating Clearing House, as appropriate and the affected Clearing Member shall indemnify the Clearing House against all losses, costs, taxes or expenses suffered or incurred by the Clearing House in taking such action.

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REGULATION 83 [INTENTIONALLY LEFT BLANK]

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<#>Where, pursuant to arrangements set forth in the Exchange Rules, a Clearing Member wishes automatically to accept transfers of contracts executed by a Linked Member on or under the Rules of a Co-operating Exchange for registration with the Clearing House, the Clearing Member shall enter into such agreements as may be required for this purpose by the Exchange Rules and shall notify to the Clearing House, in accordance with the Procedures, the account of the Linked Member (the "Linked Account") from which such contracts shall be transferred and the Clearing Member's account with the Clearing House in which such contracts shall be registered. The Clearing House shall register such transferred contracts as LSE Derivatives Markets Cleared Exchange Contracts in such account of the Clearing Member in accordance with this Regulation 83 and the Exchange Rules.¶

<#>Cross-Border Transfers shall be effected at the time or times and in accordance with procedures agreed between the Clearing House and the relevant Co-operating Clearing House from time to time and otherwise subject to these Regulations and the Exchange Rules.¶

<#>Cross-Border Transfers shall not be made in the circumstances set out in 84 or 85 or if LSE notifies the Clearing House that the Clearing Member is no longer party to the applicable agreements required by Exchange Rules with respect to Cross-Border Transfers to be made under this Regulation 83.¶

<#>The Clearing House shall be entitled to rely on the details notified to it by LSE of the contracts to be transferred from a Linked Account to the account of a Clearing Member and shall be under no obligation to verify such details with LSE or the Clearing Member.¶

<#>Cross-Border Transfers of Contracts to the account of a Clearing Member with the Clearing House shall be automatically made in accordance with this Regulation 83 without further instructions from the Clearing Membe...

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If, prior to effecting a Cross-Border Transfer under these Regulations, a Clearing Member or a Linked Member party to such proposed Cross-Border Transfer is a Defaulter or in default under the rules of the relevant Co-operating Exchange the Cross-Border Transfer shall not occur, unless the Clearing House and the relevant Co-operating Clearing Hous...

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REGULATION 84 [INTENTIONALLY LEFT BLANK]

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<#>Cross-Border Transfers shall not occur on any day under Regulation 83 if it is impossible, for any technological or other reason, for any such transfer to take place. Any affected Cross-Border Transfer shall take place as soon as it is possible for such transfer to be effected.¶
<#>Cross Border Transfers shall not occur if it would contravene Applicable Law for any such transfer to take place.¶

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REGULATION 86 OPTIONS

An LSE Derivatives Cleared Exchange Contract ~~which is~~ an option shall be exercised by a Member in accordance with the applicable Exchange Rules and these Regulations and the Procedures. Where there is any conflict between the terms of the applicable Exchange Rules and these Regulations and Procedures, the terms of the Regulations and Procedures shall prevail. References in Regulation 26 to a notice in writing shall be construed to mean an instruction given, or to be given to LSE, in accordance with the Exchange Rules, as agent for the Clearing House.

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REGULATION 87 RE-REGISTRATION OF CONTRACTS

- (a) A Clearing Member may arrange for an LSE Derivatives Markets Cleared Exchange Contract to be transferred to another Clearing Member or to a member of a Co-operating Clearing House in the circumstances prescribed in LSE Derivatives Markets Rules 2.14 and 3.4 or as contemplated by this Regulation 87. Any such transfer to an account of another Clearing Member shall be effected by the Clearing House in accordance with Regulation 18.
- (b) Where a Clearing Member submits a Request for Re-Registration to LSE in accordance with LSE Derivatives Markets Rule 3.4, LSE shall notify the Clearing House, in accordance with the Procedures, that it has received such Request for Re-Registration.
- (c) Transfers of LSE Derivatives Markets Cleared Exchange Contracts pursuant to a Request for Re-Registration submitted by a Clearing Member to LSE and notified to the Clearing House under paragraph (b) shall be effected only if LSE and the Clearing House have determined to accept such Request for Re-Registration. The Clearing House shall effect such transfer in accordance with Regulation 18 and the Procedures.
- (d) Where a Clearing Member has submitted a Request for Re-Registration to LSE requesting that one or more LSE Derivatives Markets Cleared Exchange Contracts be transferred to an account maintained by a Linked Member with a Co-operating Clearing House, Co-operating Exchange or its Associated Clearing House, the Clearing Member shall notify the Clearing House, in accordance with the Procedures, that such request has been made to LSE. No such transfers shall be made, unless such conditions set forth in the Exchange Rules have been satisfied and the Clearing House, LSE and the relevant Co-operating Clearing House, Co-operating Exchange or Associated Clearing House, as the case may be, have given their approval to the transfer. Any such transfer shall be on such terms as the Clearing House may stipulate.
- (e) A Clearing Member may in accordance with the Procedures and with the approval of the Clearing House accept for registration in his name contracts executed by a Linked Member and registered with the relevant Co-operating Clearing House or Associated Clearing House which the Linked Member wishes to transfer to an account of the Clearing Member with the Clearing House.

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REGULATION 91 REGISTRATION OF FOREXCLEAR CONTRACTS

- (a) A ForexClear Transaction may be presented for registration as two ForexClear Contracts, or one ForexClear Contract and one FCM ForexClear Contract, in accordance with the provisions of the Rulebook.
- (b) Once a ForexClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (c) below and Procedure 2I (ForexClear Clearing Service)) request the consent of the relevant ForexClear Clearing Member with whom a ForexClear Contract shall be registered as a result thereof to such registration. Upon the ForexClear Clearing Member providing its consent, such ForexClear Transaction shall be deemed to have been submitted (as such term is defined in the Procedures) by such ForexClear Clearing Member to the Clearing House for registration. Any such consent shall be provided in accordance with the Procedures.
- (c) A ForexClear Clearing Member which has been nominated to clear the ForexClear Contract arising from the registration of a ForexClear Transaction on behalf of a third party Executing Party other than a ForexClear Dealer will (only where such ForexClear Transaction is not a Trading Venue Transaction) be notified by the Clearing House of the relevant ForexClear Transaction and shall choose whether to grant or refuse consent to the registration of such ForexClear Transaction and the ForexClear Contract resulting from such ForexClear Transaction. Where:
 - (i) a ForexClear Clearing Member is an Executing Party to a ForexClear Transaction and is to clear a ForexClear Contract resulting from such ForexClear Transaction;
 - (ii) a ForexClear Dealer approved to clear ForexClear Transactions through a ForexClear Clearing Member is an Executing Party to a ForexClear Transaction and such ForexClear Clearing Member is to clear a ForexClear Contract resulting from such ForexClear Transaction; or
 - (iii) a ForexClear Transaction is an Eligible Trading Venue Transaction in respect of a ForexClear Clearing Member, and a third party Executing Party (other than a ForexClear Dealer) to such ForexClear Transaction has nominated such ForexClear Clearing Member to clear a ForexClear Contract resulting from such ForexClear Transaction,
the consent of that ForexClear Clearing Member to the registration of the relevant ForexClear Contract will occur automatically and without the need for any further action by such ForexClear Clearing Member.
- (d) The Clearing House shall register or reject the registration of a ForexClear Contract in respect of a ForexClear Transaction presented for registration subject to, and in accordance with, these Regulations, the Procedures and all Applicable Law
- (e) Subject to Regulation 91(g), if at any time falling after the registration of any ForexClear Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration did not, at the Registration Time, meet the ForexClear Eligibility Criteria in existence at the

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Registration Time (an "**Ineligible Transaction**"), the Clearing House shall, as soon as practicable thereafter, set aside both ForexClear Contracts arising from such Ineligible Transaction in accordance with Regulation 91(f) below.

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- (f) Upon a ForexClear Contract (an "**Ineligible ForexClear Contract**") being set aside under Regulation 91(e), the Clearing House will notify the FXCCM party to such Ineligible ForexClear Contract via the ForexClear Approved Trade Source System that such Ineligible ForexClear Contract has been set aside. The following shall take effect immediately upon the delivery of such notice: (i) such Ineligible ForexClear Contract shall be deemed to be terminated at the time of the notification and shall thereafter have no force or effect; (ii) all collateral in respect of variation margin obligations (if any) provided by the Clearing House or by an FXCCM in respect of such Ineligible ForexClear Contract shall be retained by the receiving party upon termination; (iii) where there is a difference between the value of the Ineligible ForexClear Contract as at the last margin run and the value (as determined by the Clearing House) of that Ineligible ForexClear Contract at the time of the next official settlement rate for that currency pair, then a payment shall be made between the FXCCMs to the original Ineligible Transaction equal to such difference; and (iv) these payments shall be deemed to satisfy in full the relevant party's obligations under the Ineligible ForexClear Contract and shall be retained by the receiving party upon termination as a termination payment.

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- (g) The Clearing House may not determine a transaction to be an Ineligible Transaction after the Valuation Date (as defined in the Procedures) in respect of the ForexClear Contracts arising from the registration of such a transaction has occurred.

- (h) The Clearing House shall provide no less than 10 business days' prior notice (including by email) to ForexClear Clearing Members of an amendment to the ForexClear Eligibility Criteria.

- (i) Where a ForexClear Contract relates to an FCM ForexClear Transaction, it is a condition for registration as a ForexClear Contract that the FCM ForexClear Transaction to which the ForexClear Contract relates be presented for clearing: (i) by an Executing Party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) as a ForexClear Contract or FCM ForexClear Contract (as the case may be); and (ii) by an FCM Clearing Member on behalf of its FCM Client as an FCM ForexClear Contract. In the event that the Clearing House registers a ForexClear Contract and, for whatever reason, the corresponding FCM ForexClear Contract has not also been registered, the ForexClear Contract shall be deemed not to be registered as a ForexClear Contract until such time as such corresponding FCM ForexClear Contract has been registered.

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- (j) In relation to an FCM ForexClear Transaction, if either the Executing Party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) or the FCM Clearing Member (as the case may be) does not present an FCM ForexClear Transaction for clearing, the Clearing House shall set aside any FCM ForexClear Contract or ForexClear Contract that has been registered (if any) and the particulars of the corresponding FCM ForexClear Transaction in question shall at the Clearing House's discretion be either: (i) deemed never to have been submitted to the

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Clearing House; or (ii) rejected until such time as the Executing Party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) or the FCM Clearing Member have presented the relevant contract to the Clearing House. In addition, any payment made under, or in respect of, any FCM ForexClear Contract set aside or deemed not cleared under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 44 and its obligations under this Regulation 91 and under FCM Regulation 49, the Clearing House (and each other member of the LCH Group Holdings Limited and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM ForexClear Contract.

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REGULATION 94 COMPRESSION

- (a) Notwithstanding any other provision of these Regulations, if:
- (i) one or more ForexClear Contracts registered by a ForexClear Clearing Member in accordance with the Rulebook has substantially the same Economic Terms as one or more other ForexClear Contracts registered for the account of such ForexClear Clearing Member, and

- (ii) all such ForexClear Contracts are registered (a) on the ForexClear Clearing Member's own behalf to its Proprietary Account, (b) on behalf of the same ForexClear Clearing Client and to the same Client Account (which is not an Indirect Gross Account), or (c) on behalf of the same ForexClear Clearing Client and to the same Indirect Gross Sub-Account,

then, to the extent permitted in the Procedures and this Regulation 94, the ForexClear Clearing Member may request that the Clearing House compress and combine all such ForexClear Contracts by terminating the relevant existing ForexClear Contracts and compressing them so that there results in either (1) no replacement ForexClear Contract, or (2) one or more ForexClear Contracts having a net future cash flow equal to the net future cash flow of such original ForexClear Contracts. For the avoidance of doubt, in no circumstances can a ForexClear Contract registered in the Proprietary Account of a ForexClear Clearing Member be compressed pursuant to this Regulation 94 with a ForexClear Contract registered in the Client Account of that ForexClear Clearing Member.

- (b) For the purposes of paragraph (a) above, two or more ForexClear Contracts may be deemed by the Clearing House to have "substantially the same Economic Terms" if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same Valuation Date (as defined in schedule 6 of the Product Specific Contract Terms and Eligibility Criteria Manual) and Settlement Date (as defined in schedule 6 of the Product Specific Contract Terms and Eligibility Criteria Manual). For the avoidance of doubt, the Clearing House may determine that two or more ForexClear Contracts have "substantially the same Economic Terms" even if they have differing Forward Rates (as defined in schedule 6 of the Product Specific Contract Terms and Eligibility Criteria Manual). The Clearing House shall determine (in its sole discretion) whether ForexClear Contracts that are the subject of a request for compression from the ForexClear Clearing Member may be compressed and, if such ForexClear Contracts are compressed, the Clearing House shall determine (in its sole discretion) whether any replacement ForexClear Contract(s) shall replace the compressed ForexClear Contracts and, if so, the resulting terms of such ForexClear Contract(s), and such determinations shall be binding on the ForexClear Clearing Member, absent manifest error. It is a condition for compression of ForexClear Contracts that the amount of Collateral that the Clearing House requires in respect of the original ForexClear Contracts is equal to that which is required by the Clearing House in respect of the replacement ForexClear Contract(s).

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REGULATION 97 LISTED INTEREST RATES OPEN OFFER FOR RATES EXCHANGE MATCHES

- (a) This Regulation 97 applies to Rates Exchange Matches arising pursuant to Rates Exchange Particulars submitted by or on behalf of an Listed Interest Rates Clearing Member. In the event of any inconsistency between the Rulebook and any relevant Rates Exchange Rules, the Rulebook shall prevail.
- (b) If a Listed Interest Rates Clearing Member has been given approval by the Clearing House to clear eligible Rates Exchange Matches in respect of the Rates Exchange specified in such approval and such approval has not been withdrawn by the Clearing House the Clearing House will enter into Listed Interest Rates Contracts with that Listed Interest Rates Clearing Member pursuant to such approval in accordance with and subject to the provisions of the Regulations and the Procedures. The terms of a registered Listed Interest Rates Contract shall be as received by the Clearing House, or its relevant approved agent, from the relevant Rates Exchange or the relevant Listed Interest Rates Clearing Member, as applicable, and otherwise subject to the Regulations and the Procedures (and the Clearing House and the Listed Interest Rates Clearing Member party to the registered Listed Interest Rates Contract shall be obliged to perform their obligations thereunder in accordance with such terms, the Regulations and the Procedures).
- (c) The Clearing House makes an open offer to a Listed Interest Rates Clearing Member to enter into a Listed Interest Rates Contract in respect of a Rates Exchange Match in accordance with paragraph (e) of this Regulation 97, pursuant to the submission of Rates Exchange Particulars by or on behalf of that Listed Interest Rates Clearing Member provided that the following requirements (the "Listed Interest Rates Open Offer Eligibility Criteria") shall have been satisfied:
 - (i) at the relevant times, the Listed Interest Rates Clearing Member was party to a valid and subsisting Clearing Membership Agreement;
 - (ii) at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under sub-paragraph (iv) of this paragraph (c), the Listed Interest Rates Clearing Member is not a Defaulter;
 - (iii) the product, the subject of the Rates Exchange Match, is a Listed Interest Rates Eligible Product;
 - (iv) all necessary details as required by the Clearing House from time to time in respect of the Rates Exchange Match, shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;
 - (v) the Listed Interest Rates Eligible Product, which is the subject of the Rates Exchange Match, is not subject to any trading halts, suspension of dealings or any other action having equivalent effect;

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(vi) at the relevant times, the Listed Interest Rates Service or any relevant part of the Listed Interest Rates Open Offer in respect of the Rates Exchange Match had not been suspended or withdrawn;

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(vii) the Listed Interest Rates Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the Listed Interest Rates Clearing Service

(viii) the relevant eligibility criteria and requirements for registration, as set out in Schedule 7 of the Product Specific Contract Terms and Eligibility Criteria Manual, are satisfied.

(d) For the avoidance of doubt, Rates Exchange Particulars are deemed to have been presented by or on behalf of the Listed Interest Rates Clearing Member if the details of the Rates Exchange Match received by the Clearing House identify, in accordance with any relevant Rates Exchange Rules, the Regulations or the Procedures, the Rates Exchange Match as having been made by or on behalf of that Listed Interest Rates Clearing Member.

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(e) If Rates Exchange Particulars have been submitted to the relevant Rates Exchange by or on behalf of an Listed Interest Rates Clearing Member, as seller (the "**selling Listed Interest Rates Clearing Member**") (or buyer (the "**buying Listed Interest Rates Clearing Member**")) and have been matched by, or in accordance with, the Rates Exchange Rules with Rates Exchange Particulars submitted to such Rates Exchange by or on behalf of another or the same Listed Interest Rates Clearing Member, as buyer (the "**buying Listed Interest Rates Clearing Member**") (or seller (the "**selling Listed Interest Rates Clearing Member**")), and the resulting Rates Exchange Match has been presented to the Clearing House for registration, then, subject to satisfaction of the Listed Interest Rates Open Offer Eligibility Criteria and to the Regulations and the Procedures, the Clearing House shall automatically and immediately register two Listed Interest Rates Contracts as follows:

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(i) the Clearing House shall be the buyer under one Listed Interest Rates Contract to the selling Listed Interest Rates Clearing Member; and

(ii) the Clearing House shall be the seller under one Listed Interest Rates Contract to the buying Listed Interest Rates Clearing Member.

(f) Any Listed Interest Rates Contract which is entered into by the Clearing House with Listed Interest Rates Clearing Members pursuant to paragraph (e) shall be registered in the name of each relevant Listed Interest Rates Clearing Member.

(g) Listed Interest Rates Contracts shall be on the terms received by the Clearing House pursuant to paragraph (c)(iv) and otherwise on the relevant Listed Interest Rates Contract Terms and any other terms specified in these Regulations and the Procedures. The Clearing House and the Clearing Member party to an Listed Interest Rates Contract shall be obliged to perform their obligations thereunder in accordance with such terms,

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(h) If the details required by the Clearing House pursuant to paragraph (c)(iv) are not provided to the Clearing House in accordance with the Clearing House's requirements, by the time prescribed by the Clearing House from time to time, or the Clearing House is not able to access such details, the Clearing House may in its sole discretion either:

(i) not register any Listed Interest Rates Contract; or

(ii) register two Listed Interest Rates Contracts on terms the Clearing House determines and such terms shall be binding on the relevant Listed Interest Rates Clearing Members.

(i) Without prejudice to Regulation 52, the Clearing House (and each other member of the LCH Group Holdings Limited and their respective officers, employees and agents) shall not be liable to any Listed Interest Rates Clearing Member or anyone else for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any Listed Interest Rates Contract or any determination made by the Clearing House under paragraph (h), if the Clearing House does not receive the relevant details referred to in paragraph (c)(iv) by the time referred to in such paragraph (c)(iv).

(j) Subject to its rights to suspend the Listed Interest Rates Open Offer and/or the Listed Interest Rates Clearing Service generally or in respect of one or more Rates Exchanges or to withdraw the Listed Interest Rates Clearing Service in whole or in part, as set out in these Regulations or the Procedures, the Clearing House undertakes to keep open the offer made by it in this Regulation 97 until such Listed Interest Rates Clearing Member is no longer eligible to have Listed Interest Rates Contracts registered in its name or has withdrawn from trading through each Rates Exchange notified to the Clearing House under paragraph (b). Any such intended withdrawal from trading through an Rates Exchange must be notified to the Clearing House in accordance with the Procedures.

(k) Without prejudice to Regulation 35, a Listed Interest Rates Clearing Member shall be bound by Listed Interest Rates Contract registered in its name in respect of a Rates Exchange Match under these Regulations and notwithstanding that the requirements of paragraph (c) may not have been satisfied in respect of the Listed Interest Rates Clearing Member.

(l) Notwithstanding any other provision in this Regulation 97, the Clearing House may with the agreement of the Listed Interest Rates Clearing Member(s) party to corresponding Listed Interest Rates Contracts set aside or take such other steps with respect to such contracts on such terms as may be agreed if either or both Listed Interest Rates Clearing Members consider that they have entered into a contract in error or that certain terms of the contract have been agreed by them, or on their behalf, in error.

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REGULATION 98 LISTED INTEREST RATES NOVATION TRANSACTIONS

- (a) Details of any Listed Interest Rates Novation Transaction in respect of a Rates Exchange which is to be presented for registration must be presented in accordance with the Procedures by or on behalf of the Listed Interest Rates Clearing Member who is party to, or is providing clearing services to a party to, such Listed Interest Rates Novation Transaction. For the avoidance of doubt, where the particulars of an Listed Interest Rates Novation Transaction presented by or on behalf of a Listed Interest Rates Clearing Member and received by the Clearing House identify, in accordance with the relevant Rates Exchange Rules or the Procedures, that Listed Interest Rates Clearing Member as buyer or seller, or as acting as Clearing Member for the buyer or seller, in respect of the Listed Interest Rates Novation Transaction, the Clearing House will enter into a Listed Interest Rates Contract with that Listed Interest Rates Clearing Member in accordance with and subject to the provisions of the Regulations and the Procedures;
- (b) Without prejudice to the Clearing House’s rights under Regulation 16(i), the Clearing House shall register or reject the registration of a Listed Interest Rates Novation Transaction presented for registration by or on behalf of an Listed Interest Rates Clearing Member subject to, and in accordance with, these Regulations, the Procedures and all Applicable Law, where a condition of such registration is that the following requirements (“Listed Interest Rates Novation Transaction Eligibility Criteria”) are satisfied at the time when the particulars of such Listed Interest Rates Novation Transaction are presented to the Clearing House and continue to be satisfied at all times thereafter up to and including the Registration Time (each such time, for the purposes of this Regulation 98, the "**relevant times**");
 - (i) the product the subject of the Listed Interest Rates Novation Transaction is, at the relevant times, a Listed Interest Rates Eligible Product;
 - (ii) all necessary details as required by the Clearing House from time to time in respect of the Listed Interest Rates Novation Transaction shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;
 - (iii) the Listed Interest Rates Eligible Product, which is the subject of the Listed Interest Rates Novation Transaction, is not subject to any trading halts, suspension of dealings or any other action having equivalent effect;
 - (iv) at the relevant times, the Listed Interest Rates Service for the relevant Rates Exchange has not been suspended or withdrawn, generally or in relation to the relevant Listed Interest Rates Eligible Product or Listed Interest Rates Clearing Member;
 - (v) the Listed Interest Rates Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the Listed Interest Rates Clearing Service; and

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- (vi) the relevant eligibility criteria and requirements for registration, as set out in Schedule 7 of the Product Specific Contract Terms and Eligibility Criteria Manual, are satisfied.
- (c) Every Listed Interest Rates Novation Transaction presented for registration in the name of a Listed Interest Rates Clearing Member in accordance with paragraph (a) above shall be confirmed by or on behalf of such Listed Interest Rates Clearing Member, in such manner and form and by such times as are prescribed by the Procedures or, where the Clearing House has so agreed with a Rates Exchange, as prescribed in the Rates Exchange Rules.
- (d) Notwithstanding paragraph (c) above, a Listed Interest Rates Novation Transaction may, subject to the Regulations and the Procedures, be allocated by or on behalf of a Listed Interest Rates Clearing Member to another Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not a Listed Interest Rates Clearing Member and shall thus be confirmed pursuant to Regulation 14(a) instead of paragraph (c) above.
- (e) If a Listed Interest Rates Novation Transaction is not confirmed by or on behalf of a Listed Interest Rates Clearing Member pursuant to paragraph (c) above, or is not allocated by or on behalf of such Listed Interest Rates Clearing Member within the prescribed time pursuant to Regulation 14, the Clearing House may in accordance with the Procedures deem such contract as having been confirmed pursuant to paragraph (c) above.
- (f) Any changes to the prescribed methods, forms and times set out in the Procedures in respect of presentation of particulars of Listed Interest Rates Novation Transactions and confirmation of such Listed Interest Rates Novation Transactions shall be made by the Clearing House only after consultation with the relevant Rates Exchange(s), save that the Clearing House may at its absolute discretion make such changes without such consultation where it deems it necessary in the circumstances then prevailing.
- (g) Confirmation of a Listed Interest Rates Novation Transaction by or on behalf of a Member pursuant to this Regulation 98 or Regulation 14 and the Procedures shall be effective immediately (unless otherwise specified in the Procedures) and shall constitute the consent of the Member to such contract being registered in his name in accordance with these Regulations.

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REGULATION 100 TERMINATION OF FUNGIBLE LISTED INTEREST RATES CONTRACTS

- (a) The Clearing House may from time to time designate a Rates Exchange in respect of one or more Listed Interest Rates Eligible Products for the purposes of these Regulations (such Rates Exchange, a “**Designated Rates Exchange**”). A Rates Exchange seeking designation as a Designated Rates Exchange must submit a written request to the Clearing House in the form and manner required by the Clearing House. Such designation, once made effective by the Clearing House, shall remain in effect until such time as the Clearing House agrees, in its sole and absolute discretion, to terminate, modify or suspend such designation.
- (b) The Clearing House may from time to time determine that Listed Interest Rates Eligible Products listed for trading on two or more Designated Rates Exchanges have substantially the same economic terms. Such determination may be made where the Clearing House Risk Committee considers, in its sole discretion and in accordance with applicable risk governance requirements, that such Listed Interest Rates Eligible Products have substantially the same fundamental economic attributes. Following such determination, the Clearing House shall designate all Listed Interest Rates Contracts registered in respect of such Listed Interest Rates Eligible Products as “**Designated Listed Interest Rates Contracts**”.
- (c) Notwithstanding any other provision of these Regulations, where:
 - (i) two or more Designated Listed Interest Rates Contracts are registered for the account of a Listed Interest Rates Clearing Member; and
 - (ii) all such Designated Listed Interest Rates Contracts are registered, (a) on the Listed Interest Rates Clearing Member’s own behalf to its Proprietary Account, (b) on behalf of the same Listed Interest Rates Clearing Client and to the same Client Account (which is not an Indirect Gross Account), or (c) on behalf of the same Listed Interest Rates Clearing Client and to the same Indirect Gross Sub-Account,

then the Clearing House shall compress and combine all such Designated Listed Interest Rates Contracts by terminating the relevant existing Designated Listed Interest Rates Contracts and compressing them into one Designated Listed Interest Rates Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of such original Designated Listed Interest Rates Contracts. For the avoidance of doubt, in no circumstances can a Designated Listed Interest Rates Contract registered in the Proprietary Account of a Listed Interest Rates Clearing Member be compressed pursuant to this Regulation 100 with a Designated Listed Interest Rates Contract registered in the Client Account of that Listed Interest Rates Clearing Member.

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**REGULATION 102 SUSPENSION OF THE LISTED INTEREST RATES
CLEARING SERVICE OR THE LISTED INTEREST RATES OPEN OFFER**

The Clearing House may, from time to time, in its absolute discretion suspend the Listed Interest Rates Service or the Listed Interest Rates Open Offer in respect of Rates Exchange Matches or its service in respect of any Listed Interest Rates Novation Transaction on one or more Rates Exchanges for such period of time as it may determine.

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REGULATION 103 REJECTION OF RATES EXCHANGE MATCHES AND OF LISTED INTEREST RATES NOVATION TRANSACTIONS

- (a) Any Rates Exchange Match, particulars of which are presented to the Clearing House, or its relevant approved agent, for registration by the Clearing House as a Listed Interest Rates Contract, which does not meet the relevant Listed Interest Rates Open Offer Eligibility Criteria, or which the Clearing House declines to register under any other provision of these Regulations or the Procedures will, subject to paragraph (c), be rejected by the Clearing House and no Listed Interest Rates Contracts shall be deemed to have arisen. If the Clearing House rejects the Rates Exchange Match, the presenting Clearing Members and relevant Rates Exchange will be notified of the rejection within the required timeframe under all Applicable Law. Without prejudice to the generality of Regulation 52, and any other provision of the Regulations or Procedures concerning liability of the Clearing House or a Member, the Clearing House (and each other member of the LCH Group Holdings Limited and their respective officers, employees and agents) shall have no liability whatsoever to any Member or any other person with regard to the rejection by it of any such Rates Exchange Match.
- (b) Any Listed Interest Rates Novation Transaction, particulars of which are presented to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an Listed Interest Rates Contract, which does not meet the relevant Listed Interest Rates Novation Transaction Eligibility Criteria, or which the Clearing House declines to register under any other provision of these Regulations or the Procedures will, subject to paragraph (c), be rejected by the Clearing House and no Listed Interest Rates Contracts shall be deemed to have arisen. If the Clearing House rejects the Listed Interest Rates Novation Transaction, the presenting Clearing Members and relevant Rates Exchange will be notified of the rejection within the required timeframe under all Applicable Law. Without prejudice to the generality of Regulation 52, and any other provision of the Regulations or Procedures concerning liability of the Clearing House or a Member, the Clearing House (and each other member of the LCH Group Holdings Limited and their respective officers, employees and agents) shall have no liability whatsoever to any Member or any other person with regard to the rejection by it of any such Listed Interest Rates Novation Transaction.
- (c) The Clearing House may, in its absolute discretion, agree to register an Listed Interest Rates Contract, notwithstanding that it does not meet the relevant Listed Interest Rates Open Offer Eligibility Criteria or Listed Interest Rates Novation Transaction Eligibility Criteria (as applicable) or it contains invalid or incomplete message data, in accordance with provisions prescribed by the Clearing House from time to time in the Procedures.

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LCH Rule Submission

Appendix C

Default Rules

LCH The Markets'
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**LCH LIMITED
DEFAULT RULES**

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The Clearing House has prepared a statement explaining: (i) how a transfer under the Client Clearing DMP will work, and (ii) the main legal implications of such a transfer, including information on the applicable insolvency law in the relevant jurisdictions. This statement is available on the Clearing House's website at <http://www.lchclearnet.com/members-clients/members/fees-ltd/annual-account-structure-fees>.

Investment Exchanges and Clearing Houses) Regulations 2001, Part IV

DEFAULT RULES

1. Save where expressly stated to the contrary these Default Rules ("**Rules**") have effect with regard to the provision of clearing services for all markets cleared by the Clearing House. These Rules (including each Supplement) form part of the Clearing House's Rulebook but do not apply in relation to a Co-operating Clearing House.

The Rules comprise:

- these general Default Rules (Rules 1 to 27 inclusive);
- Supplements specific to the following Service(s): the Commodities Service, the Equities Service, the ForexClear Service, the Rates Service and the RepoClear Service.

Each Supplement establishes a separate default fund specific to the Service to which the Supplement relates. The Supplements establish the size of each default fund, the basis for calculating Contributions to each default fund, and include supplementary provisions addressing cases where the relevant default fund has been utilised. The general Default Rules establish the mechanisms, which apply severally to each default fund, for utilisation of the default funds, and for other matters common to all default funds. In the event of any inconsistency between the provisions of the Default Rules and the provisions of a Supplement or an Annex, the Supplement or Annex (as applicable) will prevail.

The allocation by the Risk Committee of the Clearing House of a Contract to a particular Service to which a Supplement applies shall be done in accordance with the definitions set out in the Supplements, and each decision of the Risk Committee in this respect is conclusive.

2.
 - (a) Words and expressions defined in the Clearing House's Rulebook shall have the same meanings in these Rules, save that (i) in relation to the provision of clearing services by an FCM Clearing Member, words and expressions defined in the Clearing House's FCM Regulations shall have the same meanings in these Rules and such meanings shall prevail over any other meaning given to the relevant word or expression in the Clearing House's Rulebook and (ii) in relation to the provision of

clearing services to Sponsored Members, words and expressions defined in the Clearing House's SC Regulations shall have the same meanings in these Rules and such meanings shall prevail over any other meaning given to the relevant word or expression in the Clearing House's Rulebook;

- (b) unless otherwise stated, references to a "Clearing Member" in these general Default Rules (Rules 1 to 27 inclusive), shall not include an Agent Member;
 - (c) a reference to a numbered Regulation in these Rules is a reference to the Regulation so numbered in the Regulations Section of the Rulebook (ii) a reference to a numbered FCM Regulation is a reference to the FCM Regulation so numbered in the FCM Regulations and (iii) a reference to a numbered SC Regulation is a reference to the SC Regulation so numbered in the SC Regulations. A reference to a numbered Rule is a reference to the Rule so numbered in these Rules;
 - (d) the expression "**relevant office-holder**" in these Rules has the meaning given to it in section 189 of the Companies Act 1989 and a reference to the Defaulter shall include (where the context permits) a reference to the relevant office-holder; and
 - (e) a reference to an agreement in these Rules is a reference to that agreement as amended, modified or varied from time to time.
3. In the event of a Clearing Member appearing to the Clearing House to be unable, or to be 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 will) take the steps listed in Rule 6, it deems appropriate in the circumstances:
- (a) to 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) to complete the process set out in Rule 8.

Before taking any such step the Clearing House shall (i) have regard to the interests of the members of any market that the Clearing Member may belong to (ii) where it is reasonably practicable to do so and without prejudice to those interests if applicable or to the interests of the Clearing House, consult any relevant Exchange to whose Exchange Rules open contracts registered in the name of the Clearing Member are subject and (iii) inform the Bank of England of the proposed step(s) to be taken. 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 described in Rule 5 below) as soon as practicable after the occurrence of such an event) the Clearing House shall send to the relevant Clearing Member: (i) a notice of such step being taken or a notice of the occurrence of an Automatic Early Termination Event (a "**Default Notice**"), and shall publish a copy of the Default Notice; and (ii) in relation to a Defaulter who is a Clearing Member, copies of any written notices received from any Individual Segregated Account Clearing Client(s); Indirect Gross Account Clearing Client, Custodial Segregated ClientsClient,

Affiliated Omnibus Segregated Clearing ~~Clients~~Client and/or Identified Omnibus Segregated Clearing ~~Clients~~Client of that Defaulter confirming their instructions for the Clearing House to arrange for a transfer or termination, close-out and re-establishment of their open Contracts to/with the relevant Back-up Clearing Member(s), **provided however that** the Clearing House shall have no liability for any failure to deliver such notices.

4. A Clearing Member (i) in respect of whom the Clearing House has issued a Default Notice under Rule 3; or (ii) in respect of whom an Automatic Early Termination Event has occurred, is in these Rules called a "**Defaulter**".
5. Without prejudice to the generality of Rule 3, the Clearing House may take any or all of the events under paragraphs 5(a) to (r) below to show that a Clearing Member is or is likely to become unable to meet its obligations in respect of one or more Contracts. Also, the Clearing House may from time to time by publication in a circular to Clearing Members specify criteria (including but not limited to the jurisdiction of incorporation of a Clearing Member) according to which an event under subparagraphs (i) to (p) below will constitute an "**Automatic Early Termination Event**":
 - (a) the Clearing Member fails duly to perform its obligations under or is otherwise in breach of, the Regulations, the FCM Regulations, the SC Regulations, the Procedures, or any of the terms of any agreement, understanding or arrangement with the Clearing House or the right of the Clearing Member to receive a transfer or termination, close-out and re-establishment of Contracts pursuant to a Link has been suspended under Co-operating Clearing House Rules;
 - (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 Exchange, a Co-operating Clearing House or any other recognised, designated or overseas investment exchange or clearing house;
 - (c) the Clearing Member is in breach of any Exchange Rules, Co-operating Clearing House Rules or the rules of any recognised, designated or overseas investment exchange or clearing house;
 - (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 authorisation by a Regulatory Body is suspended or withdrawn;
 - (e) a Regulatory Body takes or threatens to take action against or in respect of the Clearing Member under any statutory provision 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 is in default in making or accepting a tender (or Delivery Notice) pursuant to Regulation 28 (*Obligation to Make and Accept Tender under Cleared Exchange Contracts*) or FCM Regulation 20 (*Obligation to Make and Accept Delivery Notice Under FCM Exchange Contracts*) or in

performing an open contract subject to tender (or an FCM Exchange Contract Subject to Delivery Notice) or a delivery contract (or a Physically-Settled FCM Exchange Contract);

- (h) 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;
 - (i) in respect of the Clearing Member, a bankruptcy petition is presented or a bankruptcy order is made or a voluntary arrangement is approved;
 - (j) in respect of the Clearing Member, a receiver, manager, administrator or administrative receiver is appointed or a composition or scheme of arrangement is approved by the court;
 - (k) an assignment or composition is made by the Clearing Member for the benefit of creditors or any of them;
 - (l) a petition is presented for the winding up of the Clearing Member;
 - (m) an order is made for the winding up of the Clearing Member, or a resolution is passed for the winding up of the Clearing Member (save for the purpose of its amalgamation or reconstruction);
 - (n) in respect of the Clearing Member, a petition is presented or an order made for the appointment of an administrator;
 - (o) the Clearing Member, being a partnership, is dissolved, or being a registered company, is dissolved or suffers its name to be struck off the register of companies;
 - (p) any step analogous to those mentioned in paragraphs (i) and (o) is taken in respect of the Clearing Member in any jurisdiction;
 - (q) any distress, execution or other process is levied or enforced or served upon or against any property of the Clearing Member; or
 - (r) in respect of a Clearing Member (that is a Sponsored Member), the Clearing House has declared the default of one or more of its Agent Members and such Agent Member has, as a result, become unable to perform its obligations under Schedule 7 (*RepoClear Default Fund Supplement*).
6. The steps which may be taken by the Clearing House under Rule 3 in respect of the Defaulter or otherwise are:
- (a) to register (i) an original contract, OTC Transaction or an FCM Transaction (as the case may be) in the name of the Defaulter or to decline to register an original contract, OTC Transaction or an FCM Transaction (as the case may be) in the name of the Defaulter or otherwise to exercise the Clearing House's discretion with regard to the Defaulter under (i) Regulation 16(c) (*Registration*) or (ii), in the case of an FCM Clearing Member, FCM Regulations 45(h) and 48(g) or other applicable provision in the FCM Rulebook, or (iii) in the case of

House to be registered at the Co-operating Clearing House in accordance with its rules;

- (q) without prejudice to any other right of the Clearing House under the Regulations, 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 open contract standing in its name;
- (r) 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 Rule 3 or the steps which are or may be taken under this Rule, the Regulations, the FCM Regulations or the SC Regulations (as the case may be) and any expenses incurred with regard thereto under Rule 13;
- (s) to take any other step calculated by the Clearing House to complete the process set out in Rule 8; and
- (t) to obtain such advice or assistance, whether legal or otherwise, as the Clearing House may deem necessary and at the expense of the Defaulter for any matter arising out of or in connection with the default,

provided that:

- (i) in the case of all Client Clearing Contracts, the Clearing House: (A) shall act in accordance with the provisions of the Client Clearing Annex (which deals, amongst other things, with certain specific arrangements, procedures and steps for the transfer, termination, close-out and re-establishment or the close-out and/or settlement of such Client Clearing Contracts pursuant to this Rule 6); and (B) may also take any of the other steps set out in this Rule 6 to the extent that they do not conflict with the steps set out in the Client Clearing Annex and, provided that, in no circumstances will the Clearing House sell any security deposited as Collateral in a Client Account and forming part of the Clearing Member Current Collateral Balance in respect of such Client Account pursuant to (without limitation) paragraphs (e), (h), (p) or (r) of this Rule 6, the Client Clearing Annex to these Default Rules or otherwise for the duration of the Porting Window applicable to the relevant Clearing Client, other than (1) with the consent, to the selling of such securities, of the relevant Clearing Client (in the case of an Individual Segregated Account, an Indirect Gross Account or a Custodial Segregated Account) or all of the Clearing Clients grouped together in and comprising the relevant Omnibus Segregated Account (in the case of an Omnibus Segregated Account); or (2) where a Clearing Client (in the case of an Individual Segregated Account, an Indirect Gross Account or a Custodial Segregated Account) or each of the Clearing Clients grouped together in and comprising the relevant Omnibus Segregated Account (in the case of an Omnibus Segregated Account) has appointed a Backup Clearing Member who is unable to accept or otherwise rejects a transfer of the relevant securities as part

adequate compensation (in the circumstances known to the Board) for the discharge of the mutual rights and liabilities of the Defaulter and the Clearing House under the open contract. The determination of the Board shall be conclusive. The Clearing House shall direct how the settlement amount is to be accounted for between the Defaulter and itself.

- (c) Neither the Clearing House nor any relevant Board or Exchange shall have any liability whatsoever for anything done or omitted in the determination of a settlement amount under this Rule.
8. Upon the determination of the outstanding rights and liabilities of the Defaulter under or in respect of all Contracts to which it is party or upon which it is or may be liable (in accordance with Rule 6 and the Rates Service DMP Annex, the ForexClear DMP Annex, the RepoClear DMP Annex and the Client Clearing Annex (as applicable)), the following process shall be completed by the Clearing House in order to determine any net amounts which remain payable between the Defaulter and the Clearing House in respect of each "**kind of account**" as described in Rule 11(b):
- (a) there shall be brought into account all sums payable:
 - (i) by or to a Defaulter in respect of Contracts (other than FCM Contracts and Contracts registered in the name of Sponsored Members); any other sum due under the Regulations; any sum due in respect of any breach of the Regulations (except, if the Clearing House so determines at its discretion, any sum payable under a Contract as the price for the commodity which is the subject of such Contract delivered or to be delivered to the Clearing House by or on behalf of the Defaulter); and/or any amount due from the Defaulter to the Clearing House in respect of any Treasury Contract;
 - (ii) by or to a Defaulter in respect of FCM Contracts (and in accordance with paragraph (e) below); any other sum due under the FCM Regulations; and/or any sum due in respect of any breach of the FCM Regulations;
 - (iii) by or to a Defaulter that is a Sponsored Member in respect of Contracts registered in the name of such Sponsored Member (and in accordance with paragraph (i) below); any other sum due under the SC Regulations; and/or any sum due in respect of any breach of the SC Regulations;
 - (b) the sums so payable shall be aggregated or set off so as to produce a net sum or as many net sums as required by Rule 11;
 - (c) any cash Collateral forming part of the Clearing House Current Collateral Balance in respect of the relevant kind of account shall be set off against any cash Collateral (excluding cash Client Collateral) forming part of the Defaulter's Clearing Member Current Collateral Balance or SM/AM Current Collateral Balance (as applicable) in respect of the relevant kind of account, and the resulting amount shall be aggregated with or set off against (as the

case may be) any net sum payable under Rule 8(b) above, so as to produce a further net sum;

- (d) 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 any ~~Client Account~~ relevant kind of account with the Clearing House, including any FCM Omnibus Client Account with LCH (and any FCM Client Sub-Accounts therein) operated by it, the balance on the Proprietary Account(s) may be applied to meet the shortfall on ~~the Client Account(s)~~ any such kind of account with the Clearing House, including any FCM Omnibus Client Account with LCH (and any FCM Client Sub-Accounts therein) in any way in which the Clearing House may determine;
- (e) in the case where the Defaulter is an FCM Clearing Member,
 - (i) with respect to an FCM Omnibus Swaps Client Account with LCH, a net sum shall be calculated in respect of each applicable FCM Client Sub-Account, and with regards to any amount due to the Clearing House from the Defaulter in respect of net sums attributable to FCM Client Sub-Accounts where there is inadequate Collateral (on a sub-account by sub-account basis) to fully set off such amount payable, the Clearing House shall have sole discretion with respect to the allocation of any available FCM Buffer or the reallocation of any Encumbered FCM Buffer in setting off any such amounts payable to the Clearing House;
 - (ii) with respect to an FCM Omnibus Futures Client Account with LCH, a net sum shall be calculated in respect of the FCM Omnibus Futures Client Account with LCH; and
 - (iii) with respect to an FCM Omnibus Foreign Futures Client Account with LCH, a net sum shall be calculated in respect of the FCM Omnibus Foreign Futures Client Account with LCH.
- (f) in the event that the Clearing House elects to close out and to liquidate FCM SwapClear Contracts (including, for the avoidance of doubt, any FCM Portfolio Margined Contracts) attributable to FCM Clients of the Defaulter (in accordance with the Rates Service DMP Annex), the Clearing House shall allocate any costs associated with such closing out and liquidation process (including hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) among the FCM Clients whose positions were liquidated, by allocation to such FCM Clients' FCM Client Sub-Accounts that are held in the Defaulter's FCM Omnibus SwapClear Client Account with LCH, in the manner set out in Section 2A.15.6 of the FCM Procedures and in accordance with Parts 22 and 190 of the CFTC Regulations and any other Law;
- (g) in the event that the Clearing House elects to close out and to liquidate FCM ForexClear Contracts attributable to FCM Clients of the Defaulter (in accordance with the ForexClear DMP Annex), the Clearing House shall allocate any costs associated with such closing out and liquidation process

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 Rule 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 Rule 8 can be completed.

10. Following a Default by an FCM Clearing Member, the Clearing House will to the extent permitted by Applicable Law (including Part 190 of the CFTC Regulations and applicable bankruptcy law), credit Variation Margin on a gross basis to each individual FCM Client Sub-Account.

11.

(a) Where the Defaulter has more than one account with the Clearing House, the Defaulter's accounts shall be combined for the purpose of Rules 8 and 9 as follows:

(i) no account which is an FCM Client Sub-Account of an FCM Client may be combined with any other account, including any FCM Client Sub-Account of another FCM Client, any FCM Omnibus Client Account with LCH or any Proprietary Account; **provided that** in the event that an FCM Client were to have two FCM Client Sub-Accounts with the same Defaulter, and both such accounts cleared the same Product, then such FCM Client Sub-Accounts may be combined;

(ii) no account which is an FCM Omnibus Client Account with LCH of the Defaulter may be combined with any other account, including any other FCM Omnibus Client Account with LCH or any Proprietary Account;

(iii) 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) Treasury Accounts of the Defaulter (subject to Rule 11(d) of the Default Rules); and

(iv) an account which is a Treasury Account of the Defaulter may only be combined with other Treasury Accounts and (if the Clearing House so elects) Proprietary Accounts of the Defaulter; and

(v) no account which is an SM/AM Account of a Sponsored Member may be combined with any other account.

Notwithstanding the foregoing, in no circumstances may an account which is an Individual Segregated Account of the Defaulter, an Indirect Gross Account of the Defaulter, a Custodial Segregated Account of the Defaulter or an Omnibus Segregated Account of the Defaulter be combined with any other account of the Defaulter (except as provided under Rule 15(a)(ii)).

(b) For the purposes of this Rule 11, each Individual Segregated Account of the Defaulter, each Custodial Segregated Account of the Defaulter, each Omnibus

Segregated Account of the Defaulter, each Indirect Gross Sub-Account within a particular Indirect Gross Account of the Defaulter, each FCM Client Sub-Account(s) of a particular FCM Client within a particular FCM Omnibus Swaps Client Account with LCH of the Defaulter, each FCM Omnibus Foreign Futures Client Account with LCH, each SM/AM Account with LCH shall constitute a separate "**kind of account**". Where the Defaulter has more than one kind of account with the Clearing House, the process set out in Rule 8 shall be separately completed in respect of each kind of account. In the case of each kind of account of the Defaulter which is an Individual Segregated Account, an Indirect Gross Sub-Account or a Custodial Segregated Account, the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 shall be separately certified under Rule 9. In the case of each kind of account of the Defaulter which is an Omnibus Segregated Account (other than a Non-Identified Client Omnibus Net Segregated Account or an Indirect Net Account), the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 will be allocated by the Clearing House (*pro rata* as it sees fit in its sole discretion) between the Clearing Clients in that Omnibus Segregated Account. Each sum so allocated to a Clearing Client shall be separately certified under Rule 9. In the case of each kind of account of the Defaulter which is a Non-Identified Client Omnibus Net Segregated Account or an Indirect Net Account, the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 will represent the aggregate entitlements of all Clearing Clients comprising that Client Account.

(c) In Rule 8 any reference to the relevant "**kind of account**" means:

(i) with regard to a net sum produced by reference to Contracts registered in an Individual Segregated Account of the Defaulter, that Individual Segregated Account;

(ii) with regard to a net sum produced by reference to Contracts registered in an Indirect Gross Sub-Account of the Defaulter, that Indirect Gross Sub-Account;

~~(i)~~

~~(ii)~~(iii) with regard to a net sum produced by reference to Contracts registered in a Custodial Segregated Account of the Defaulter, that Custodial Segregated Account;

~~(iii)~~(iv) with regard to a net sum produced by reference to Contracts registered in an Omnibus Segregated Account of the Defaulter, that Omnibus Segregated Account;

~~(iv)~~(v) with regard to a net sum produced by reference to FCM SwapClear Contracts registered in one or more FCM Client Sub-Accounts of the Defaulter held in the name of one particular FCM Client, that FCM Client Sub-Account, or (if there is more than one) all such FCM Client

Sub-Accounts (containing FCM SwapClear Contracts and/or FCM Portfolio Margined Contracts) of such particular FCM Client combined;

~~(v)~~(vi) with regard to a net sum produced by reference to FCM ForexClear Contracts registered in one or more FCM Client Sub-Accounts of the Defaulter held in the name of one particular FCM Client, that FCM Client Sub-Account, or (if there is more than one) all such FCM Client Sub-Accounts (containing FCM ForexClear Contracts) of such particular FCM Client combined;

~~(vi)~~(vii) with regard to a net sum produced by reference to FCM EnClear Contracts registered in one or more FCM Client Sub-Accounts of the Defaulter held in the name of one particular FCM Client, that FCM Client Sub-Account, or (if there is more than one) all such FCM Client Sub-Accounts (containing FCM EnClear Contracts) of such particular FCM Client combined;

~~(vii)~~(viii) with regard to a net sum produced by reference to FCM Contracts registered in an FCM Omnibus Futures Client Account with LCH of the Defaulter, that FCM Omnibus Futures Client Account with LCH, or (if there is more than one) all such FCM Omnibus Futures Client Accounts with LCH of the Defaulter combined;

~~(viii)~~(ix) with regard to a net sum produced by reference to FCM Contracts registered in an FCM Omnibus Foreign Futures Client Account with LCH of the Defaulter, that FCM Omnibus Foreign Futures Client Account with LCH, or (if there is more than one) all such FCM Omnibus Foreign Futures Client Accounts with LCH of the Defaulter combined;

~~(ix)~~(x) 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 Rule 11(a)) any Treasury Accounts of the Defaulter;

~~(x)~~(xi) with regard to a net sum produced by reference to one or more Treasury Accounts of the Defaulter, that Treasury Account or those Treasury Accounts combined, and (if the Clearing House has elected in accordance with Rule 11(a)) any Proprietary Accounts; and

~~(xi)~~(xii) with regard to a net sum produced by reference to Contracts registered in SM/AM Account with LCH of the Defaulter, that SM/AM Account..

(d) Notwithstanding any provision of the Rulebook to the contrary, any loss which relates to a Treasury Account may not be treated as a Default Loss, whether or not Collateral has been applied in respect of such loss. Nothing in this Rule 11(d) requires the Clearing House to apply Collateral in respect of any such loss, except that the Clearing House may not apply Collateral in respect of any such loss to the extent that doing so would give rise to an Excess Loss.

SCHEDULE 1
CLIENT CLEARING ANNEX

1. The Client Clearing DMP in respect of any contract which is a Contract entered into in respect of Client Clearing Business other than FCM Contracts (each a "**Relevant Contract**") shall involve the stages set out in this Annex. For the avoidance of doubt, in the case of a Defaulter who engages in more than one Relevant Client Clearing Business, the stages set out in this Annex will be implemented
 - (a) subject to paragraph (b) below, separately in relation to the Relevant Contracts entered into by such Defaulter in respect of each such Relevant Client Clearing Business; and
 - (b) as a single process in respect of all Relevant Contracts that are Rates Service Contracts entered into by a Defaulter on behalf of its Portfolio Margining Clients on a combined basis.

Except in respect of Relevant Contracts entered into in respect of Rates Service Client Clearing Business, the Clearing House will not combine Relevant Contracts relating to different Relevant Client Clearing Businesses in a single Client Clearing DMP. The terms "**Account Balance**", "**Clearing Client**", "**Relevant Contract**", "**Relevant Auction Contract**", "**Individual Segregated Account**", "**Custodial Segregated Account**", "**Individual Segregated Account Clearing Client**", "**Custodial Segregated Client**", "**Individual Segregated Account Balance**", "**Custodial Segregated Account Balance**", "**Indirect Gross Account**", "**Indirect Gross Account Clearing Client**", "**Indirect Net Account**", "**Indirect Net Account Clearing Client**", "**Omnibus Segregated Account**", "**Non-Identified Client Omnibus Net Segregated Account**", "**Identified Client Omnibus Net Segregated Account**", "**Affiliated Client Omnibus Net Segregated Account**", "**Omnibus Gross Segregated Account**", "**Non-Identified Omnibus Segregated Clearing Client**", "**Identified Omnibus Segregated Clearing Client**", "**Affiliated Omnibus Segregated Clearing Client**", "**Omnibus Gross Segregated Clearing Client**", "**Omnibus Segregated Account Balance**", "**Indirect Clearing Client**", "**Client Clearing Entitlement**", "**Aggregate Omnibus Client Clearing Entitlement**" and "**Clearing Agreement**" where used in paragraphs 2 to 18 of this Annex shall be interpreted accordingly.

2. For the purposes of this Annex, a Relevant Contract relating to ForexClear Clearing Client Business or Rates Service Client Clearing Business of a Clearing Member and a Relevant Contract relating to RepoClear Client Clearing Business of a Clearing Member which is a Fixed Income Contract (each a "**Relevant Auction Contract**") will be included in a Portfolio (as such term is defined in, respectively, the ForexClear DMP Annex to the Default Rules, the Rates Service DMP Annex to the Default Rules and the RepoClear DMP Annex to the Default Rules) from such time as the Clearing House determines that such Relevant Auction Contract will not be ported. For the avoidance of doubt, any such Portfolio will only contain Relevant Auction Contracts entered into by a Clearing Member on behalf of its Clearing Clients. The Clearing House shall not be entitled to combine client and house positions in a single Portfolio.
3. In the case of a Relevant Contract other than a Relevant Auction Contract which cannot be ported in accordance with the terms of this Annex, the Clearing House may take any one or more of those other steps which are set out in Rule 6 of the Default

Rules (and which are applicable to open contracts of the relevant type) in respect of such Relevant Contract, from such time as the Clearing House determines that porting will not occur.

4. If a Clearing Member becomes a Defaulter, the Clearing House shall:
 - 4.1 determine one or more Porting Windows in respect of the relevant Default where "**Porting Window**" means the period of time, commencing on the day of the relevant Default and being at least 24 hours (other than in the case of a Porting Window Reduction (as defined below) or, in the case of a Custodial Segregated Account only, a Porting Window which terminates in accordance with paragraph 4.1(b)(i) of this Client Clearing Annex), during which the Clearing House will seek to transfer Relevant Contracts entered into by the Defaulter and the Account Balances held in any Client Accounts opened by the Defaulter with the Clearing House to one or more Backup Clearing Members in accordance with the provisions of this Client Clearing Annex and (where applicable) any relevant Collateral Management Agreement. Each such Porting Window will:
 - (a) be determined by the Clearing House in its sole discretion separately in respect of each type of Client Account within each separate Relevant Client Clearing Business of the relevant Defaulter (where Individual Segregated Accounts, Indirect Gross Accounts, Custodial Segregated Accounts, Omnibus Gross Segregated Accounts, Identified Client Omnibus Net Segregated Accounts and Affiliated Client Omnibus Net Segregated Accounts are each a different "type of Client Account") and published on its website;
 - (b) for a Custodial Segregated Account, terminate on the occurrence of one of the following events:
 - (i) the Relevant Contracts and Account Balance relating to the Custodial Segregated Account are ported; or
 - (ii) the Clearing House notifies the relevant Custodial Segregated Client that it has determined that the Relevant Contracts and Account Balance relating to the Custodial Segregated Account will not port; and
 - (c) in relation to any type of Client Account other than a Custodial Segregated Account, reflect, where applicable, any subsequent extension of the relevant period of time referred to in paragraph 4.1 applied by the Clearing House in its sole discretion and notified by means of a further publication on its website; and
 - (d) in relation to a particular Client Account, reflect, where applicable, any reduction of such period of time (a "**Porting Window Reduction**") applied by the Clearing House in its sole discretion and notified by means of a further publication on its website, provided, however, that (i) a Porting Window Reduction may be applied by the Clearing House to a particular Client Account solely where the Required Margin Amount in respect of such Client Account following the relevant Default becomes equal to 50% or more of the value of the Clearing Member Current Collateral Balance of such Client Account at the time of such Default; and (ii) in no circumstances will the total

duration of the Porting Window following a Porting Window Reduction be less than 12 hours;

- 4.2 determine the Account Balances;
- 4.3 in the case of any Non-Identified Client Omnibus Net Segregated Account or Indirect Net Account (as applicable) of a Defaulter who is an Exempt Client Clearing Member, seek to determine, in accordance with its default management procedures, the identities, ~~and entitlements in respect of Contracts entered into by the relevant Exempt Client Clearing Member, in respect~~ of each of the Clearing Clients grouped together in and comprising the relevant Non-Identified Client Omnibus Net Segregated Account, ~~or Indirect Net Account (as applicable)~~. Where the Clearing House so determines the identities ~~and entitlements~~ of all of the relevant Clearing Clients grouped together within the Non-Identified Client Omnibus Net Segregated Account or Indirect Net Account (as applicable) to its satisfaction and in its sole and absolute discretion, ~~those~~each group of Clearing Clients shall cease to be designated as Non-Identified Omnibus Net Segregated Clearing Clients or Indirect Net Account Clearing Clients (as applicable) and shall instead ~~become~~be redesignated as Determined Omnibus Net Segregated Clients, and each such group shall be allocated to a separate Identified Client Omnibus Net Segregated Account (and the term "**Determined Omnibus Net Segregated Clients**" is defined accordingly);
- 4.4 ascertain to its satisfaction whether each Clearing Client of the Defaulter from whom porting instructions are received has appointed a Backup Clearing Member. For the avoidance of doubt where the Defaulter is a Portfolio Margining Clearing Member and the relevant Clearing Client(s) is or are Portfolio Margining Client(s) (as applicable), each Backup Clearing Member appointed by such Portfolio Margining Client(s) in respect of the Relevant Contracts entered into in respect of Rates Service Client Clearing Business, must also be a Portfolio Margining Clearing Member; and
- 4.5 where applicable, send details of the open Relevant Contracts and the Account Balances to the nominated Backup Clearing Member for each relevant Individual Segregated Account, each relevant Indirect Gross Account, each relevant Custodial Segregated Account, each relevant Omnibus Gross Segregated Clearing Client, each relevant group of Combined Omnibus Gross Segregated Clearing Clients and each relevant Omnibus Segregated Account of the Defaulter.
5. Following the occurrence of a Default, the Clearing House will specify (and publish on its website) the deadline in respect of that particular Default by which time a consent to porting must be received from a client for the purposes of paragraphs 6.1 and 6.2, 7 or 8.1 and 8.2 (as applicable) in order for the Clearing House to seek to port that client's Relevant Contracts. Any such consent may be provided in writing (including by facsimile and email) and, once received by the Clearing House, may not be withdrawn.
6. Subject to paragraph 14 below, in circumstances where (a) an Individual Segregated Account Clearing Client, an Indirect Gross Account Clearing Client, a Custodial Segregated Client or an individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) has appointed a Backup Clearing Member; and (b) within such period as the Clearing House may determine of the service of a Default Notice on the relevant Clearing Member pursuant to Rule 3 of

Contracts referred to in that paragraph (the "**Relevant Portion**") shall be reduced to zero; and (ii) the Clearing House Current Collateral Balance in respect of the Backup Clearing Member shall be increased by an amount equal to the value of the Relevant Portion immediately prior to the reduction referred to in (i) immediately above; and

(b) upon the Clearing House taking the actions specified in paragraph 6.1(b) above, the Clearing House Current Collateral Balance in respect of the Backup Clearing Member shall be increased by an amount equal to the value of that portion of the Clearing House Current Collateral Balance in respect of the Defaulter which was attributable to the Relevant Contracts referred to in that paragraph immediately prior to the termination and close-out of such Relevant Contracts in accordance with that paragraph; and

6.5 the amount of Collateral due to be returned to the Defaulter in respect of the relevant Client Account or the monetary value representing such amount of Collateral shall be reduced by an amount: (a) equivalent to the amount of Collateral comprising the Account Balance attributable to the relevant Clearing Client; or (b) equalling the monetary value representing such Account Balance (as applicable), transferred to the Backup Clearing Member, as referred to in paragraph 6.2 above.

~~7. Subject to paragraph 14 below, in circumstances where (a) an Individual Segregated Account Clearing Client of a Defaulter has appointed a Backup Clearing Member and is acting on behalf of Indirect Clearing Clients; and (b) within such period as the Clearing House may determine of the service of a Default Notice on the relevant Clearing Member pursuant to Rule 3 of the Default Rules or the Clearing House becoming aware of the occurrence of an Automatic Early Termination Event in respect of that Clearing Member (as the case may be), the Clearing House has received confirmation (i) in writing from the Backup Clearing Member of its agreement to act as Backup Clearing Member in relation to the arrangements described in paragraph 6.1; (ii) from the relevant client; and (iii) from each of the relevant Indirect Clearing Clients, the arrangements described in paragraphs 6.1, 6.2, 6.5 and 6.5 above will apply to (i) the Relevant Contracts entered into by the Defaulter in respect of the relevant Individual Segregated Account Clearing Client acting on behalf of its Indirect Clearing Clients; (ii) the Clearing House Collateral Balance in respect of the Defaulter and the Backup Clearing Member which is attributable to the Relevant Contracts specified in (i) immediately above; and (iii) the Individual Segregated Account Balance credited to the Individual Segregated Account opened within the Clearing House by the Defaulter in respect of the relevant Individual Segregated Account Clearing Client acting on behalf of its Indirect Clearing Clients.~~

~~7. [reserved]~~

8. Subject to paragraph 14 below, in circumstances where (a) all of the Identified Omnibus Net Segregated Clearing Clients of a Defaulter identified by the Clearing House as comprising a single Identified Client Omnibus Net Segregated Account or all of the Affiliated Omnibus Net Segregated Clearing Clients of a Defaulter identified by the Clearing House as comprising a single Affiliated Client Omnibus Net Segregated Account or each of the Omnibus Gross Segregated Clearing Clients comprising a group of Combined Omnibus Gross Segregated Clearing Clients, have

Omnibus Segregated Clearing Clients or (b) equalling the aggregate monetary values representing such Omnibus Segregated Account Balances (as applicable) transferred to the Backup Clearing Member, as referred to in paragraph 8.2 above.

9. The Clearing House will seek to port Relevant Contracts and Account Balances under paragraphs 6.1 and 6.2, 7 or 8.1 and 8.2 above within the relevant Porting Window. In relation to those Clearing Clients of the Defaulter (including any such Clearing Clients who are acting on behalf of Indirect Clearing Clients) whose open Relevant Contracts are not dealt with pursuant to paragraphs 6.1 and 6.2, 7 or 8.1 and 8.2 above, the processes described in paragraphs 9.1 to 9.3 below shall occur.

- 9.1 In the case of (x) those Clearing Clients who are Individual Segregated Account Clearing Clients, Custodial Segregated Clients, Identified Omnibus Segregated Clearing Clients or Affiliated Omnibus Segregated Clearing Clients, the Clearing House shall calculate the entitlement to Collateral and amounts in respect of the close-out of Relevant Contracts ~~(the "Client Clearing Entitlement") of the Defaulter in respect of each such Clearing Client~~ of the Defaulter in respect of each such Clearing Client, and/or (y) those Clearing Clients who are Indirect Gross Account Clearing Clients, the Clearing House shall calculate the entitlement to Collateral and amounts in respect of the close-out of Relevant Contracts of the Defaulter in respect of each Indirect Gross Sub-Account within the Indirect Gross Account opened in respect of each such Indirect Gross Account Clearing Client (each amount calculated pursuant to (x) and (y), a "Client Clearing Entitlement") reflecting (a) the addition of any sums due from the Clearing House in respect of the close-out of the Relevant Contracts entered into by the Defaulter in respect of the relevant Clearing Client, and (b) the deduction of (i) the costs of any hedging undertaken; (ii) amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulter in respect of the relevant Clearing Client (in the case of Relevant Auction Contracts, such amounts, together with the amounts referred to in (a) and the costs referred to in (b)(i) of this paragraph 9.1, being determined by the Clearing House under the processes provided for by the Rates Service DMP Annex, the ForexClear DMP Annex or the RepoClear DMP Annex (as applicable)); (iii) any amounts to be deducted to reflect the operation of any set-off provision contained in a Clearing Agreement entered into between the Defaulter and the relevant Clearing Client and confirmed in writing to the Clearing House by or on behalf of both such parties; (iv) in respect of Clearing Clients who are identified by the Clearing House as comprising an Omnibus Segregated Account which is not an Omnibus Gross Segregated Account, amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulter in respect of other Omnibus Segregated Clearing Clients identified by the Clearing House as comprising the relevant Omnibus Segregated Account in question, in each case allocated *pro rata* as the Clearing House sees fit, in its sole discretion and (v) in respect any Omnibus Gross Segregated Clearing Client forming part of a group of Combined Omnibus Gross Segregated Clearing Clients, amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulter in respect of other Omnibus Gross Segregated Clearing Clients forming part of the same group of Combined Omnibus Gross Segregated Clearing Clients, in each case allocated *pro rata* as the Clearing House sees fit, in its sole discretion.

Save in the case of any amount paid to a Clearing Client in accordance with paragraph 9.2 below, the Clearing House will (upon, where applicable, instruction from the relevant Clearing Client in an exercise of its rights under the relevant Security Deed or, in the case of such a client of a Defaulter who is an Exempt Client Clearing Member, following acceleration of the obligations of the Defaulter under its Undertaking to Pay and Deliver, so that such obligations become immediately due and payable, and satisfaction of such obligations by the Clearing House enforcing the security granted in its favour by the Defaulter under the relevant Deed of Charge) pay the amounts of the Client Clearing Entitlements calculated by it under this paragraph 9.1 to the Defaulter for the account of the relevant ~~clients~~Clearing Clients.

9.2 Where the relevant Individual Segregated Account Clearing Client, Indirect Gross Account Clearing Client, Custodial Segregated Client, Identified Omnibus Segregated Clearing Client or Affiliated Omnibus Segregated Clearing Client (in an exercise of its rights under the relevant Security Deed or, in the case of such a client of a Defaulter who is an Exempt Client Clearing Member, following acceleration of the obligations of the Defaulter under its Undertaking to Pay and Deliver, so that such obligations become immediately due and payable, and satisfaction of such obligations by the Clearing House enforcing the security granted in its favour by the Defaulter under the relevant Deed of Charge) instructs the Clearing House to pay an amount to it equal to the Client Clearing Entitlement~~(s)~~(s) due to be returned in respect of it to the Defaulter, the Clearing House shall seek to give effect to such instructions, subject to:

- (a) the delivery by the relevant Clearing Client and/or, where applicable, execution by the relevant Clearing Client, of appropriate documentation as specified on the Clearing House's website from time to time (which may, without limitation, include an indemnity (secured or otherwise));
- (b) in the case of any deduction made pursuant to (iii) in paragraph 9.1 of this Annex, the provision of appropriate documentation by or on behalf of the Defaulter;
- (c) in the case of an Affiliated Omnibus Net Segregated Clearing Client or an Identified Omnibus Net Segregated Clearing Client (for the purposes of this paragraph 9.2, the "**relevant Omnibus Net Segregated Clearing Client**") the delivery to the Clearing House by the relevant Omnibus Net Segregated Clearing Client of notification, setting out (to the satisfaction of the Clearing House, at its sole and absolute discretion and without the need for independent verification): (i) the identity of the relevant Omnibus Net Segregated Clearing Client; (ii) the relevant Omnibus Net Segregated Clearing Client's pro rata entitlement to the Collateral and amounts in respect of the close-out of Relevant Contracts held in the relevant Omnibus Segregated Account; and (iii) confirmation that the pro rata share referred to in (ii) has been agreed between the relevant Omnibus Net Segregated Clearing Client and all of the other Clearing Clients identified by the Clearing House as comprising the same single Omnibus Segregated Account as the relevant Omnibus Net Segregated Clearing Client (for the purposes of this paragraph 9.2, each such other Clearing Client being a "**relevant other Omnibus Net Segregated Clearing Client**"); and

- (d) in the case of a relevant Omnibus Net Segregated Clearing Client, the delivery to the Clearing House by each of the relevant other Omnibus Net Segregated Clearing Clients in respect of that relevant Omnibus Net Segregated Clearing Client, of notification setting out the equivalent information in respect of the relevant other Omnibus Net Segregated Clearing Client as is required to be provided to the Clearing House in the notification described in paragraph (c) above in respect of a relevant Omnibus Net Segregated Clearing Client.

The Clearing House will determine in its sole and absolute discretion, in accordance with its default management procedures applicable to the Relevant Client Clearing Business and its risk management obligations, the period of time (the "**Return Window**") during which it will seek to give effect to instructions received from Clearing Clients in accordance with this paragraph 9.2. The Clearing House may determine a different Return Window in respect of each different type of Client Account opened by the Defaulter with the Clearing House (where Individual Segregated Accounts, Custodial Segregated Accounts, Indirect Gross Accounts, Omnibus Gross Segregated Accounts, Identified Client Omnibus Net Segregated Accounts and Affiliated Client Omnibus Net Segregated Accounts are each a different "type of Client Account") and will publish each such Return Window on its website. Any Client Clearing Entitlement which has not been paid by the Clearing House to the relevant Clearing Client in accordance with this paragraph 9.2 by the time of the expiry of the relevant Return Window shall instead be paid to the Defaulter for the account of the relevant Clearing Client in accordance with paragraph 9.1 above.

- 9.3 In the case of a Non-Identified Client Omnibus Net Segregated Account of a Defaulter and the Non-Identified Omnibus Segregated Clearing Clients of a Defaulter grouped together in such account, the Clearing House shall calculate the aggregate entitlement to Collateral and amounts in respect of the close-out of Relevant Contracts (the "**Aggregate Omnibus Client Clearing Entitlement**") of the Defaulter in respect of all such clients collectively reflecting (a) the addition of any sums due from the Clearing House in respect of the close-out of the Relevant Contracts entered into by the Defaulter in respect of the relevant clients, and (b) the deduction of (i) the costs of any hedging undertaken; (ii) amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulter in respect of the relevant ~~client~~clients (in the case of Relevant Auction Contracts, such amounts, together with the amounts referred to in (a) and the costs referred to in (b)(i) of this paragraph 9.3, being determined by the Clearing House under the processes provided for by the Rates Service DMP Annex, the ForexClear DMP Annex or the RepoClear DMP Annex (as applicable)); (iii) any amounts to be deducted to reflect the operation of any set-off provision contained in a Clearing Agreement entered into between the Defaulter and any such relevant client and confirmed in writing to the Clearing House by or on behalf of both such parties; and (iv) amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulter in respect of the other Non-Identified Omnibus Segregated Clearing Clients of the Defaulter, in each case allocated *pro rata* as the Clearing House sees fit in its sole discretion. All amounts calculated in respect of Aggregate Omnibus Client Clearing Entitlements under this paragraph 9.3 shall be paid by the Clearing House to the Defaulter for the account of the relevant clients.

9.4 In the case of an Indirect Net Account of a Defaulter and the Indirect Net Account Clearing Clients grouped together in such account, the Clearing House shall calculate the aggregate entitlement to Collateral and amounts in respect of the close-out of Relevant Contracts (the "Aggregate Indirect Net Account Client Clearing Entitlement") of the Defaulter in respect of all such clients collectively reflecting (a) the addition of any sums due from the Clearing House in respect of the close-out of the Relevant Contracts entered into by the Defaulter in respect of the relevant clients, and (b) the deduction of (i) the costs of any hedging undertaken; (ii) amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulter in respect of the relevant clients (in the case of Relevant Auction Contracts, such amounts, together with the amounts referred to in (a) and the costs referred to in (b)(i) of this paragraph 9.4, being determined by the Clearing House under the processes provided for by the Rates Service DMP Annex, the ForexClear DMP Annex or the RepoClear DMP Annex (as applicable)); (iii) any amounts to be deducted to reflect the operation of any set-off provision contained in a Clearing Agreement entered into between the Defaulter and any such relevant client and confirmed in writing to the Clearing House by or on behalf of both such parties; and (iv) amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulter in respect of the other Indirect Net Account Clearing Clients of the Defaulter, in each case allocated *pro rata* as the Clearing House sees fit in its sole discretion. All amounts calculated in respect of Aggregate Indirect Net Account Client Clearing Entitlements under this paragraph 9.4 shall be paid by the Clearing House to the Defaulter for the account of the relevant clients.

10. Risk Neutralisation and the auction process relating to the Relevant Auction Contracts which are SwapClear Contracts and/or Listed Interest Rates Contracts shall be conducted in accordance with the provisions of the Rates Service DMP Annex, save that no hedging shall be undertaken in respect of any Relevant Contract relating to Rates Service Client Clearing Business until such time as the Clearing House has determined that the Relevant Contract in question will not be ported, from which time such contract shall be a Relevant Auction Contract and included in a Portfolio in accordance with the terms of paragraph 2 of this Client Clearing Annex and the terms of such Rates Service DMP Annex.
11. Risk Neutralisation and the auction process relating to the Relevant Auction Contracts which are ForexClear Contracts shall be conducted in accordance with the provisions of the ForexClear DMP Annex, save that no hedging shall be undertaken in respect of any Relevant Contract relating to ForexClear Clearing Client Business until such time as the Clearing House has determined that the Relevant Contract in question will not be ported, from which time such contract shall be a Relevant Auction Contract and included in a Portfolio in accordance with the terms of paragraph 2 of this Client Clearing Annex and the terms of such ForexClear DMP Annex.
12. Risk Mitigation and the auction process relating to the Relevant Auction Contracts which are Fixed Income Contracts shall be conducted in accordance with the provisions of the RepoClear DMP Annex, save that no hedging shall be undertaken in respect of any Fixed Income Contract which is a Relevant Contract relating to RepoClear Client Clearing Business until such time as the Clearing House has determined that the Relevant Contract in question will not be ported, from which time

SCHEDULE 5
FOREXCLEAR DEFAULT FUND SUPPLEMENT

- F1. **In accordance** with and subject to Rule F2, the amount of each ForexClear Clearing Member's ForexClear Contributions shall be determined by the Clearing House as soon as practicable after each ForexClear Determination Date as appropriate on the basis of information available as at close of business on such ForexClear Determination Date and notified to such FXCCM as soon as practicable after such determination in accordance with the Procedures.
- F2. Each FXCCM's ForexClear Contribution (other than any ForexClear Unfunded Contribution or any Supplementary Contribution) shall be determined by the Clearing House in accordance with the following provisions:
- (a) determinations will be made by the Clearing House on the date that an FXCCM joins the ForexClear Service, and at the close of business on the first business day of each subsequent month, and otherwise in accordance with paragraph (g) below (each a "**ForexClear Determination Date**") **provided, however, that** following a Default, any such determinations and any such ForexClear Determination Date which might otherwise have occurred under this Rule F2 shall be suspended for the duration of the period (the "**ForexClear 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 ForexClear 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 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 ForexClear 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 30 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 ForexClear Business (for a given scenario);
 - (c) the "**ForexClear Fund Amount**" shall be calculated in United States dollars ("**USD**") and, for a given ForexClear Determination Date, shall be the largest of the 30 Combined Loss Values determined under paragraph (b) above plus 10 per cent. The ForexClear Fund Amount shall not be less than USD 70 million (the "**ForexClear Fund Floor**");
 - (d) the FXCCM's "**ForexClear Margin Weight**" shall be calculated by dividing the average daily initial margin obligation (as calculated under the Procedures

- (c) the Clearing House may, by the delivery of one or more further ForexClear Unfunded Contribution Notices, require each Non-Defaulting FXCCM to pay one or more further ForexClear Unfunded Contributions in respect of the same Default, **provided that** the total value of the ForexClear Unfunded Contributions payable by an individual FXCCM in respect of a particular Default (determined in accordance with paragraph (b) above) may not exceed the value of the ForexClear Contribution of such FXCCM as at the last ForexClear Determination Date prior to the date when the relevant Default occurred; and
- (d) following a Default in respect of which ForexClear Unfunded Contributions were paid (the "**First Default**"), the Clearing House may require the payment of further ForexClear Unfunded Contributions in respect of subsequent Defaults (which, for the avoidance of doubt, can never be a First Default), **provided that** ForexClear 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 ForexClear Unfunded Contribution Notice in respect of the First Default).

FXCCMs will be required to deposit the full amount of their ForexClear Unfunded Contributions (without exercising any rights of set-off or counterclaim) with the Clearing House on the business day following the receipt of a ForexClear Unfunded Contribution Notice.

For the avoidance of doubt, references to "FXCCMs" for the purposes of this Rule F8 include any FXCCM (other than a Defaulting FXCCM) who is: (i) a Retiring Member but whose status as a Clearing Member has not yet been terminated; and (ii) a Resigning Member whose resignation from the ForexClear Service is not yet effective.

F9. **ForexClear Loss Distribution Process**

Where, after a Default, the Clearing House determines that the ForexClear Excess Loss resulting from the Default will exceed the amounts to be applied to it under Rules 15(a) to 15(h) of the Default Rules, the Clearing House may implement the process (the "**ForexClear Loss Distribution Process**") described in this Rule F9.

- (a) For the purposes of this Rule F9 and Rule F11, the following definitions will apply:

"Actual Base Currency Gains, Losses and Realised 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 Realised Cash Flows by Cash Payment and any Cash Gainer Base Currency Adjustment to Cash Payment or Cash Loser Base Currency Adjustment to Cash Payment.

"Auction Portfolio" has the meaning assigned to it in the ForexClear DMP Annex.

"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 Rules 15(a) to 15(h) of the Default Rules 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 Realised 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 Realised Cash Flows on such Loss Distribution Day is greater than zero.

"Cash Gainer Payment Currency Adjustment to Cash Payment" has the meaning set out in paragraph (b)(i) of this Rule F9.

"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 Realised 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 Rule F9.

"Cash Loser Payment Currency Adjustment to Cash Payment" has the meaning set out in paragraph (b)(ii) of this Rule F9.

"Cash Payment" means, in respect of any business day, the aggregated amount which would be paid by the Clearing House to a Non-Defaulting FXCCM (expressed as a positive number) or by such FXCCM 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 currencies in which payments made between the Clearing House and an FXCCM may be denominated.

"Cash Payment Type" means each of the Price Alignment Interest (as defined in the ForexClear Procedures), consideration (fee) payments and cash Collateral in respect of ~~a Clearing Member's~~the variation margin obligations payable in respect of a Margin Account of a Non-Defaulting FXCCM.

"Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows" means in respect of each Margin Account of each Non-Defaulting FXCCM and any business day, the sum of the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payments payable on such Margin Account.

"Cumulative Actual Base Currency Gains, Losses and Realised 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 FXCCM (expressed as a positive number) or by such FXCCM to the Clearing House (expressed as a negative number) in respect of Actual

occurred at the beginning of that Loss Distribution Period or \$200 million, whichever is the greater; or (ii) an amount as approved by the Requisite Non-Defaulting FXCCMs following a Revised Loss Distribution Proposal as described in paragraph (d) of this Rule F9.

"Loss Distribution Trigger Event" means, with respect to a Non-Defaulting FXCCM, the aggregate Cash Gainer Payment Currency Adjustments applied to Cash Payments during the Loss Distribution Period (as amended from time to time) exceeded that FXCCM's Loss Distribution Trigger Amount (as amended from time to time) on the immediately preceding Loss Distribution Day.

"Margin Account" means each Proprietary Account, Individual Segregated Account, Indirect Gross Sub-Account, Omnibus Segregated Account and FCM Client Sub-Account related to the ForexClear Service of an FXCCM.

"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 Realised Cash Flows by Cash Payment" means, in respect of each Cash Payment and any business day, the amount (converted, where applicable, into USD at the Rate of Exchange) which would be paid by the Clearing House to a Non-Defaulting FXCCM (expressed as a positive number) or by such FXCCM 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.

"Requisite Non-Defaulting FXCCMs" means on any business day in a Loss Distribution Period, Non-Defaulting FXCCMs whose ForexClear Contributions represented 75% or more of the total size of the ForexClear Fund Amount (less the Contribution of any Defaulter(s)) as at the last ForexClear Determination Date prior to the date when the Default occurred.

"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 (i) the Available Resources and (ii) any Unfunded Contributions deposited with 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.

SCHEDULE 6
RATES SERVICE DEFAULT FUND SUPPLEMENT

CS1. Rates Service Fund Amount

- (a) The Rates Service Default Fund is denominated in GBP, and all amounts referable to it shall be denominated, calculated, called and payable in GBP.
- (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 for a particular business day will be the sum of: (1) the largest and the second largest daily stress-testing losses incurred during the preceding 60 business days in relation to the SwapClear Contracts and Eligible Listed Interest Rates Contracts of a Rates Service Clearing Member (the "**Combined Loss Value – Limb (1)**"); plus (2) the largest and the second largest daily stress-testing losses incurred during the preceding 60 business days in relation to the Non-Eligible Listed Interest Rates Contracts of a Rates Service Clearing Member (the "**Combined Loss Value – Limb (2)**"), in respect of a given scenario.
- (c) The "**Rates Service Fund Amount**" shall be determined by the Clearing House at the close of business on the first business day of each calendar month, and otherwise in accordance with paragraph (d) below (each a "**Rates Service Determination Date**") and shall be the sum of: (1) the largest of the 60 Combined Loss Values determined under Rule CS1(b); plus (2) an amount equal to 10 per cent of the value referred to in (1); plus (3) the SwapClear Tolerance Amount. The Rates Service Fund Amount shall not be less than £1 billion pounds (the "**Rates Service Fund Floor**") and shall not be more than £5 billion pounds.
- (d) The Clearing House may recalculate the Rates Service Fund Amount 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 per cent. from the Combined Loss Value on which the previous Rates Service 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 Contributions.

CS2. Rates Service Fund Amount – Allocation

On each Rates Service Determination Date the Clearing House shall calculate:

- (a) The "**SwapClear Tolerance Amount**" which shall be the value of that portion of the Rates Service Fund Amount which relates to those default fund resources which the Clearing House determines as being required in relation to SwapClear Tolerance.
- (b) The "**Non-Tolerance Amount**" which shall be the sum of: (1) the Combined Loss Value – Limb (1); plus (2) an amount equal to 10 per cent of the Combined Loss Value – Limb (1).

(in respect of SwapClear Contributions) and Part B of this Rates Service Fund Supplement (in respect of Listed Interest Rates Contributions) (as applicable).

CS4. **Rates Service Loss Distribution Process**

Where, after a Default, the Clearing House determines that the Rates Service Excess Loss resulting from the Default will exceed the amounts to be applied to it under Rules 15(a) to 15(g) of the Default Rules, the Clearing House may implement the process (the "**Rates Service Loss Distribution Process**") described in this Rule CS4.

- (a) For the purposes of this Rule CS4 and for Rule CS5 the following definitions will apply:

"Actual Base Currency Gains, Losses and Realised 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 Realised Cash Flows by Cash Payment and any Cash Gainer Base Currency Adjustment to Cash Payment or Cash Loser Base Currency Adjustment to Cash Payment.

"Auction Portfolio" has the meaning assigned to it in the Rates Service DMP Annex.

"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 Rules 15(a) to 15(g) of the Default Rules 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 Realised 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 Realised 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 Rule CS4.

"Cash Gainer Payment Currency Adjustment to Cash Payment" has the meaning set out in paragraph (b)(i) of this Rule CS4.

"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 Realised 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 Rule CS4.

"**Cash Loser Payment Currency Adjustment to Cash Payment**" has the meaning set out in paragraph (b)(ii) of this Rule CS4.

"**Cash Payment**" means, in respect of any business day, the aggregated amount which would be paid by the Clearing House to a Non-Defaulting Rates Service Clearing Member (expressed as a positive number) or by such Rates Service 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 an SCM may be denominated.

"**Cash Payment Type**" means each of (i) the Price Alignment Amount, Price Alignment Interest, coupon payments, consideration (fee) payments and cash Collateral in respect of ~~a Clearing Member's~~the variation margin obligations payable in respect of a Margin Account relating to the SwapClear Business of a Non-Defaulting Rates Service Clearing Member; and (ii) consideration (fee) payments, payments under Section 4.1 of the SwapClear STM Terms and daily settlement amounts payable in respect of a Margin Account relating to the Listed Interest Rates Business of a Non-Defaulting Rates Service Clearing Member.

"**Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows**" means in respect of each Margin Account of each Non-Defaulting Rates Service Clearing Member and any business day, the sum of the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payments payable on such Margin Account.

"**Cumulative Actual Base Currency Gains, Losses and Realised 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 Rates Service Clearing Member (expressed as a positive number) or by such Rates Service Clearing Member to the Clearing House (expressed as a negative number) in respect of Actual Base Currency Gains, Losses and Realised 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 Realised Cash Flows**" means, in respect of each Margin Account of each Non-Defaulting Rates Service Clearing Member and any business day, the sum of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payments payable on such Margin Account.

"**Margin Account**" means: (i) for a Rates Service Clearing Member, each Proprietary Account, Individual Segregated Account, Indirect Gross Sub-Account, Custodial Segregated Account, Non-Identified Client Omnibus Net Segregated Account, Affiliated Client Omnibus Net Segregated Account, Identified Client Omnibus Net Segregated Account and Omnibus Gross Segregated Sub-Account; and (ii) for each FCM Rates Clearing Member, the Proprietary Account and each FCM Client Omnibus Account with LCH (provided that, in respect of an FCM Omnibus Client Swaps Account with LCH, this term refers to each FCM Client Sub-Account contained therein).

"**Omnibus Gross Segregated Sub-Account**" means the sub-account allocated to each individual Omnibus Gross Segregated Clearing Client or each set of Combined Omnibus Gross Segregated Clearing Clients within an Omnibus Gross Segregated Account for the purposes of recording SwapClear Contracts referable to each such individual client or group of clients.

"**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 Realised Cash Flows by Cash Payment**" means, in respect of each Cash Payment and any business day, the amount (converted, where applicable, into pounds sterling at the Rate of Exchange) which would be paid by the Clearing House to a Non-Defaulting Rates Service Clearing Member (expressed as a positive number) or by such Rates Service 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.

"**Rates Service Adjustment Amount**" means in respect of the Margin Account(s) of any Non-Defaulting Rates Service Clearing Member and any Loss Distribution Day, an amount equal to the sum of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows in respect of such Margin Account(s) of such Rates Service Clearing Member less the sum of the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows in respect of such Margin Account(s) of such Rates Service Clearing Member, in each case in respect of the Loss Distribution Period in which such Loss Distribution Day falls.

"**Requisite Non-Defaulting Rates Service Clearing Members**" means on any business day in a Loss Distribution Period, Non-Defaulting Rates Service Clearing Members whose Rates Service Contributions represented 75% or more of the total size of the Rates Service Fund Amount (less the Contribution of any Defaulter(s)) as of the last Rates Service Determination Date prior to the date when the Default occurred.

LCH Rule Submission

Appendix D

Procedures Section 2C (SwapClear Service)



LCH LIMITED
PROCEDURES SECTION 2C
SWAPCLEAR CLEARING SERVICE

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1. SWAPCLEAR CLEARING SERVICE

1.1 The Clearing Process

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

SCMs are Clearing Members who have applied and have been accepted by the Clearing House to clear in the SwapClear Service. SwapClear Dealers are not Clearing Members but have met the criteria for registration as a SwapClear Dealer and have entered into a SwapClear Dealer Clearing Agreement with an SCM and the Clearing House. Subject to obtaining approval from the Clearing House's Onboarding Department, an SCM may offer certain SwapClear Client Clearing Services to its SwapClear Clearing Clients. SwapClear Client Clearing Services are provided to SwapClear Clearing Clients through an Individual Segregated Account, an Indirect Gross Account, a Custodial Segregated Account or an Omnibus Segregated Account. SCMs should contact the Clearing House's Onboarding Department for further details of the SwapClear Client Clearing Service and the Clearing House's approval process (+44 (0)20 7426 7949; onboarding@lch.com).

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

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

1.1.1 SwapClear Service Functions

The following functions are performed within the SwapClear Service:

- (a) processing and settlement of coupon payments;
- (b) processing and settlement of consideration (fee) payments;
- (c) calculation of initial and variation margin requirements;
- (d) calculation of the net present value of SwapClear Transactions;
- (e) calculation of the cumulative net present value of certain SwapClear Transactions;
- (f) calculation of MER requirements and SwapClear Tolerance Limits;
- (g) calculation of price alignment interest and price alignment amounts;
- (h) adjustment of cash payments to conform with opening days and the SwapClear calendars;

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- (i) allocation and designation of trades to a position-keeping account; and
- (j) 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 will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the SwapClear clearing system. Information regarding SwapClear Contracts and margin reporting will be disseminated via the SwapClear Clearing Member reporting system (see Section 1.1.3).

1.1.2 Clearing House System Requirements

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

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1.1.3 SwapClear Clearing Member Reporting System

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

- (a) Clearing Member reports;
- (b) Approved Trade Source Systems; ~~and~~
- (c) ~~the~~ ClearLink API.

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

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

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

1.1.4 Clearing House Reporting

- (a) The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to a trade repository or similar body the details of a SwapClear Contract and any modification or termination of such contract without

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duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of Applicable Law.

- (b) The Clearing House will report to the Japanese Financial Services Authority (the “**JFSA**”) details of all non-Yen SwapClear Transactions of a SwapClear Clearing Member where such SwapClear Clearing Member has a branch operating in Japan, unless such SwapClear Clearing Member provides the Clearing House with of one of the following:

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- (i) Confirmation that it does not execute any SwapClear Transactions through its Japanese branch (such that no SwapClear Transactions will be reported to the JFSA by the Clearing House); or

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- (ii) Details of the identifier through which the relevant SwapClear Clearing Member executes all of the SwapClear Transactions of its Japanese branch (such that only the SwapClear Transactions associated with that identifier will be reported to the JFSA by the Clearing House).

SwapClear Clearing Members shall notify the Clearing House in the event of any changes to its reporting obligations pursuant to this Section 1.1.4(b).

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- (c) For purposes of reporting obligations to the CFTC, SwapClear Clearing Members may only report details of SwapClear Contracts, including terminations and modifications to a SwapClear Contract, to an Approved LCH SDR. A list of Approved LCH SDRs is available on the Clearing House's website. In the event a SwapClear Clearing Member wishes to report details of SwapClear Contracts to a swap data repository that is not an Approved LCH SDR, the SwapClear Clearing Member must provide the Clearing House with reasonable prior notice of the date on which it wishes to report to such swap data repository.

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 <#>Confirmation that it does not execute any SwapClear Transactions through its Japanese branch (such that no SwapClear Transactions will be reported to the JFSA by the Clearing House); or¶
 <#>Details of the identifier through which the relevant SwapClear Clearing Member executes all of the SwapClear Transactions of its Japanese branch (such that only the SwapClear Transactions associated with that identifier will be reported to the JFSA by the Clearing House).¶
 SwapClear Clearing Members shall notify the Clearing House in the event of any changes to its reporting obligations pursuant to this Section 1.1.4(c). ¶

SwapClear Clearing Members must inform their respective SwapClear Clearing Clients of the list of Approved LCH SDRs, and inform such SwapClear Clearing Clients that the Clearing House is only able to report details of a SwapClear Contract to an Approved LCH SDR.

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In accordance with CFTC Part 45 requirements (where the SwapClear Clearing Member has a reporting obligation), SwapClear Clearing Members must provide the Clearing House (i) the USI of the original swap that is submitted to the Clearing House for registration and (ii) the LEI of the original swap SDR (i.e., “OriginalSwapRepository” or equivalent field) to enable the Clearing House to accurately report the termination of the original swap to the appropriate SDR.

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1.2 Operating Times and Calendars

1.2.1 Opening Days

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

1.2.2 Opening Hours

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

06:00 London Time to 19:00 New York Time¹

However, SwapClear Clearing Members should note that Necessary Consents in relation to a Notification submitted during a business day shall be accepted by the Clearing House until 19.01 New York time on the following day. The Clearing House will notify SwapClear Clearing Members in the event that the SwapClear clearing system is scheduled for closure for operational or other reasons (including compression runs).

1.2.3 SwapClear Clearing System Calendars

The SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. This will require all SwapClear Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the SwapClear clearing system, will be available online for inspection and for file download from the SwapClear Clearing Member reporting system (see Section 1.1.3).

1.3 Registration

1.3.1 Executing Parties and Presentation for Clearing

A SwapClear Transaction may be entered into by and presented for clearing by (or on behalf of) any of the following parties: (a) SwapClear Clearing Members (or the SCM Branch of any such SwapClear Clearing Member); (b) SwapClear Dealers; (c) SwapClear Clearing Clients; and (d) FCM SwapClear Members.

The Clearing House receives details of a new eligible SwapClear Transaction using agreed format messages via an Approved Trade Source System. The Approved Trade Source System will send details of a SwapClear Transaction to the Clearing House once it has been bilaterally agreed by two Executing Parties, or otherwise executed by or on behalf of two Executing Parties on a Trading Venue, and will confirm which SwapClear Clearing Member(s) has been elected to register the SwapClear Transaction. For the avoidance of doubt, an Executing Party may appoint a third party to present details of a SwapClear Transaction to the Clearing House on its behalf.

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¹ The SwapClear clearing system may, in the Clearing House’s absolute discretion, be operational beginning 05:00 London Time.

Prior to and as a precondition to the registration of an eligible SwapClear Transaction, the relevant SwapClear Clearing Member must provide notice to and receive approval from the Clearing House (or have previously provided such notice and received such approval), in such form as determined by the Clearing House in its sole discretion, with respect to each type of SwapClear Transaction to be presented for registration (be it with respect to tenor, currency or other eligibility criteria). Notwithstanding anything herein to the contrary, if (a) notification pursuant to this paragraph is not received by the Clearing House, (b) the relevant SwapClear Clearing Member does not receive approval from the Clearing House pursuant to this paragraph, or (c) such approval granted pursuant to this paragraph has been rescinded by the Clearing House, the Clearing House may, in its sole discretion, reject any relevant SwapClear Transaction.

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1.3.2 Clearing House Notification

In the case of a SwapClear Clearing Member which has been nominated to register a SwapClear Transaction on behalf of a third party Executing Party other than a SwapClear Dealer, the Clearing House will (only where such SwapClear Transaction is not a Trading Venue Transaction) provide notification to such SwapClear Clearing Member of the relevant SwapClear Transaction and that it has been so nominated, via member reports, the ClearLink API or otherwise ("**Notification**"). Where a SwapClear Clearing Member is nominated to clear both SwapClear Contracts arising from the registration of a SwapClear Transaction in the capacities described in this paragraph, such SwapClear Clearing Member will receive two separate Notifications from the Clearing House in relation to such SwapClear Transaction. All Notifications shall be provided within the required timeframe under all Applicable Law. In all other cases, no Notification will be provided to any SwapClear Clearing Member.

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In respect of a SwapClear Transaction that is not a Trading Venue Transaction, following receipt of a Notification, a SwapClear Clearing Member may choose to grant or refuse consent to register the SwapClear Transaction. It is a condition for registration of such a SwapClear Transaction that a SwapClear Clearing Member grants a separate consent (each, a "**Necessary Consent**") in respect of each Notification received by it in relation to the registration of such SwapClear Transaction. The Clearing House has an automated system which it operates on each business day for the purposes of rejecting SwapClear Transactions which have been presented for clearing but in respect of which any 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 expiry of the timeframe determined by the Clearing House. If a SwapClear Clearing Member has not notified the Clearing House of a Necessary Consent by the LCH Cut-off Time, it will be deemed to have rejected the relevant SwapClear Transaction. Any Necessary Consent of a SwapClear Transaction notified by a SwapClear Clearing Member to the Clearing House prior to the LCH Cut-off Time is irrevocable. Any Necessary Consent notified by a SwapClear Clearing Member to the Clearing House after the LCH Cut-off Time shall be invalid.

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In circumstances where the registration of a SwapClear Transaction is conditional upon one or more Necessary Consent(s) being notified by the applicable SwapClear Clearing Member(s), the relevant SwapClear Transaction shall be deemed to have been "submitted" to the Clearing House by each such SwapClear Clearing Member at the time when it notifies the Clearing House of its Necessary Consent. In all other circumstances, a SwapClear Transaction shall be "submitted" to the Clearing House by the applicable SwapClear Clearing Member upon being presented to the Clearing House for clearing by or on behalf of such SwapClear Clearing Member (or its SCM Branch) or by or on behalf of a SwapClear Dealer (acting in such capacity with respect to the relevant SwapClear Transaction) approved to clear SwapClear Transactions through the relevant SwapClear Clearing Member.

In accordance with Section 1.3.5 of these Procedures, it is a precondition for the registration of a SwapClear Contract that the applicable SwapClear Clearing Member has complied with all requirements to provide sufficient Collateral (taking into account MER, Client Buffer and/or SwapClear Tolerance, if any) to the Clearing House as of the time of "submission" or "deemed submission" of the SwapClear Transaction to which the SwapClear Contract relates, except that such Collateral shall not be required to be provided prior to registration as a condition thereto if such SwapClear Transaction is a Sub-Block Trading Venue Transaction. For the avoidance of doubt, in respect of the registration of a SwapClear Transaction other than a Sub-Block Trading Venue Transaction, each SwapClear Clearing Member or the relevant SwapClear Clearing Member and FCM Clearing Member must have complied with all requirements to provide sufficient Collateral (taking into account MER, Client Buffer and/or SwapClear Tolerance, if any) at the time when it submitted or was deemed to have submitted (as applicable) the relevant SwapClear Transaction.

In exceptional circumstances, where a Clearing Member experiences technical issues such that it is unable to accept or reject a Notification, it may contact the Clearing House via email to request that a SwapClear Transaction to which a Notification relates be accepted or rejected on its behalf. In such circumstances, and unless the Clearing House notifies the Clearing Member otherwise, the Clearing House will manually accept or reject the SwapClear Transaction on behalf of the requesting Clearing Member and will confirm registration or rejection of the SwapClear Transaction via email. In the event that a Clearing Member requests the manual acceptance or rejection of a SwapClear Transaction it shall ensure that such acceptance is requested by appropriately authorized personnel. The Clearing House shall have no liability in the event that a Clearing Member suffers a loss through the unauthorised manual acceptance or rejection of a SwapClear Transaction.

1.3.3 Trade Registration Facilitation: SwapClear Tolerance, Client Buffer and MER (Minimum Excess Requirement)

In order to facilitate the registration of SwapClear Contracts by SwapClear Clearing Members, the Clearing House may:

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and currently recorded to the relevant Client Account (if any) and the amount of SwapClear Tolerance utilised by the relevant Client Account (if any) for each such Client Account at that time.

Conversely, any additional Collateral allocated to the Client Buffer Account by the SwapClear Clearing Member will remain in the Client Buffer Account until it is needed to enable the registration of, or to meet other intraday margin requirements in connection with, other SwapClear Contracts entered into in connection with SwapClear Client Clearing Business, irrespective of whether one or more Client Accounts may be utilising SwapClear Tolerance at the time such additional Collateral is allocated to the Client Buffer Account.

SwapClear Tolerance

If a SwapClear Clearing Member has not transferred sufficient Collateral (taking into account any delivered with respect to MER and, in the case of a Client Account, any Client Buffer available in respect of that Client Account) to the Clearing House to enable the registration of a SwapClear Contract, then the Clearing House may provide such SwapClear Clearing Member with temporary "tolerance" in the form of initial margin forbearance ("**SwapClear Tolerance**") to enable such registration. A SwapClear Clearing Member may utilise SwapClear Tolerance in between margin runs on a one-to-one basis to the value of the Collateral that would have been required to cover that SwapClear Clearing Member's initial margin requirements for newly registered SwapClear Contracts registered in between margin runs. For the avoidance of doubt, SwapClear Tolerance is provided in the form of temporary initial margin forbearance and a SwapClear Clearing Member's utilisation of SwapClear Tolerance does not give rise to any payment or transfer of Collateral by the Clearing House or result in any use of default fund resources (except following a Default).

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

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Any failure of a SwapClear Clearing Member to satisfy a call for Collateral relating to SwapClear Tolerance may give rise to a Default by such SwapClear Clearing Member, just as any failure by a SwapClear Clearing Member to satisfy any other call for Collateral may give rise to a Default.

Minimum Excess Requirement ("MER")

The Clearing House has put in place arrangements (the "MER Arrangements") (which will be optional for SwapClear Clearing Members) under which it will be able to call from each relevant SwapClear Clearing Member an amount of Collateral (the "MER Cover") in respect of that SwapClear 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 SwapClear Clearing Member using the same methodology and will publish such methodology to SwapClear Clearing Members. The Clearing House will provide 30 days' notice before implementing any changes to the methodology used for calculating MER.

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

Any MER Cover delivered by a SwapClear Clearing Member will form part of the Clearing Member Current Collateral Balance of that SwapClear Clearing Member. SwapClear Clearing Members participating in the MER Arrangements will be called for MER Cover separately in respect of their Proprietary Account related to SwapClear Clearing House Business and/or their Client Accounts related to SwapClear Client Clearing Business. However, such MER Cover will not form part of any Account Balance or the Clearing Member Current Collateral Balance in respect of any **Client Account** unless such MER Cover has been attributed to any such account by the Clearing House in accordance with this section.

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

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In relation to the registration of a SwapClear Contract on behalf of a SwapClear Clearing Client, the Clearing House shall determine if there is sufficient Collateral to enable such registration. If the SwapClear Clearing Member has not transferred sufficient Collateral to the Clearing Member to enable the registration of such SwapClear Contract, the Clearing House will determine whether there is any unutilised MER Cover related to SwapClear Client Clearing Business and, if so, will attribute the relevant part of such MER Cover to the relevant Client Account. In this context, the attribution of the MER Cover to the relevant Client Account means that it will be recorded as Collateral held in relation to such account and shall be treated as part of the Clearing Member Current Collateral Balance of such account.

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At each end of day margin run, the Clearing House will recalculate and call, on an account by account basis, required Collateral in respect of the MER requirements of each SwapClear Clearing Member currently participating in the MER Arrangements.

In accordance with Section 1.3.5 of these Procedures, it is a condition for registration of a SwapClear Contract that the applicable SwapClear Clearing Member transfers sufficient Collateral to the Clearing House in respect of such SwapClear Contract prior to registration, except where such SwapClear Contract results from a SwapClear Transaction that is a Sub-Block Trading Venue Transaction.

1.3.4 Approved Trade Source Systems and Trading Venues

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(a) Approved Trade Source Systems

Application for approved trade source system status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of Approved Trade Source Systems currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves additional Approved Trade Source Systems, it will notify SwapClear Clearing Members via a member circular.

SwapClear Transactions presented through an Approved Trade Source System must be in an acceptable message format, as prescribed by the Clearing House.

Notwithstanding the designation by the Clearing House of any system as an Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any Approved Trade Source System or the timeliness or otherwise of the delivery of any SwapClear Transaction details by that Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the SwapClear Clearing Members and that Approved Trade Source System.

The Clearing House will process any SwapClear Transaction reported to it by an Approved Trade Source System on an "as is" basis and, subject to the Rulebook, 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

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relevant SwapClear Clearing Member. The Clearing House has no obligation to verify that the details received properly reflect the trade entered into by the relevant Executing Parties.

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

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

(b) Trading Venues

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While the Clearing House receives details of a SwapClear Transaction via an Approved Trade Source System pursuant to section 1.3.1 of these Procedures, such Approved Trade Source System may in providing such details to the Clearing House rely upon similar details delivered to it by a Trading Venue (where such SwapClear Transaction is executed on such Trading Venue). Additionally, the Clearing House may rely on details relating to a SwapClear Transaction obtained from a Trading Venue for verification purposes or in order to generate reports or to exercise its rights or discretion under Regulation 55 (Registration of SwapClear Contracts). In this regard, the Clearing House may direct the Trading Venues to use prescribed format messages or classifications.

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Notwithstanding the approval by the Clearing House of any Trading Venue, 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 Trading Venue or the timeliness or otherwise of the delivery of any SwapClear Transaction details by that Trading Venue to the Clearing House. Such matters form part of the relationship between the SwapClear Clearing Members and that Trading Venue.

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The Clearing House will process any SwapClear Transaction reported to it by a Trading Venue on an "as is" basis and, subject to the General Regulations and these Procedures, will register any such SwapClear Transaction on the

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basis of the data provided to it by the Approved Trade Source System and the relevant Trading Venue. The Clearing House has no obligation to verify that the details received properly reflect the trade entered into by the relevant Executing Parties or that the Trading Venue is correctly applying the format messages or classifications that the Clearing House has prescribed.

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

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1.3.5 Registration of New Trades

The following section does not apply to Backloaded Trades, which are dealt with in section 1.3.6 below.

Prior to it registering a SwapClear Contract resulting from a SwapClear Transaction other than a Sub-Block Trading Venue Transaction, the Clearing House will require the SwapClear Clearing Member in whose name such SwapClear Contract is to be registered to transfer to the Clearing House adequate Collateral in respect of initial margin requirements, variation margin requirements, and/or the settlement payment obligations (as applicable) relating to such Contract as a precondition to registration (taking into account any MER, Client Buffer and/or SwapClear Tolerance, if any). In accordance with Regulation 55(e)(iv) (Registration of SwapClear Contracts), a SwapClear Clearing Member becomes obligated to transfer such Collateral (taking into account any MER, Client Buffer and/or SwapClear Tolerance, if any) to the Clearing House at the time when the relevant SwapClear Transaction (that is not a Sub-Block Trading Venue Transaction) has been submitted or deemed to be submitted (as applicable) by the SwapClear Clearing Member and such SwapClear Clearing Member shall transfer such Collateral to the Clearing House prior to registration of the resulting SwapClear Contract. In respect of a SwapClear Contract resulting from a SwapClear Transaction that is a Sub-Block Trading Venue Transaction, the SwapClear Clearing Member in whose name such SwapClear Contract is registered shall transfer to the Clearing House sufficient Collateral in respect of such SwapClear Contract at such time after the registration of such SwapClear Contract as the Clearing House shall require.

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Clearing Members has not provided sufficient Collateral prior to registration, the SwapClear Clearing Members shall be bound by the terms of the SwapClear Contract relating thereto arising under Regulation 55, and any other applicable provision of the Rulebook, and (ii) if the Clearing House rejects a SwapClear Transaction that is a Sub-Block Trading Venue Transaction for reasons of insufficient Collateral, the Clearing House shall not be liable to any SwapClear Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such SwapClear Transaction.

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Upon a SwapClear Transaction being submitted to the Clearing House for registration, the Clearing House will determine whether to accept or reject the SwapClear Transaction within the required timeframe under all Applicable Law.

Where the Clearing House determines to accept the SwapClear Transaction, registration shall occur immediately and the SwapClear Transaction shall be automatically replaced with (as applicable) (i) two separate SwapClear Contracts, one between the relevant SwapClear Clearing Member and the Clearing House and the other between the same or another SwapClear Clearing Member and the Clearing House, or (ii) one SwapClear Contract between the relevant SwapClear Clearing Member and the Clearing House and one FCM SwapClear Contract between the relevant FCM Clearing Member and the Clearing House. The SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system and/or the FCM Clearing Member reporting system (as applicable) (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear Clearing Member reporting system (see Section 1.1.3) on the SwapClear Clearing Member reporting account.

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1.3.6 Backloading of Existing Trades

A SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of presentation of such SwapClear Transaction to the Clearing House for clearing is considered a backloaded trade by the Clearing House (a "**Backloaded Trade**"). Due to the nature of Backloaded Trades, SwapClear Clearing Members should note that a relatively large amount of Collateral is required to register such trades. The Clearing House provides the facility for SwapClear Clearing Members to load such eligible existing SwapClear Transactions, through an Approved Trade Source System. Where the Clearing House approves additional Approved Trade Source Systems for these purposes, it will notify SwapClear Clearing Members via a member circular. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the SwapClear Clearing Member(s) or the SwapClear Clearing Member and the FCM Clearing Member (as the case may be) of the full particulars required by the Clearing House for each such SwapClear Transaction.

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At least once every Business Day, the Clearing House will carry out a process (each a "**Backload Registration Cycle**") for the registration of Backloaded

Trades which have been presented for clearing or with respect to which the Clearing House has received one or more Necessary Consents, if any. Following each Backload Registration Cycle, the Clearing House will calculate the increase in Collateral required to register the Backloaded Trade(s) and will notify each relevant SwapClear Clearing Member (the "**Backload Margin Call**").

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The Backload Margin Call will be for the entire amount of additional Collateral required in connection with the Backloaded Trade(s), and the Backload Margin Call cannot be satisfied by and will not take into account SwapClear Tolerance (i.e. SwapClear Tolerance is not available for this purpose) or any available MER Cover or Client Buffer (other than that which has been expressly allocated for that purpose, as described in the paragraph below). In connection with a Backload Margin Call, following the time that a SwapClear Clearing Member is required to deliver to the Clearing House the Collateral associated with such Backload Margin Call (the "**Backload Margin Call Deadline**"), the Clearing House will issue such SwapClear Clearing Member with a subsequent margin call to deliver Collateral in respect of any increase in SwapClear Tolerance utilisation as of the time of the Backload Margin Call Deadline (if any).

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Where an individual SwapClear Clearing Member determines that the Backloaded Trade(s) that it is submitting for registration will lead to an aggregate change (be it either an increase or decrease) in the net present value of its portfolio of SwapClear Contracts in excess of a threshold amount (the "**Individual Backload Value Threshold**") as published by the Clearing House from time to time, it shall notify the Clearing House before the end of the Business Day preceding the relevant Backload Registration Cycle. In the event that the Clearing House does not receive such notification and the change in net present value of the SwapClear Clearing Member's portfolio of SwapClear Contracts is in excess of the Individual Backload Value Threshold the Clearing House may, in its sole discretion, exclude that SwapClear Clearing Member from the Backload Registration Cycle or postpone or cancel the entire Backload Registration Cycle.

Where a SwapClear Clearing Member notifies the Clearing House of a change in net present value in excess of the Individual Backload Value Threshold, the Clearing House shall inform the SwapClear Clearing Member whether it will be required to pre-fund the Backload Margin Call and, if so, how Collateral should be delivered such that it will be made available for a Backload Registration Cycle.

In the event that the aggregate Backload Margin Call required from all SwapClear Clearing Members participating in a Backload Registration Cycle is in excess of a pre-determined threshold amount (the "**Aggregate Backload Margin Threshold**") as published by the Clearing House from time to time, the Clearing House may postpone or cancel the relevant Backload Registration Cycle.

Where the Clearing House postpones or cancels a Backload Registration Cycle it shall notify those SwapClear Clearing Members that were intending to participate in the Backload Registration Cycle.

Backloaded Trades received by the Clearing House in advance of a Backload Registration Cycle will be 'parked' until the next Backload Registration Cycle (whether that Backload Registration Cycle is on the same Business Day or the following Business Day).

In order for the registration of the Backloaded Trades included in a Backload Registration Cycle to complete, each SwapClear Clearing Member (and each FCM Clearing Member, if applicable) which is party to a Backloaded Trade within that Backload Registration Cycle must provide sufficient Collateral as required to the Clearing House in advance.

A Backloaded Trade which has been presented for clearing (or with respect to which the Clearing House has received the one or more Necessary Consents, if any) shall be deemed to have been submitted by the SwapClear Clearing Member(s) or the SwapClear Clearing Member and the FCM Clearing Member (as the case may be) for registration by the Clearing House at such time that the Clearing House determines that sufficient Collateral has been provided to register that Backloaded Trade.

For any SwapClear Transaction which is a Backloaded Trade, where one leg is to be registered as an FCM SwapClear Contract, the FCM Rulebook will apply with respect to such registration of an FCM SwapClear Contract.

The Clearing House shall publish the following via member circular:

- (i) times of Backload Registration Cycles;
- (ii) the Individual Backload Value Threshold; and
- (iii) the Aggregate Backload Margin Threshold.

1.3.7 Notification

In respect of a SwapClear Transaction which is:

- (a) a Trading Venue Transaction, the Clearing House will notify the SwapClear Clearing Members, Trading Venue and (if the originating Approved Trade Source System is different from the Trading Venue) the originating Approved Trade Source System of registration or rejection of the SwapClear Transaction (as applicable); and
- (b) not a Trading Venue Transaction, the Clearing House will notify the SwapClear Clearing Members (via the originating Approved Trade Source System or ClearLink API) of registration or rejection of the SwapClear Transaction (as applicable),

in each case within the required timeframe under all Applicable Law

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1.3.8 *Rejected Trades*

Trades presented for registration that do not meet the SwapClear Eligibility Criteria or any other requirement for registration under the Rulebook, including a trade (a) presented by or on behalf of a SwapClear Clearing Member in respect of a third party Executing Party other than a SwapClear Dealer where such trade was executed on a Trading Venue that was not at the time of execution of such trade an Eligible Trading Venue in respect of such SwapClear Clearing Member, (b) presented by or on behalf of a SwapClear Clearing Member that was executed on a trading venue or facility that had not at the time of the execution of such trade been approved by the Clearing House as a Trading Venue, (c) which contains invalid or incomplete message data, or (d)(i) which is not a Sub-Block Trading Venue Transaction, and (ii) with respect to which the Clearing House has not received sufficient Collateral (taking into account MER, Client Buffer and/or SwapClear Tolerance, if any) will, in each case, be rejected.

If a trade is presented to the Clearing House for registration and rejected, it may be re-presented for registration in the form of a new trade but with the same economic terms in accordance with, and subject to, the Rulebook and all Applicable Law, and such trade will, for the purposes of the Rulebook and upon such re-presentation, constitute a new trade.

1.3.9 *Package Transactions*

In certain circumstances a SwapClear Clearing Member may, via an Approved Trade Source System, present to the Clearing House, in a single submission, a group of two or more SwapClear Transactions for simultaneous registration (such group of SwapClear Transactions, a **“Package Transaction”**). A Package Transaction must be identified to the Clearing House at the time of its presentation in the format prescribed by the Clearing House. Where the Package Transaction is not presented in the prescribed format, each constituent SwapClear Transaction within the Package Transaction will be rejected.

Where the Clearing House receives a Package Transaction for registration it shall treat each SwapClear Transaction that forms part of the Package Transaction as a new SwapClear Transaction in accordance with the Rulebook and, where each constituent SwapClear Transaction within the Package Transaction meets the registration requirements as set out in the Rulebook (including a Necessary Consent and the provision of Collateral, where applicable), the Clearing House will simultaneously register all of the SwapClear Transactions within that Package Transaction. Where one or more of the constituent SwapClear Transactions does not meet the Clearing House’s registration requirements then all the constituent SwapClear Transactions of the Package Transaction shall be rejected.

Where a constituent SwapClear Transaction of a Package Transaction is an Eligible Trading Venue Transaction, it is a condition of registration that all of the constituent SwapClear Transactions of such Package Transaction be Eligible Trading Venue Transactions. Where such condition is not met, all

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constituent SwapClear Transactions of the Package Transaction will be rejected. In respect of a Package Transaction comprising SwapClear Transactions that are not executed on a Trading Venue, the Clearing House will send a Notification to the relevant SwapClear Clearing Member(s) for the acceptance of each such constituent SwapClear Transaction.

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In respect of a Package Transaction presented in a SwapClear Clearing Member's name, such SwapClear Clearing Member's margin requirement will be assessed based on the net margin call for all of the constituent SwapClear Transactions of such Package Transaction. Where one or more of the constituent SwapClear Transactions in a Package Transaction is not a Sub-Block Trading Venue Transaction, the relevant SwapClear Clearing Member is required to provide the Clearing House with sufficient Collateral prior to registration of the entire Package Transaction as a condition thereto (taking into account available SwapClear Tolerance, if any).

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The Clearing House may limit the number of SwapClear Transactions that may be included in a Package Transaction by way of member circular.

1.4 Proprietary Accounts and Client Accounts

1.4.1 Proprietary Accounts

A SwapClear Clearing Member may request that the Clearing House opens one or more Proprietary Accounts in respect of its House Clearing Business.

Each Proprietary Account will map to two or more sub-accounts:

- (a) a position account; and
- (b) one or more collateral accounts (including, where relevant, a Client Buffer Account).

1.4.2 Client Accounts

(a) Types of Client Account

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Subject to Regulation 11 (Client Clearing Business) and Section 1.21 below, a SwapClear Clearing Member may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

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- (i) Individual Segregated Accounts;
- ~~(ii) Indirect Gross Accounts;~~
- (iii) Custodial Segregated Accounts;
- (iv) Non-Identified Client Omnibus Net Segregated Accounts;
- (v) Identified Client Omnibus Net Segregated Accounts;
- (vi) Affiliated Client Omnibus Net Segregated Accounts;

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(vii) Omnibus Gross Segregated Accounts; and/or

(viii) Indirect Net Accounts.

(b) Each Client Account will map to two or more sub-accounts:

(i) one or more position accounts; and

(ii) one or more collateral accounts.

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1.5 Position Accounts

1.5.1 SCM Accounts

For identification purposes each SCM is assigned a unique three-character mnemonic. An SCM's position and financial information are further identified by a single character code: C for SwapClear Client Clearing Business; and H for SwapClear Clearing House Business. The H account is obligatory, the C account will be used in respect of any SCM which engages in SwapClear Client Clearing Business.

1.5.2 Position-Keeping Accounts

(a) Clearing Member Accounts

The account types are: H for SwapClear Clearing House Business; and C for SwapClear Client Clearing Business.

An SCM's SwapClear positions are also recorded within the SwapClear clearing system in SwapClear Accounts.

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(b) SwapClear Accounts

The SwapClear clearing system will provide position-keeping accounts for SCMs. A SwapClear account will be assigned a code identical to the bank identifier code ("BIC") of the SCM. Each SwapClear account must map to a Clearing Member account.

All registered SwapClear Contracts will be identifiable to SCMs and SwapClear Clearing Clients, as applicable, via SwapClear Clearing Member reporting (see Section 1.1.3). Each SwapClear Contract will also be assigned a unique trade identifier by the Clearing House. The SwapClear Clearing Member reporting functionality also allows:

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(i) an SCM to identify (A) all SwapClear Contracts registered in its name, (B) where applicable, all SwapClear Contracts registered in its name and referable to a SwapClear Clearing Client, (C) where applicable, all SwapClear Contracts registered in its name and referable to a SwapClear Clearing Client and an Indirect Clearing Client, and (D) where applicable, all SwapClear Contracts registered in its name which arose as a result of a SD executing a SwapClear

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Transaction and presenting it to the Clearing House for clearing in the name of such SCM; and,

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(ii) a SwapClear Clearing Client to identify (A) where applicable, all SwapClear Contracts registered in the name of an SCM and referable to such SwapClear Clearing Client, (B) where applicable, all SwapClear Contracts registered in the name of an SCM and referable to such SwapClear Clearing Client and an Indirect Clearing Client.

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At the request of an SCM or SwapClear Clearing Client, as applicable, the Clearing House may permit the SCM or SwapClear Clearing Client, as applicable, and/or its respective agent or designee (that has previously been approved by the Clearing House for such purpose) to assign or amend a trade identifier to a SwapClear Contract in its accounts, provided that no such assignment or amendment shall in any way affect the Clearing House trade identifiers in respect of each such SwapClear Contract. By making such request, such SCM, either on its own behalf or on behalf of a SwapClear Clearing Client, acknowledges that the Clearing House shall have no liability for any direct or indirect consequence of the use or assignment of such additional trade identifiers.

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Notwithstanding anything in this Section 1.5.2 of the Procedures, the Clearing House trade identifiers and records in relation to SwapClear Contracts shall be the definitive version for all purposes involving the Clearing House or any service or product offered by it, and shall prevail over any versions otherwise maintained by or on behalf of any SCM.

Any request for the Clearing House to approve an agent or designee for the purposes of this Section 1.5.2 must be made in writing and using the Clearing House’s standard documentation. Through making a request, an SCM, either on its own behalf or on behalf of a SwapClear Clearing Client, is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

1.6 Collateral Accounts

Clearing Member position accounts have collateral accounts associated with them. These are, *inter alia*, used to record cash balances and securities. Information contained within a position-keeping account is consolidated with the associated collateral account, as follows:

1.6.1 Relationship with Position-Keeping Accounts and Collateral Accounts

Position-keeping Account	Collateral Account	
H	Proprietary	H
C	Client	C

Each client "C" position-keeping account and the client "C" collateral account of an SCM may hold any number of segregated sub-accounts. Each Individual Segregated Account of the SCM will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account, each Indirect Gross Account of the SCM will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account, each Custodial Segregated Account of the SCM will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account, and each Omnibus Segregated Account will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account.

In the case of Omnibus Gross Segregated Accounts, the relevant segregated sub-accounts of the client "C" collateral account and "C" position-keeping account will be further segregated into sub-accounts for each Omnibus Gross Segregated Clearing Client or, where applicable, a group of Combined Omnibus Gross Segregated Clearing Clients together.

In the case of Indirect Gross Accounts, the relevant segregated sub-accounts of the client "C" position-keeping account will be further segregated into position-keeping sub-accounts for each Indirect Gross Sub-Account (relating to each Indirect Clearing Client).

1.6.2 Further accounts

At the Clearing House's discretion, further accounts may be opened from time to time.

1.6.3 Client Excess

A Clearing Member can transfer Client Excess in accordance with Section 1.10 of Procedure 4 (*Margin and Collateral*).

1.6.4 Default Fund (DF) Account

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

1.7 Variation Margin and NPV Payments

All SwapClear Transactions will, on submission to the Clearing House, be marked-to-market using the Clearing House's zero coupon yield curves. In accordance with Regulation 57 (*Collateralisation of SwapClear CTM Contracts*) and Regulations 57A (*Settlement of SwapClear STM Contracts and Conversion to SwapClear STM Contract*), the Clearing House will use these curves to calculate the net present value of the SwapClear Transaction to the Clearing House or, as the case may be, to an SCM.

In respect of each SwapClear Transaction that is settled-to-market daily in accordance with Regulations 57A, the obligation of either the relevant SCM or the Clearing House to pay to the other an amount in respect of the change in the net present value of a SwapClear Transaction shall, for the purposes of this Procedure, be referred to as the “NPV Payment”.

A single separate calculation in respect of the variation margin and/or NPV Payment owed by or to the relevant SCM shall be performed for (i) an SCM's Proprietary Accounts, (ii) each Individual Segregated Account, Custodial Segregated Account and Omnibus Segregated Account (other than an Omnibus Gross Segregated Account), and (iii) each Indirect Gross Sub-Account within an Indirect Gross Account.

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In respect of each Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) a single separate calculation in respect of the variation margin and/or NPV Payments owed by or to the relevant SCM shall be performed in respect of the SwapClear Contracts entered into by the relevant SCM on behalf of such Omnibus Gross Segregated Clearing Client.

In respect of a group of Combined Omnibus Gross Segregated Clearing Clients a single separate calculation in respect of the variation margin and/or NPV Payments owed by or to the relevant SCM shall be performed in respect of SwapClear Contracts entered into by the relevant SCM on behalf of such Combined Omnibus Gross Segregated Clearing Clients.

No offset between the "C" and the "H" accounts is allowed (except (i) pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule, or (ii) in relation to the transfer of House Excess or Client Buffer in accordance with the Rulebook) and no offset between any Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

Collateral and/or NPV Payments (as applicable) that are provided pursuant to this Procedure must, subject to intra-day registration, be in the form of cash in the currency of the SwapClear Transaction. Where a SwapClear Transaction is registered intra-day, and the variation margin obligation and/or NPV Payment obligations (as applicable) is covered with non-cash Collateral, the Clearing House will, the following business day, require the SCM to replace that non-cash amount with cash in the currency of the SwapClear Transaction.

All SwapClear Contracts will be marked-to-market or settled-to-market (as applicable) daily using the Clearing House's zero coupon yield curves. The daily change in the net present value will be credited to or debited from the relevant position account.

Any transfers of cash Collateral by an SCM to the Clearing House in respect of the SCM's variation margin obligations in connection with a SwapClear CTM Contract, or by the Clearing House to an SCM in respect of the Clearing House's variation margin obligations in connection with a SwapClear CTM Contract shall be for the purpose of collateralisation and not settlement of the relevant party's obligations under the relevant SwapClear CTM Contract.

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

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

1.7.3 *Net Present Value and Cumulative Net Present Value*

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

On the basis of, amongst other things, the net present value so calculated in relation to a relevant SwapClear Contract, the Clearing House shall calculate the Cumulative Net Present Value of that SwapClear Contract.

It is a condition of registration that sufficient Collateral, as determined by the Clearing House, is held with the Clearing House to cover the variation margin, initial margin and/or NPV Payment obligations (as applicable) in respect of each SwapClear Transaction (taking into account, for these purposes, any MER and/or SwapClear Tolerance, if any), except that such Collateral shall not be required to be provided prior to registration as a condition thereto if such SwapClear Transaction is a Sub-Block Trading Venue Transaction.

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1.7.4 *Price Alignment Interest*

The transfer of Collateral in respect of variation margin on a daily basis without adjustment would distort the pricing for SwapClear Transactions

available the Clearing House will, at its sole discretion, determine a value for the Index level.

1.9 Initial Margin

The Clearing House will require SCMs to transfer Collateral in respect of their initial margin obligations, which are not discharged. This amount will be determined by the prevailing market conditions and the expected time to close out the portfolio. The Portfolio Approach to Interest Rate Scenarios (PAIRS) will be used to calculate initial margin requirements for SwapClear Contracts.

Separate initial margin calculations are performed for an SCM's Proprietary Accounts and for each Individual Segregated Account, Custodial Segregated Account, ~~Omnibus Segregated Account (other than an Omnibus Gross Segregated Account), and Indirect Gross Sub-Account within an Indirect Gross Account.~~ In respect of each Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) separate initial margin calculations are performed in respect of the SwapClear Contracts entered into by the relevant SCM on behalf of each such Omnibus Gross Segregated Clearing Client. In respect of a group of Combined Omnibus Gross Segregated Clearing Clients a single initial margin calculation is performed in respect of SwapClear Contracts entered into by the relevant SCM on behalf of each such group of Combined Omnibus Gross Segregated Clearing Clients.

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No offset between the "C" and the "H" accounts is allowed (except (i) pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule, or (ii) in relation to the transfer of House Excess or Client Buffer in accordance with the Rulebook) and no offset between any Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

1.9.1 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 discretion to vary the rates for the whole market or for a specific SCM's Proprietary Account and/or Client Accounts.

1.9.2 Counterparty Risk Multiplier

Where a risk multiplier is applied to an SCM that has SwapClear Clearing Clients, that multiplier will be applied only to SwapClear Clearing Clients that have no Backup Clearing Member.

The Clearing House reserves the right to require additional amounts of Collateral from a specific SCM or from all SCMs in accordance with Regulation 20 (*Margin and Collateral*).

1.14 Indirect Clearing

1.14.1 In circumstances where an early termination date (howsoever described) occurs in respect of all of the transactions between a SwapClear Clearing Member and a SwapClear Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect ~~Gross~~ Account in respect of which such SwapClear Clearing Member (i) is a party to Related SwapClear Contracts and (ii) at the time of such early termination date, is not a Defaulting SCM, that SwapClear Clearing Member may instruct the Clearing House to take one of the following steps in respect of each Indirect Clearing Client comprising the Indirect Gross Account:

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(a) in circumstances where the SwapClear Clearing Member notifies the Clearing House of a Backup Client in respect of the relevant Indirect Clearing Client, transfer all of the open Related SwapClear Contracts registered to the Indirect Gross Sub-Account referable to the Indirect Clearing Client to the relevant Indirect Gross Sub-Account referable to the Indirect Clearing Client of the new or existing Indirect Gross Account which the SwapClear Clearing Member has opened in respect of such Backup Client (a "Client to Client Porting");

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(b) transfer all of the open Related SwapClear Contracts registered to the Indirect Gross Sub-Account referable to the Indirect Clearing Client to:

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(i) a new Individual Segregated Account or Custodial Segregated Account opened within the Clearing House by the SwapClear Clearing Member directly on behalf of such Indirect Clearing Client who shall, after such transfer, become a SwapClear Clearing Client in respect of such Client Account; or

(ii) a new or existing Omnibus Segregated Account opened within the Clearing House by the SwapClear Clearing Member where such Indirect Clearing Client shall, after such transfer, become a SwapClear Clearing Client in respect of such Omnibus Segregated Account,

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(each, a "Direct Account Opening"); or

~~Deleted: transfer the relevant Related SwapClear Contracts from the relevant Indirect Omnibus Segregated Account to a new Omnibus Segregated Account opened within the Clearing House by the relevant SwapClear Clearing Member directly on behalf of the relevant clients~~

(c) transfer all of the open Related SwapClear Contracts registered to the Indirect Gross Sub-Account referable to the relevant Indirect Clearing Client to its Proprietary Account (an "Initial Transfer").

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The Clearing House will determine, in respect of each Indirect Clearing Client comprising the Indirect Gross Account, whether a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) is possible within the period of time considered by the Clearing House (in its sole discretion) to be appropriate in the relevant circumstances. In the event of a determination by the Clearing House that the relevant step is impossible within such time period (an "Impossibility Determination"), the Clearing House will notify the SwapClear Clearing Member and will not undertake a

Client to Client Porting, a Direct Account Opening or an Initial Transfer in respect of the relevant Indirect Clearing Client.

1.14.2 Each of the steps referred to in paragraphs (a), (b) and (c) of Section 1.14.1 above will, in respect of each Indirect Clearing Client comprising the Indirect Gross Account, be subject to the following:

(a) the Clearing House receiving a copy of the notice from the SwapClear Clearing Member to the relevant SwapClear Clearing Client or from the SwapClear Clearing Client to the relevant SwapClear Clearing Member, copied to each Indirect Clearing Client comprising the Indirect Gross Account, designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;

(b) the Clearing House receiving a copy of the notice from the SwapClear Clearing Member to the relevant SwapClear Clearing Client and the relevant Indirect Clearing Client confirming that the SwapClear Clearing Member will, in accordance with the instructions of the Indirect Clearing Client, request the Clearing House to arrange a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) in respect of the Related SwapClear Contracts referable to the Indirect Clearing Client;

(c) the SwapClear Clearing Member having satisfied the Total Required Margin Amount in respect of the relevant account to which the Related SwapClear Contracts are being transferred;

(d) the Clearing House receiving an indemnity from the SwapClear Clearing Member in a form suitable to the Clearing House; and

(e) in respect of a Client to Client Porting, the Clearing House receiving written confirmation from the SwapClear Clearing Member that the Backup Client has agreed to act as the Backup Client in relation to such Client to Client Porting.

The Clearing House will usually arrange a transfer of the Related SwapClear Contracts referable to an Indirect Clearing Client within 24 hours of receipt of the documents listed in Section 1.14.2(a) to (e).

For the purposes of this Section 1.14, a "**Related SwapClear Contract**" has the same meaning as ascribed to such term in Section 1.13.1, save that, in this Section 1.14, the SwapClear Clearing Client is acting on behalf of one or more Indirect Clearing Clients in respect of whom the SwapClear Clearing Member clears Contracts with the Clearing House in an Indirect Gross Account.

1.15 Portfolio Transfers (BAU)

1.15.1 Introduction

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SwapClear Clearing Member's agreements and representations (including as set out in this Section 1.15.10) in connection therewith;

- (e) the Permitted Transfer is permissible under Applicable Law and is not in violation of Applicable Law, and the SCM has obtained any and all necessary and appropriate consents, authorisations and approvals, and has taken any other actions required under Applicable Law in connection with the Permitted Transfer; and
- (f) the Clearing House shall not be liable for any costs, expenses, damages or losses, whether direct or indirect, suffered by any of the parties hereto, or by the Eligible Transferor or Eligible Transferee, as a result of any actions taken by the Clearing House in connection with the Permitted Transfer.

1.15.11 Fees

Any Permitted Transfer effected pursuant to Regulation 60 and in accordance with these Procedures and (where applicable) any relevant Collateral Management Agreement will be subject to such fees as are established by the Clearing House from time to time in its sole and absolute discretion, and notified to SwapClear Clearing Members via a member circular.

1.16 Compression

A SwapClear Clearing Member may compress existing SwapClear Contracts in accordance with Regulation 56. There are two options available to a SwapClear Clearing Member that wishes to compress existing SwapClear Contracts:

- (a) a SwapClear Clearing Member can request that all SwapClear Contracts entered into on behalf of a designated SwapClear Clearing Client (or, where relevant, in respect of an Indirect Gross Sub-Account) or on such SwapClear 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 SwapClear Clearing Member after the applicable scheduled compression run) until the SwapClear Clearing Member notifies the Clearing House to discontinue such compression of SwapClear Contracts. SwapClear Clearing Members should contact the Clearing House's Membership Department to request such a compression of SwapClear Contracts; or
- (b) a SwapClear Clearing Member may notify the Clearing House directly through the ClearLink API specifying which SwapClear Contracts should be compressed. Additionally, a SwapClear Clearing Member may provide such notice to the Clearing House through any Approved Trade Source System previously approved for this purpose by the Clearing House, but only where the compression is by way of netting in respect of one or more pairs of SwapClear Contracts that have substantially the same Economic Terms and fixed rate but for which the position of the SwapClear Clearing Member (on its own

behalf or on behalf of the relevant SwapClear Clearing Client or, where relevant, in respect of an Indirect Gross Sub-Account) is (x) in the opposite direction on each leg of such pair (i.e., obligations to make payment netted against rights to receive payment), such that the SwapClear Contract that replaces such pair of SwapClear Contracts to be compressed shall have a notional amount equal to the net notional amount of the original pair of SwapClear Contracts or (y) in the same direction on each leg of such pair (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 original pair of SwapClear Contracts. The SwapClear Clearing Member will be notified after the applicable scheduled compression run whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

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In order to compress a SwapClear Contract, a SwapClear Clearing Member must have in its applicable Client Account or Proprietary Account SwapClear Contracts with the same compression identifier (being an identifier applied by the Clearing House which indicates that such SwapClear Contracts are eligible for compression) and shall then follow the process for compression as set out above.

In respect of each compression, the Clearing House will notify SwapClear Clearing Members of the cut-off time by which the Clearing House must be notified of the relevant SwapClear Contracts to be compressed in order for such SwapClear Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all SwapClear Contracts notified to it prior to such cut-off time. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day. The Clearing House shall notify the applicable SwapClear Clearing Member after the applicable compression run of the result of such compression procedure. A SwapClear Clearing Member may, with the prior approval of the Clearing House and pursuant to Section 1.31, elect to receive such notification via any Approved Trade Source System previously approved by the Clearing House for such purpose.

A SwapClear Clearing Member that elects to provide notices or reports to the Clearing House through any Approved Trade Source System specifying which SwapClear Contracts should be compressed, have been compressed or any other information in relation to compressions acknowledges and agrees that (i) 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 compression-related details by that Approved Trade Source System to the Clearing House of the SwapClear Clearing Member, (ii) the Clearing House will process and use any compression-related information provided to it via an Approved Trade Source System on an "as is" basis (with no obligation to verify any details), (iii) 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 the SwapClear Clearing Member or any delay in or failure of the transmission of such data to the Clearing

Post-Multilateral Compression Contracts (the “**Initial Member Compression Proposal**”).

Each Compression Clearing Member in the relevant Member Compression Cycle must review and agree on a set of Terminating SwapClear Contracts and, if applicable, Post-Multilateral Compression Contracts from the Initial Member Compression Proposal. For the avoidance of doubt, the Compression Clearing Members in the relevant Member Compression Cycle may agree on Terminating SwapClear Contracts and, if applicable, Post-Multilateral Compression Contracts that were not included in the Initial Member Compression Proposal. In the event a Compression Clearing Member selects Terminating SwapClear Contracts to be included in the relevant Member Compression Cycle, which were not set forth on the Initial Member Compression Proposal, the Compression Clearing Member must submit such other Terminating SwapClear Contracts to the Clearing House for inclusion in the relevant Member Compression Cycle.

In the event both Compression Clearing Members in the relevant Member Compression Cycle agree on a matching set of Terminating SwapClear Contracts and, if applicable, Post-Multilateral Compression Contracts, including any Terminating SwapClear Contracts that were set forth on the Initial Member Compression Proposal (each Compression Clearing Member’s Post-Multilateral Compression Contracts must be equal and offsetting with the other relevant Compression Clearing Member’s Post-Multilateral Compression Contracts), the Clearing House may present to each Compression Clearing Member a proposed final set of Terminating SwapClear Contracts and, if applicable, Post-Multilateral Compression Contracts for the given Member Compression Cycle (the “**Final Member Compression Proposal**”). Upon approval from each Compression Clearing Member of the Final Member Compression Proposal, such Final Member Compression Proposal shall constitute the Compression Proposal for the given Member Compression Cycle and the Clearing House may effect the Member Compression Cycle as set forth in Regulation 56 in its sole and absolute discretion.

SwapClear Clearing Members should contact swapclear.clientservices@lch.com for further information.

1.18 **Amendment of Trade References**

A SwapClear Clearing Member may wish to change its own trade references numbers/codes by which it identifies trades registered in the SwapClear Service. Subject to that SwapClear Clearing Member meeting all the Clearing House’s requirements and these Procedures, the Clearing House will, as part of its service to SwapClear Clearing Members, amend its records in order to reflect this change. Such change has no effect whatsoever on the terms of any registered SwapClear Contract or any other obligations of the SCMs party to those contracts.

1.19 **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 SwapClear Clearing Member wishing to amend a trade reference. The form must be signed by two persons from within the SwapClear Clearing Member with appropriate signing

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SwapClear Contracts may be transferred from a Client Account to the relevant SCM’s Proprietary Account in accordance with Section 1.13. In the event that an SCM wishes to remove a SwapClear Contract submitted through the SWIFT trade source it should complete a Cleared Trade Removal Agreement as set out in Schedule 3 of Procedure 4 (*Margin and Collateral*) and a corresponding Cleared Trade Removal Agreement should also be submitted to the Clearing House by the Counterparty SCM (as defined in the Agreement).¶

A SwapClear Clearing Member may request that the Clearing House opens a Custodial Segregated Account in respect of a Clearing Client and must execute, and procure that the Clearing Client executes, such documentation as the Clearing House specifies.

1.21 **SwapClear STM Contracts and SwapClear CTM Contracts – Elections and Conversions**

If a SwapClear Clearing Member wishes to make an election pursuant to Regulation 55(c) or a conversion pursuant to Regulation 57A(m) it must complete and deliver to the Clearing House such documentation as the Clearing House shall make available for such purposes from time to time. A SwapClear Clearing Member wishing to make such an election or conversion should contact swapclearclientservices@lchclearnet.com

1.22 **SwapClear Client Clearing**

As part of the SwapClear Service, a SwapClear Clearing Member is able to provide certain clearing services to SwapClear Clearing Clients.

1.22.1 Security Deed

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

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1.22.2 Prescribed Language

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

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1.22.3 Other Legal Documentation

- (a) From time to time, the Clearing House may make available on its website template documents that a SwapClear Clearing Member and a SwapClear Clearing Client may find useful when agreeing the terms between them for the provision of clearing services by such SwapClear Clearing Member to a SwapClear Clearing Client. The Clearing House makes no representations in respect of any documentation, including without limitation, those provided by the Clearing House or otherwise.

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SwapClear Clearing Clients should, of course, make their own independent decisions in relation to the SwapClear Client Clearing Services based upon their own judgment and upon such advice from such advisers as those clients deem necessary.

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SwapClear Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website:

www.lch.com/swaps/swapclear_for_clients/default.asp

- (b) Certain template versions of client clearing documentation are made available on the Clearing House's website.

1.23 Withholding Taxes

Please note that where SCMs are not beneficially entitled to securities that they transfer to the Clearing House as non-cash Collateral, the Clearing House may require certain tax documents from the relevant beneficial owner of such securities (see Section 4 (*Margin and Collateral*) of the [Procedures](#)).

1.24 Early Termination Events

SwapClear Clearing Members using MarkitWire, Tradeweb and Bloomberg 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 has agreed, in order to assist SwapClear Clearing Members, that SwapClear Clearing Members may 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 SCMs in whose name such trades are registered. SCMs have no right to elect early termination of any SwapClear Contract. The full terms of any such SwapClear Contract are as set out in the Product Specific Contract Terms and Eligibility Criteria Manual.

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").

1.25 Termination of SwapClear Dealer Status

The SwapClear Dealer Agreement sets out how that relationship may be terminated.

In particular, a SwapClear Dealer may terminate the agreement by giving no less than twenty one (21) days' written notice in the same terms to the SCM and to the Clearing House. Before the expiry of such twenty one (21) days (the "**Termination Date**"), the Clearing House will notify all SwapClear Clearing Members and SwapClear Dealers that the relevant SD is no longer able, from such Termination Date to submit SwapClear Transactions for registration. It 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.

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 A Clearing Member is permitted under certain conditions to transfer SwapClear Contracts registered to one Client Account to another Client Account pursuant to Regulation 60(l). Transfers are permitted between two Omnibus Segregated Accounts, two Individual Segregated Accounts or between an Individual Segregated Account and an Omnibus Segregated Account (or vice versa).¶
 Clearing Members interested in providing these services to their Clearing Clients should contact the Clearing House's SwapClear Client Services department. A Clearing Member may provide these services if, with respect to and prior to each such transfer that it intends to conduct, it delivers all information required by the Clearing House with respect to the intended transfer in the format required by the Clearing House (which may include transfer forms or other relevant documentation). Details can be obtained from the Clearing House's SwapClear Client Services department. Even where such Clearing Member has provided all requested information, each transfer shall be subject to the Clearing House's discretion. Transfer requests received before 17:00 hours (London time) will normally be processed by the Clearing House on the day of receipt. Requests received after 17:00 hours will normally be processed on the following Business Day.¶
 In connection with each transfer of one or more SwapClear Contracts that a Clearing Member transfers between two of its Client Accounts, the Clearing Member shall be deemed to make the agreements, acknowledgements and representations set forth in the following paragraph to the Clearing House with respect to each such transfer.¶
 The Clearing Member acknowledges and agrees that:¶
 other than where the SwapClear Contract in question will (assuming such transfer is properly effected) change from, or to, a SwapClear STM Contract immediately following the requested transfer, the contractual terms of the relevant SwapClear Contracts will not change solely as a result of the Clearing House effecting the requested transfer;¶
 the Clearing Member will remain liable to the Clearing House for all obligations under the relevant SwapClear Contracts prior to, during and after the transfer;¶
 the Clearing House may require that certain changes be made to the books and records of one or more Approved Trade Source ...

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The appointment of an LCH Approved Outsourcing Agent does not relieve a SwapClear Clearing Member of its obligations in relation to a Rates Service DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the Rates Service DMP on behalf of an SCM, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that SCM.

1.28.8 Rates Service DMG

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

Each SCM who makes available a representative to serve on the Rates Service 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 Rates Service DMG complies with Schedule 2 covering confidentiality, non-disclosure and other terms.

1.28.9 Procedures for Liquidation of Rates Service Contracts relating to Clearing Clients

Upon the Default of a Rates Service Clearing Member, the Clearing House has the power and authority, pursuant to the Rulebook, to liquidate the Rates Service Contracts of the Defaulter has entered into in respect of its Clearing Clients which, pursuant to the Rulebook, would be conducted in accordance with the Rates Service DMP Annex. This section sets forth certain supplementary procedures (in addition to the Default Rules and other applicable provisions of the Rulebook) that will apply under such circumstances.

In certain circumstances the Clearing House may determine, in its sole discretion, that the Rates Service Contracts entered into by the Defaulting Rates Service Clearing Member in respect of one or more Clearing Clients should be liquidated. Such determination may result from factors, including (a) the Clearing House determining that the Rates Service Contracts entered into by the Defaulting Rates Service Clearing Member in respect of the Clearing Client pose too great a risk to the Clearing House and should therefore be liquidated, (b) the Clearing House becoming aware of the Clearing Client becoming insolvent or otherwise failing in its obligations to the Defaulting Rates Service Clearing Member, (c) the relevant Clearing Client requesting that the Rates Service Contracts referable to it be liquidated, or (d) a request or instruction from a Regulatory Body, whether orally or in writing. In the event of such determination, the Clearing House shall transfer (either physically or by book-entry) the Rates Service Contracts to be liquidated into an account at the Clearing House established for purposes of liquidating the Rates Service Contracts entered into by the Defaulting Rates

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Service Clearing Member in respect of its Clearing Clients (such account, a "Hedged Account"). The Clearing House may establish one or more separate Hedged Account(s) for Rates Service Contracts that are non-transferable and will be subject to liquidation and, if applicable, may include in each such Hedged Account the Rates Service Contracts that are to be liquidated, regardless of the Clearing Clients for which such Rates Service Contracts are held. The provisions of this section shall apply equally to any such Hedged Account. Additionally, no Contracts other than Rates Service Contracts will be transferred into a Hedged Account established for liquidating Rates Service Contracts.

Where the Clearing House transfers Rates Service Contracts referable to a Clearing Client into a Hedged Account, such Clearing Client is referred to as a "Non-Porting Client". The Clearing House shall hold the relevant Collateral in the relevant Client Account, in each case until the liquidation of the entire Hedged Account and all Rates Service Contracts and other positions therein, as described below. At the time that the Rates Service Contracts referable to a Non-Porting Client are transferred into a Hedged Account, any outstanding and accrued but unpaid variation margin in respect of such Rates Service Contracts that are SwapClear CTM Contracts shall be discharged as of the time such Rates Service Contracts are transferred into the Hedged Account by (a) in the event that variation margin is accrued but unpaid in favour of the Clearing House, debiting the relevant Client Account, or (b) in the event that variation margin is accrued but unpaid in favour of the Defaulter, crediting the relevant Client Account.

- (i) Administration of a Hedged Account. The Clearing House may enter into hedge transactions, liquidate (by way of auction or otherwise) the Rates Service Contracts and the associated hedge positions for the account of the Hedged Account, and take related actions with respect to a Hedged Account (and the positions held therein), in each case, in its sole discretion as permitted by the Rulebook and Applicable Law, or as directed by an applicable Regulatory Body.
- (ii) 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 costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:

(A) At the time a Clearing Client becomes a Non-Porting Client, the Clearing House will assign:

(1) in respect of a Non-Porting Client that is not an Indirect Gross Account Clearing Client, a risk factor to the set of Rates Service Contracts referable to such Non-Porting Client; and

(2) in respect of a Non-Porting Client that is an Indirect Gross Account Clearing Client and each Indirect Gross

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Sub-Account within the relevant Indirect Gross Account, a separate risk factor to each set of Rates Service Contracts referable to each Indirect Gross Sub-Account.

(each, an “**Account Class Risk Factor**”). The value of each Account Class Risk Factor is calculated as the proportion that the Required Initial Margin Amount in respect of each set of Rates Service Contracts bears to the aggregate Required Initial Margin Amount of all Rates Service Contracts that are transferred into the Hedged Account at the time such Clearing Client becomes a Non-Porting Client (i.e., at the time of transfer of the Rates Service Contracts into the Hedged Account).

(B) On the first day that Clearing Clients become Non-Porting Clients, gains and losses in the Hedged Account on such day shall be allocated on a pro rata basis among each such Non-Porting Client (and, in respect of a Non-Porting Client that is an Indirect Gross Account Clearing Client, among each Indirect Gross Sub-Account within the relevant Indirect Gross Account) based on the Account Class Risk Factor referable to each such Non-Porting Client and (where applicable) Indirect Gross Sub-Account. 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**”.

(C) 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 Account Class Risk Factor**”) in respect of the Rates Service Contracts and associated hedge positions relating to 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 Account Class Risk Factor shall be based on the Required Initial Margin Amount of all Rates Service Contracts and associated hedge 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 Rates Service Contracts referable to New Non-Porting Clients into the Hedged Account). For the avoidance of doubt, the Existing Non-Porting Clients Combined Account Class Risk Factor is calculated without respect to the Required

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Initial Margin Amount of the transferred Rates Service Contracts referable to the New Non-Porting Clients.

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(D) On any day on which New Non-Porting Clients are included in the Hedged Account, gains and losses in the Hedged Account that arise on that day will be allocated to the Existing Non-Porting Clients (as a group), to each New Non-Porting Client that is not an Indirect Gross Sub-Account Clearing Client (individually) and, in respect of a New Non-Porting Client that is an Indirect Gross Account Clearing Client, to each Indirect Gross Sub-Account within the relevant Indirect Gross Account, on a pro rata basis, based on the Existing Non-Porting Clients Combined Account Class Risk Factor (with respect to the Existing Non-Porting Clients as a group) and each Account Class Risk Factor referable to each New Non-Porting Client or (where applicable) Indirect Gross Sub-Account. 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 or (where applicable) Indirect Gross Sub-Account on a pro rata basis based on the Account Class Risk Factor referable to each such Existing Non-Porting Client or (where applicable) Indirect Gross Sub-Account. The allocation of gains and losses on subsequent days shall occur in the same manner as set forth in this paragraph (D) 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, (1) the Existing Non-Porting Clients shall continue to be treated as Existing Non-Porting Clients, (2) the Non-Porting Clients previously constituting the New Non-Porting Clients shall then also constitute Existing Non-Porting Clients as defined in paragraph (C) above), (3) the additional Non-Porting Clients included in the Hedged Account shall constitute the New Non-Porting Clients as defined in paragraph (B) above), and (4) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Account Class Risk Factor and the allocation of gains and losses shall be in accordance with paragraph (C) above and this paragraph (D).

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(E) Upon the liquidation of the Hedged Account and all Rates Service Contracts and associated hedge positions therein, by auction or otherwise, any gains or losses associated with such liquidation shall be allocated on a pro rata basis to each Non-Porting Client (and, in respect of a Non-Porting Client that is an Indirect Gross Account Clearing Client, to each Indirect Gross Sub-Account within the relevant Indirect Gross Account) based on the “unit value” of each Rates Service Contract referable to such Non-Porting Client or (where applicable) Indirect Gross Sub-Account and transferred into the Hedged Account, as adjusted by an “auction value adjustment”. For the purposes

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of this paragraph (E), (1) “**unit value**” means, in respect of Rates Service Contract, the value applied by the Clearing House to each Rates Service Contract, based on its net present value and outstanding notional value, and (2) “**auction value adjustment**” means, in respect of a Rates Service Contract, a ratio applied by the Clearing House to such Contract based on the aggregate liquidation costs incurred in liquidating the Hedged Account and the aggregate notional value of all Rates Service Contracts in the Hedged Account. The allocations described in this paragraph (E) are without reference to any Account Class Risk Factor or Existing Non-Porting Clients Combined Account Class Risk Factor.

Settlement 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 relevant Client Account or (where applicable) Indirect Gross Sub-Account.

1.28.10 Rates Service Default Management Disclosure Notice

Each SCM must ensure that each Clearing Client is provided with, or is directed to a copy of, the Rates Service Default Management Disclosure Notice and further must provide confirmation to the Clearing House, in the form and manner reasonably required by the Clearing House, that it has discharged this obligation in respect of each of its Clearing Clients.

1.28.11 Contact Information

Each SCM is required to provide the Clearing House with contact details for those persons that the Clearing House should contact in the event of an SCM Default. SCMs are required to ensure that contact details remain up to date and to notify the Clearing House of any changes in such details.

1.29 Provision of Tax Forms

The Clearing House and each SwapClear Clearing Member shall provide to each SwapClear Clearing Member or the Clearing House, as relevant, (i) any forms or documents specified in the SwapClear Contract between the Clearing House and the SwapClear Clearing Member and (ii) any other form, document, statement or certification reasonably requested in writing by the SwapClear Clearing Member or the Clearing House in order to allow the SwapClear Clearing Member or the Clearing House to make a payment under the Clearing House rules or any SwapClear Contract without deduction or withholding for or on account of any tax or with such deduction or withholding at a reduced rate unless the Clearing House or the SwapClear Clearing Member can no longer deliver such form, document, statement or certification solely as a result of a change in law (including double tax treaty) or interpretation thereof after the date of the SwapClear Contract between the Clearing House and the SwapClear Clearing Member. In the case of the Clearing House, the forms required pursuant to item (ii) above include an Internal Revenue Service Form W-8BEN. Additionally, the Clearing House will take such further actions as necessary to ensure

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LCH Rule Submission

Appendix E

Procedures Section 2I (ForexClear Service)

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PROCEDURES SECTION 2I

FOREXCLEAR CLEARING SERVICE

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1. INTRODUCTION AND INTERPRETATION

These Procedures govern the ForexClear Service, form part of the Rulebook and must be read in conjunction with the other parts of the Rulebook.

Capitalised terms used in these Procedures not otherwise defined herein have the meanings ascribed to them in the Rulebook.

References to "Sections" shall mean sections in these Procedures.

References to "Business Day", "Calculation Agent", "Currency Pair", "Disruption Fallback", "Notional Amount", "Reference Currency", "Settlement Currency", "Settlement Currency Amount", "Settlement Date", "Settlement Rate", "Settlement Rate Option", "Trade Date", "Valuation Date", "Valuation Postponement" shall have the meanings given to them in the ForexClear Contract Terms.

References to "business day" shall carry the meaning given to it in the Rulebook.

"EMTA" means EMTA Inc., the trade association for the emerging markets that was formerly known as the Emerging Markets Traders Association, or any successor entity.

"EMTA Template" means the template terms for Non-Deliverable FX Transactions for a particular Currency Pair that are in effect and published by EMTA on its website on the relevant Trade Date.

"Relevant EMTA Template" means, for a particular ForexClear Contract, the EMTA Template that is incorporated by reference into the ForexClear Contract Terms applicable to such Contract, together with any amendments thereto as set out in the ForexClear Contract Terms.

Unless otherwise specified, all times are in local London time.

The liability of the Clearing House is as set out in Regulation 52 (*Exclusion of Liability*), which applies to these Procedures in its entirety unless provided otherwise.

1.1 Users of ForexClear

The ForexClear Service is an interface that processes and stores all ForexClear Transactions. FXCCMs are clearing members who have applied and have been accepted by the Clearing House to clear in the ForexClear Service. FXDs are not FXCCMs, but have met the criteria for registration as a FXD and have entered into a ForexClear Dealer Clearing Agreement with an FXCCM and the Clearing House. FXCCMs, FXDs and ForexClear Clearing Clients are collectively known as ForexClear Participants ("FXPs"). For membership procedures, please see Section 1 (*Clearing Member and Dealer Status*) of the Procedures.

For identification purposes each FXCCM is assigned a unique three-character mnemonic.

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- 1.1.1 *Termination of FXCCM Status:* Clearing Members should contact the Clearing House Onboarding Department (+44 (0)207 426 7891/7627/7063; onboarding@lch.com) for details of how to resign from the ForexClear Service.
- 1.1.2 *Termination of FXD Status:* The ForexClear Dealer Agreement and Regulation 8 (*Dealer Status*) set out how the FXD relationship may be terminated.

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1.2 Service Scope

1.2.1 *Eligibility:* Non-Deliverable FX Transactions as defined in the Product Specific Contract Terms and Eligibility Criteria Manual ("NDFs") may be submitted for clearing through the ForexClear Service. To be eligible to be registered as a ForexClear Contract, an NDF must meet the ForexClear Eligibility Criteria (as set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time).

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1.2.2 Service Operating Hours

- (a) *Opening Days:* The ForexClear Service will be open each day, except weekends, Christmas Day and New Year's Day.
- (b) *Opening Hours:* The ForexClear Service will be open between 20:00 local London time Sunday night and 01:00 local London time Saturday morning ("**Opening Hours**"). The ForexClear Service will not accept ForexClear Transactions outside of these hours.

1.2.3 Accounts

(a) *Proprietary Accounts and Client Accounts*

(i) Proprietary Accounts

A FXCCM may request that the Clearing House opens one or more Proprietary Accounts in respect of its House Clearing Business.

Each Proprietary Account will map to two sub-accounts

- (A) a position account; and
(B) a collateral account

(ii) Client Accounts

(A) Types of Client Account

Subject to Regulation 11 (*Client Clearing Business*) and Section 1.12 (*ForexClear Client Clearing*) below, a FXCCM may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

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- (1) Individual Segregated Accounts;
(2) Indirect Gross Accounts;
(3) Non-Identified Client Omnibus Net Segregated Account;

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- (4) Identified Client Omnibus Net Segregated Accounts;
 - (5) Affiliated Client Omnibus Net Segregated Accounts;
 - (6) Omnibus Gross Segregated Accounts; and/or
 - (7) Indirect Net Accounts.
- (iii) Each Client Account will map to two or more sub-accounts:
- (A) one or more position accounts; and
 - (B) one or more collateral accounts.
- (b) The ForexClear Service provides for:
- (i) a single house position-keeping account with the account code "H" in respect of ForexClear Clearing House Business and a collateral account associated with the "H" house position-keeping account;
 - (A) Sub-accounts within the FXCCM's "H" house position-keeping account may be set up (e.g. for branches or FXDs). Each such sub-account will carry the unique Bank Identifier Code ("BIC") of the relevant branch/FXD (please see Section 1.2.4).
 - (B) Sub-accounts within the FXCCM's "H" house position-keeping account will be associated with the single collateral account of the FXCCM and information contained across the house position-keeping sub-accounts is consolidated into the single "H" account of each FXCCM.
 - (ii) a single client position-keeping account with the account code "C" in respect of ForexClear Client Clearing Business and a collateral account associated with the "C" client position-keeping account. Each client "C" position-keeping account and the client "C" collateral account of a FXCCM may hold any number of segregated sub-accounts. Each Individual Segregated Account of the FXCCM will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account. each Indirect Gross Account of the FXCCM will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account and each Omnibus Segregated Account will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account.

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In the case of Indirect Gross Accounts, the relevant segregated sub-accounts of the client "C" position-keeping account will be further segregated into position-keeping sub-accounts for each Indirect Gross Sub-Account (relating to each Indirect Clearing Client).

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- (c) The ForexClear Service also provides for a separate account for each FXCCM's ForexClear Default Fund Contribution with the account code "F"
- (d) Only the "H" and "F" accounts are obligatory. The "C" account will be used in respect of any FXCCM which engages in ForexClear Client Clearing Business.

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1.2.4 Branches

- (a) Submission of a static data form to LCH's Onboarding department by an FXCCM will also allow an FXCCM to be provided with one or more sub-accounts for any branch of that FXCCM (for position-keeping purposes) within that FXCCM's "H" position-keeping account.
- (b) Because the single account reflects the consolidated balances and liabilities of the FXCCM, the balances and liabilities associated with ForexClear Transactions submitted by FXDs and/or per branch will be provided as an estimate (if applicable) .

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1.2.5 Novation and Registration

- (a) An NDF is a ForexClear Transaction (i.e. eligible for registration as a ForexClear Contract) if it satisfies the ForexClear Eligibility Criteria (set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time) at the Registration Time. Upon a ForexClear Transaction being submitted to the Clearing House for registration, the Clearing House will determine whether to accept or reject the ForexClear Transaction within the required timeframe under all Applicable Law. Where the Clearing House determines to accept the ForexClear Transaction, registration shall occur immediately and the ForexClear Transaction shall be automatically replaced with two separate ForexClear Contracts
- (b) Prior to registering a ForexClear Contract (except where such ForexClear Contract results from a ForexClear Transaction that is a Sub-Block Trading Venue Transaction), the Clearing House will require the FXCCM in whose name such ForexClear Contract is to be registered to provide and maintain sufficient Collateral in respect of its Liabilities (as defined in paragraph (c) of Section 1.6.2 (*Margin Run Process*)) (or its estimated Liabilities) (taking into account any MER Buffer (as defined at paragraph (f) of Section 1.5.5 (*Initial Margin*)) and any MCE (as defined at Section 1.5.6 (*Mutualised Credit Extension*)) made available by the Clearing House, if any) as a precondition to registration. This Collateral check process is referred to

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as the "Incremental Risk Check" (as defined at paragraph (c) of Section 1.3.3 (Trade Validation and Registration)).

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(c) If any FXCCM has not transferred sufficient Collateral in respect of its Liabilities or estimated Liabilities to the Clearing House (taking into account any MER Buffer and MCE provided by the Clearing House, if any) at the time of the relevant Incremental Risk Check, then any submitted and unregistered ForexClear Transaction that the FXCCM has been nominated to clear and that is subject to such Incremental Risk Check will be rejected.

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(d) Once the ForexClear Transaction has passed the Validation Checks (as defined in paragraph (a) of Section 1.3.3 (Trade Validation and Registration)) and the Clearing House has determined to accept the ForexClear Transaction for registration, the Clearing House will send a message confirming the registration of the ForexClear Transaction as two ForexClear Contracts and including a datestamp of the relevant registration time to the to the entities specified in paragraph (a)(iii) of Section 1.3.3 (Trade Validation and Registration). For the purpose of the ForexClear Regulations, the time of dispatch of such message shall be the "Registration Time" of such ForexClear Contracts.

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(e) The definitive report of a registered ForexClear Contract will be shown on the "All Open Contracts" report issued by ForexClear Reporting.

(f) If an FXCCM is declared a Defaulter, the Clearing House will not register any ForexClear Contract in the name of such Defaulter (except pursuant to the Default Rules), ForexClear Transactions in respect of non-defaulting FXCCMs will continue to be registered in accordance with, and subject to, the Rulebook.

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1.3 Trade Management

1.3.1 Trade Capture: After the execution of an NDF (a "trade"), each FXP who is a party to the trade will submit individual instructions to the ForexClear Approved Trade Source System for matching and clearing of the trade. FXPs are not required to submit a confirmation of any trade presented to the Clearing House for registration. Presentation of the matched trade terms through the ForexClear Approved Trade Source System will ensure that the agreed terms of the trade are recorded.

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Once the ForexClear Approved Trade Source System receives the trade instructions from the FXPs who are parties to the trade, the ForexClear Approved Trade Source System matches both instructions. The ForexClear Approved Trade Source System validates the trade using the ForexClear Eligibility Criteria and will, if appropriate, present a single message containing the names of the FXPs who are parties to the trade and the terms of the trade to the Clearing House for registration and clearing, such matched trade being known as a "ForexClear Transaction".

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The Clearing House will determine whether to accept or reject the ForexClear Transaction within the required timeframe under all Applicable Law. In respect of a ForexClear Transaction which is:

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(a) a Trading Venue Transaction, the Clearing House will notify the ForexClear Clearing Members, Trading Venue and (if the originating ForexClear Approved Trade Source System is different to the Trading Venue) the originating ForexClear Approved Trade Source System of registration or rejection of the ForexClear Transaction (as applicable); and

(b) not a Trading Venue Transaction, the Clearing House will notify the ForexClear Clearing Members (via the originating ForexClear Approved Trade Source System or ClearLink API) of registration or rejection of the ForexClear Transaction (as applicable).

in each case within the required timeframe under Applicable Law.

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1.3.2 The ForexClear Approved Trade Source Systems

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FXCCMs must not submit instructions to the Clearing House for trades which will not meet the ForexClear Eligibility Criteria. The Clearing House will register a ForexClear Transaction on the basis of the data provided to it by the ForexClear Approved Trade Source System and has no obligation to verify that the details received from the ForexClear Approved Trade Source System in respect of a ForexClear Transaction properly reflect the trade entered into by the relevant FXPs.

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Application for ForexClear Approved Trade Source System status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of ForexClear Approved Trade Source Systems currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves any additional ForexClear Approved Trade Source System, it will notify FXCCMs via a member circular.

The Clearing House is not able to, and will not, verify the authorisation of the source of any details of any ForexClear Transaction reported to it for registration by the ForexClear Approved Trade Source System. The Clearing House shall have no liability in the event that any FXCCM suffers any loss through the unauthorised input of details into a system of a ForexClear Approved Trade Source System.

Notwithstanding the designation by the Clearing House of a system as a ForexClear 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 ForexClear Approved Trade Source System or the timeliness or otherwise of the delivery of any ForexClear Transaction details by that ForexClear Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FXCCM and the ForexClear Approved Trade Source

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System and the terms of such relationship may entitle the ForexClear Approved Trade Source System to suspend the ability of an FXCCM to make submissions from time to time.

The Clearing House accepts no liability for any error within or corruption of any data sent by the ForexClear Approved Trade Source System to the Clearing House or to an FXCCM 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 ForexClear Contract(s) on the basis of incorrect or corrupted data sent to it by a ForexClear Approved Trade Source System, the FXCCM(s) concerned shall be bound by the terms of such ForexClear Contract(s), unless the ForexClear Contract is subsequently cancelled in accordance with Regulation 91 (Cancellation of ForexClear Contracts).

1.3.3 Trade Validation and Registration

(a) Process Flow Description

(i) The Clearing House performs a validation check on each trade submitted by FXPs to ensure that each such trade meets: (A) the ForexClear Eligibility Criteria and the Counterparty Technical Validation Check (as defined in paragraph (b) of this Section 1.3.3 (Trade Validation and Registration)), (B) where applicable, the Incremental Risk Checks (as defined in paragraph (c) of this Section 1.3.3 (Trade Validation and Registration)), and (C) where applicable, the Consent Validation Check (as defined at paragraph (d) of this Section 1.3.3 (Trade Validation and Registration), in each case, required for ForexClear Transactions (together, the "Validation Checks").

(ii) The Clearing House will create two trade records for a ForexClear Transaction which passes the Validation Checks and is accepted for clearing by the Clearing House; one for the ForexClear Contract between the Clearing House and the relevant FXCCM and the other for the ForexClear Contract between the Clearing House and the same or another relevant FXCCM.

(iii) In respect of a ForexClear Transaction which is:

(A) a Trading Venue Transaction, the Clearing House will notify the ForexClear Clearing Members, Trading Venue and (if the originating ForexClear Approved Trade Source System is different to the Trading Venue) the originating ForexClear Approved Trade Source System of registration or rejection of the ForexClear Transaction (as applicable); and

(B) not a Trading Venue Transaction, the Clearing House will notify the ForexClear Clearing Members (via the

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originating ForexClear Approved Trade Source System or ClearLink API) of registration or rejection of the ForexClear Transaction (as applicable),

in each case within the required timeframe under all Applicable Law.

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- (iv) As provided in paragraph 1.2.5(d) (Novation and Registration), in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that ForexClear Contract.
- (v) The internal sub-account (i.e. FXCCM, branch, or FXD) into which each trade record is booked is derived from the BIC code within the message from the ForexClear Approved Trade Source System. The BIC links to *the FXCCM reference data.*
- (vi) Both new trade records arising out of the ForexClear Transaction have the same unique ForexClear ID (the "**ForexClear ID**"). Any further events or actions are applied on the basis of this ForexClear ID, to ensure consistency.

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(b) The Clearing House checks the following in respect of each trade submitted by FXPs for clearing (i) are both parties to the trade FXPs? (ii) is each FXCCM in whose name a ForexClear Contract is to be registered not a Defaulter? (iii) is each FXCCM in whose name a ForexClear Contract is to be registered approved by the Clearing House to clear the relevant trade type? (together, the "**Counterparty Technical Validation Check**").

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(c) *Incremental Risk Checks*

Deleted: "**Counterparty Technical Validation Check**" The counterparties to each trade (a) are both parties submitted trade particulars FXPs, (b) are each a Non-Defaulting FXCCM and (c) are approved by the Clearing House to clear the relevant trade type.

- (i) The Clearing House will apply an "**Incremental Risk Check**" to each individual ForexClear Transaction which is not a Sub-Block Trading Venue Transaction. The Incremental Risk Check uses a suitable approximation methodology to estimate an FXCCM's Liabilities (including the new ForexClear Transaction) against available Collateral (taking into account any MER Buffer and MCE made available by the Clearing House, if any). However, any ForexClear Transaction submitted by that FXCCM that is risk reducing (i.e. results in a reduction of that FXCCM's Liabilities) will always pass the Incremental Risk Check, even if the FXCCM has not transferred sufficient Collateral in respect of its Liabilities to the Clearing House.

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- (ii) Both FXCCMs to the ForexClear Transaction must pass the Incremental Risk Check in order for the Clearing House to register two ForexClear Contracts in those FXCCM's names.

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- (iii) If either (or both) FXCCM(s) to a ForexClear Transaction fail(s) the Incremental Risk Check(s), then the ForexClear Transaction will be rejected immediately and a notification sent in accordance with Section 1.3.3(a)(iii).

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(d) Necessary Consent

- (i) In the case of an FXCCM which has been nominated to register a ForexClear Transaction on behalf of a third party Executing Party other than an FXD, the Clearing House will (only where such ForexClear Transaction is not a Trading Venue Transaction) provide notification to such FXCCM of the relevant ForexClear Transaction and that it has been so nominated, via member reports, the ClearLink API or otherwise ("Notification"). Where an FXCCM is nominated to clear both ForexClear Contracts arising from the registration of a ForexClear Transaction in the capacities described in this paragraph, such FXCCM will receive two separate Notifications from the Clearing House in relation to such ForexClear Transaction. All Notifications shall be provided within the required timeframe under all Applicable Law. In all other cases, no Notification will be provided to any FXCCM.
- (ii) In respect of a ForexClear Transaction that is not a Trading Venue Transaction, following receipt of a Notification, an FXCCM may choose to grant or refuse consent to register the ForexClear Transaction. It is a condition for registration of such a ForexClear Transaction that an FXCCM grants a separate consent (each, a "Necessary Consent") in respect of each Notification received by it in relation to the registration of such ForexClear Transaction. The Clearing House has an automated system which it operates on each business day for the purposes of rejecting ForexClear Transactions which have been presented for clearing but in respect of which any 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 ForexClear Transaction will be the expiry of the timeframe determined by the Clearing House. If an FXCCM 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 ForexClear Transaction. Any Necessary Consent of a ForexClear Transaction notified by an FXCCM to the Clearing House prior to the LCH Cut-off Time is irrevocable. Any Necessary Consent notified by an FXCCM to the Clearing House after the LCH Cut-off Time shall be invalid.
- (iii) In circumstances where the registration of a ForexClear Transaction is conditional upon one or more Necessary Consent(s) being notified by the applicable FXCCM(s), the relevant ForexClear Transaction shall be deemed to have been "submitted" to the Clearing House by each such FXCCM at the

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time when it notifies the Clearing House of its Necessary Consent. In all other circumstances, a ForexClear Transaction shall be "submitted" to the Clearing House by the applicable FXCCM upon being presented to the Clearing House for clearing by or on behalf of such FXCCM or by or on behalf of a ForexClear Dealer (acting in such capacity with respect to the relevant ForexClear Transaction) approved to clear ForexClear Transactions through the relevant FXCCM.

- (iv) The Clearing House will (where applicable) apply a “Consent Validation Check” in respect of a ForexClear Transaction presented for clearing that is not a Trading Venue Transaction in order to ensure that the Clearing House has received all required Necessary Consents, in accordance with Section 1.3.3(d)(ii).

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(e) *Registration*

- (i) Once it is confirmed that a ForexClear Transaction has passed the Validation Checks, and the Clearing House has determined to accept the ForexClear Transaction for registration, the Clearing House registers the ForexClear Transaction as two ForexClear Contracts and changes the status for the ForexClear Transaction to "NOVATED".
- (ii) The Clearing House acknowledges the ForexClear Contract status and sends a message to the entities specified in Section 1.3.3(a)(iii) that the ForexClear Transaction is registered and "NOVATED".

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<#>in respect of relevant ForexClear Contracts being cancelled, cancels the relevant ForexClear Contracts and changes the ForexClear Contract status of each relevant ForexClear Contract to "CANCELLED".¶

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1.3.4 Trade Rejection

Trades presented for registration that do not meet the ForexClear Eligibility Criteria or any other requirement for registration under the Rulebook, including a trade (a) presented by or on behalf of an FXCCM in respect of a third party Executing Party other than an FXD where such trade was executed on a Trading Venue that was not at the time of execution of such trade an Eligible Trading Venue in respect of such FXCCM, (b) presented by or on behalf of an FXCCM that was executed on a trading venue or facility that had not at the time of the execution of such trade been approved by the Clearing House as a Trading Venue, (c) which contains invalid or incomplete message data, or (d) that is not a Sub-Block Trading Venue Transaction and with respect to which the Clearing House has not received sufficient Collateral (taking into account any MER Buffer and MCE provided by the Clearing House, if any) will, in each case, be rejected.

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If a trade is presented to the Clearing House for registration and rejected, it may be re-presented for registration in the form of a new trade but with the same economic terms in accordance with, and subject to, the Rulebook and all Applicable Law, and such trade will, for the purposes of the Rulebook and upon such re-presentation, constitute a new trade.

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1.3.5 Manual Trade Rejection, Novation and Cancellation (Exceptional Event)

(a) From time to time, as an exceptional event, it may be necessary for the Clearing House to: (i) reject a trade presented for registration; (ii) register a ForexClear Transaction; or (iii) accept or reject a cancellation request for a ForexClear Contract or a ForexClear Transaction, in each case, manually prior to a Margin Run (e.g. in the case of a Default, when a ForexClear Transaction needs to be registered immediately to expedite the hedging and auction process or to reject a ForexClear Transaction received from an FXCCM which is a Defaulter).

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(b) The Clearing House acknowledges the action:

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(i) in respect of trades being manually rejected or manually registered, by notifying the entities specified in Section 1.3.3(a)(iii) of such rejection or registration (as applicable); and

(ii) in respect of a ForexClear Contract or a ForexClear Transaction being manually cancelled, by sending a message to the ForexClear Approved Trade Source System that it is "CANCELLED".

1.3.6 Trade Cancellation

(a) The Clearing House accepts cancellation messages from FXPs against both non-novated trades (ForexClear Transactions) and novated trades (ForexClear Contracts).

(b) With respect to any ForexClear Contract, cancellation messages may be submitted via the ForexClear Approved Trade Source System until such ForexClear Contract is "**fixed**" – i.e. when its Settlement Rate has been determined on the relevant Valuation Date.

(c) A successful cancellation message results in a "CANCELLED" status message if the ForexClear Transaction or the ForexClear Contract (as the case may be) is cancelled during the Opening Hours. The status messages are sent from the Clearing House to the FXCCM via the ForexClear Approved Trade Source System.

(d) There is no ForexClear Contract or ForexClear Transaction amendment functionality.

(e) *Process Flow Description*

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At EOD on the Valuation Date, the Settlement Rate is used to value the ForexClear Contract.

If Valuation Postponement applies, the ForexClear Contract is valued using the current forward price (based on the data submitted by FXCCMs, in accordance with Section 1.4.2 (*Market Data Sources and Frequencies*) to (and including) the date on which the Settlement Rate is determined in accordance with the ForexClear Contract Terms.

- 1.5.2 *Variation Margin*: Separate variation margin calculations are performed for a FXCCM's Proprietary Account, each Client Account (other than an Indirect Gross Account) and each Indirect Gross Sub-Account within an Indirect Gross Account. No offset between the Proprietary Accounts and Client Accounts is allowed (except pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule) and no offset between any Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

The variation margin requirement in respect of each ForexClear Contract is calculated at EOD as the change from the preceding business day in its NPV. The net sum of the variation margin requirements with respect to all of the open ForexClear Contracts is credited or debited (separately for the Proprietary Account and each Client Account of the relevant FXCCM) once a day, following the EOD Margin Run.

Collateral in respect of variation margin (adjusted by PAI, as set out below) will be transferred each business day by or to each FXCCM in respect of all of its open ForexClear Contracts. The variation margin will be calculated in, and must be paid in, USD.

For the avoidance of doubt, any transfers of cash Collateral by an FXCCM to the Clearing House in respect of the FXCCM's variation margin obligations or by the Clearing House to an FXCCM in respect of the Clearing House's variation margin obligations shall be for the purposes of collateralisation and not settlement of obligations under the relevant contracts.

With respect to each ForexClear Contract, the variation margin requirement is calculated every business day from (and including) the Registration Time to (and including) the EOD on the business day immediately preceding the Settlement Date.

- 1.5.3 *Reporting Breakdown*: ForexClear margin reports show the portfolio of open ForexClear Contracts of each FXCCM and of each FXD by Currency Pairs and in the Settlement Currency (i.e. USD).

- 1.5.4 *Price Alignment Interest ("PAI")*: The effect of daily transfers of cash Collateral in respect of variation margin results in the need for PAI. Without this adjustment, the pricing of ForexClear Contracts would differ from identical uncleared trades, as cash earned from favourable daily price moves would be priced into the product.

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- (i) if, with respect to its portfolio of open ForexClear Contracts, such FXCCM has (to but excluding the relevant EOD) paid an amount of Collateral in respect of variation margin greater than the amount of Collateral in respect of variation margin it has received, such FXCCM will receive PAI; and
- (ii) if, with respect to its portfolio of open ForexClear Contracts, such FXCCM has (to but excluding the relevant EOD) received an amount of Collateral in respect of variation margin greater than the amount of Collateral in respect of variation margin it has provided, such FXCCM will pay PAI.

1.5.5 *Initial Margin:* The Clearing House will require FXCCMs to transfer Collateral to the Clearing House in respect of initial margin.

(a) Calculation of Initial Margin: Separate initial margin calculations are performed for a FXCCM's Proprietary Account, each Client Account (other than an Indirect Gross Account) and each Indirect Gross Sub-Account within an Indirect Gross Account. No offset between the Proprietary Accounts and the Client Accounts is allowed (except pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule) and no offset between any Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

The initial margin obligation will be calculated within the day and at EOD on each business day as part of each Margin Run. With respect to each FXCCM, it is calculated for the portfolio of open ForexClear Contracts and ForexClear Transactions using ForexClear's Portfolio Analysis and Risk ("FxPAR") margining model, FxPAR is based on a modified historical simulation value-at-risk methodology. All open ForexClear Contracts and ForexClear Transactions in each Currency Pair are re-valued under a series of cross portfolio yield curve scenarios to estimate the potential portfolio profit and loss and therefore the initial margin requirement.

These scenarios will be continually monitored and reviewed periodically or on an ad hoc basis according to market conditions. ForexClear 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 parameters. Further details of this method are available upon request from the ForexClear Risk team.

FxPAR uses the market data submitted by FXCCMs pursuant to paragraph 1.5.1(a) (*Product Valuation*).

Initial Margin Risk Multipliers: Credit risk, liquidity risk and sovereign risk are measured and applied to FXCCMs as part of the initial margin requirement calculation.

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- (b) *EOD Margin Run*
 - (i) The EOD Margin Run is the final ITD/Ad-hoc Day Margin Run that completes by 24:00 local London time on that business day (the "**EOD Margin Run**").
 - (ii) EOD Margin Runs are calls in respect of initial margin as well as variation margin obligations and PAI.
- (c) *ITD / Ad Hoc - Night Margin Run*
 - (i) ITD/Ad-hoc London overnight Margin Runs are initiated as and when dictated by the Schedule or as necessary, and are performed in the time period during which a PPS call cannot be made (the "**ITD/Ad-hoc Night Margin Run**").
 - (ii) ITD/Ad-hoc Night Margin Runs are calls in respect of the initial margin obligation only. The variation margin obligation and PAI are not included in ITD/Ad-hoc Night Margin Runs.

1.6.2 Margin Run Process

- (a) Margin Runs cover all registered ForexClear Contracts with the status "**NOVATED**".
- (b) Margin runs will be carried out for each ForexClear Contract and ForexClear Transaction (as the case maybe) until (and including) the later of:
 - (i) EOD Margin Run on the Settlement Date; or
 - (ii) EOD Margin Run after the Settlement Rate is published.
- (c) During every Margin Run the Clearing House calculates the Collateral required in respect of the initial margin obligations and (where applicable) the Collateral required in respect of the variation margin obligations and PAI required to cover each FXCCM's relevant open ForexClear Contracts and ForexClear Transactions (each a "**Liability**" and together the "**Liabilities**"). For these purposes, liabilities in respect of the open ForexClear Contracts and ForexClear Transactions registered in an FXCCM's Proprietary Account, each of the FXCCM's Client Accounts (other than Indirect Gross Accounts) and each Indirect Gross Sub-Account within an Indirect Gross Account of such FXCCM will be calculated separately.

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- (d) Each FXCCM's Liability:
 - (i) in respect of the open ForexClear Contracts registered in an FXCCM's Proprietary Account, is offset against that FXCCM's non-cash collateral account (being a sub-account of the FXCCM's "**H**" collateral account) (for Collateral in respect of initial margin only) or funds in that FXCCM's "**H**" house cash

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- account (being a sub-account of the FXCCM's "H" collateral account) (for variation margin/PAI/initial margin); and
- (ii) in respect of the open ForexClear Contracts registered in a particular FXCCM's Client Account, is offset against the relevant non-cash collateral account (being a sub-account of the FXCCM's Client Account) (for Collateral in respect of initial margin only) or funds in the relevant "C" client cash account (being a sub-account of the FXCCM's Client Account) (for variation margin/PAI/initial margin).
- (e) FXCCMs are informed via email of their Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service portal (being a secure website made available to FXCCMs) (the "**ForexClear Service Portal**") which provides reports (at the times specified in Section 1.7.1 (*Margin Liability Reports*)) informing FXCCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total Collateral posted with the Clearing House for the ForexClear Service (including any MCE, if any); and (iii) Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)).
- (f) If following a Margin Run an FXCCM is required to provide additional collateral, this is also indicated by email and via the ForexClear Service Portal. In the case of ITD/Ad-hoc Margin Runs, where an FXCCM's Liabilities exceed its available Collateral and any MCE, then the Clearing House will issue a margin call for the amount of the shortfall plus 50% of the FXCCM's MER Buffer.

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1.7 ForexClear Reporting

For purposes of reporting obligations to the CFTC, FXCCMs may only report details of ForexClear Contracts, including terminations and modifications to a ForexClear Contract, to an Approved LCH SDR. A list of Approved LCH SDRs is available on the Clearing House's website. In the event an FXCCM wishes to report details of ForexClear Contracts to a swap data repository that is not an Approved LCH SDR, the FXCCM must provide the Clearing House with reasonable prior notice of the date on which it wishes to report to such swap data repository.

FXCCMs must inform their respective Clearing Clients of the list of Approved LCH SDRs, and inform such Clearing Clients that the Clearing House is only able to report details of a ForexClear Contract to an Approved LCH SDR.

In accordance with CFTC Part 45 requirements (where the FXCCM has a reporting obligation), FXCCMs must provide the Clearing House (i) the USI of the original swap that is submitted to the Clearing House for registration and (ii) the LEI of the original swap SDR (i.e., "OriginalSwapRepository" or equivalent field) to enable the

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1.12.2 Transactions in Respect of ForexClear Clearing Client Default to FXCCM

- (a) This Section describes certain transactions that, under certain conditions, can be carried out by an FXCCM in respect of one of its ForexClear Clearing Clients that has defaulted in its obligations to the FXCCM.
- (b) A request or instruction from an FXCCM to the Clearing House to carry out a transaction described in Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below shall in every case be deemed a representation by the FXCCM to the Clearing House that (i) the affected ForexClear Clearing Client is in default of its obligations to the FXCCM, (ii) the FXCCM has provided and will provide (as applicable) any required notices to the ForexClear Clearing Client of its default and the FXCCM's transactions effected under Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) and/or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below, and (iii) the FXCCM is permitted by its agreements with the ForexClear Clearing Client and Applicable Law, and has authority to effect the transactions specified in the FXCCM's requests and/or instructions to the Clearing House in respect of such ForexClear Clearing Client. FXCCMs are not permitted to effect or attempt to effect a transaction described in Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below where the preceding representations are not satisfied.
- (c) In any other circumstance not covered by Section 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*), Section 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on Behalf of Defaulted Clients*) or Section 1.14 (*Indirect Clearing*), a FXCCM may only instruct the Clearing House to transfer a ForexClear Contract from its Client Account to its Proprietary Account in circumstances where the Clearing House has received from the FXCCM:
 - (i) evidence of the relevant ForexClear Clearing Client's consent to such transfer in a form suitable to the Clearing House; and
 - (ii) an indemnity in a form suitable to the Clearing House.

The Clearing House will usually arrange a transfer of any ForexClear Contracts to be transferred pursuant to this paragraph (c) within 24 hours of receipt (to the extent applicable) of the documents listed in sub-paragraphs (i) and (ii) above, unless such transfer is contested by the relevant ForexClear Clearing Client.

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1.12.3 *Transfers between Client Accounts and Proprietary Accounts*

- (a) If at any time an early termination date (howsoever described) occurs in respect of one or more of the transactions between a FXCCM and a ForexClear Clearing Client in respect of which such FXCCM is a party to Related ForexClear Contracts and, at the time of such early termination date, the relevant FXCCM is not a Defaulter, the FXCCM may, in connection with a defaulted ForexClear Clearing Client, transfer a ForexClear Contract from the applicable Client Account to its Proprietary Account, provided that the following conditions are met (in addition to any other generally applicable provisions of the Rulebook):
- (i) the representations described above in paragraph (b) of Section 1.12.2 (*Transactions in Respect of ForexClear Clearing Client Default to FXCCM*) are not or would not be breached;
 - (ii) satisfactory evidence of the ForexClear Clearing Client's default in its obligations to the FXCCM 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 FXCCM's instruction to effect the transfer (provided that the Clearing House shall be entitled to request additional evidence in its discretion);
 - (iii) a copy of a notice served by the FXCCM on the ForexClear Clearing Client alerting that ForexClear Clearing Client of the FXCCM's intention to transfer the relevant ForexClear Contract to the Clearing House;
 - (iv) at all times the FXCCM maintains sufficient Collateral in its Proprietary Account and the applicable Client Account; and
 - (v) on demand from the Clearing House, an indemnity from the FXCCM in a form suitable to the Clearing House is provided to the Clearing House.

For the purposes of this Section 1.12.3 a "**Related ForexClear Contract**" means, in respect of a transaction between a FXCCM and a ForexClear Clearing Client which has been terminated on an early termination date, the open position represented by the ForexClear Contract entered into with the Clearing House by such FXCCM on behalf of the relevant ForexClear Clearing Client on equal and opposite terms to such transaction.

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

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A ForexClear Contract transferred in this manner shall be transferred through novation, from the ForexClear Clearing Client to the FXCCM in the case of a transfer from a Client Account to the Proprietary Account, and from the FXCCM to the ForexClear Clearing Client in the case of a transfer from a Proprietary Account to a Client Account.

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Where, following the Default of a ForexClear Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing Member in respect of a ForexClear Clearing Client, the Clearing House is entitled, in accordance with the Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that appointed Backup Clearing Member. The Clearing House shall not require consent from any person in advance of sending these details.

Note: The appointment by a ForexClear Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that ForexClear Contracts will always be transferred to that Backup Clearing Member. Porting of ForexClear Contracts, following a ForexClear Clearing Member's Default is always subject to the Clearing House's receipt of consent from the relevant Backup Clearing Member.

1.13 **Provision of Tax Forms**

The Clearing House and each FXCCM shall provide to each FXCCM or the Clearing House, as relevant, (i) any forms or documents specified in the ForexClear Contract between the Clearing House and the FXCCM and (ii) any other form, document, statement or certification reasonably requested in writing by the FXCCM or the Clearing House in order to allow the FXCCM or the Clearing House to make a payment under the Rules of the Clearing House or any ForexClear Contract without deduction or withholding for or on account of any tax or with such deduction or withholding at a reduced rate unless the Clearing House or the FXCCM can no longer deliver such form, document, statement or certification solely as a result of a change in law (including double tax treaty) or interpretation thereof after the date of the ForexClear Contract between the Clearing House and the FXCCM. In the case of the Clearing House, the forms required pursuant to item (ii) above include an Internal Revenue Service Form W-8BEN. Additionally, the Clearing House will take such further actions as necessary to ensure that payments made to it can be made without deduction or withholding for or on account of any Tax.

1.14 **Indirect Clearing**

1.14.1 In circumstances where an early termination date (howsoever described) occurs in respect of all of the transactions between a ForexClear Clearing Member and a ForexClear Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect ~~Gross~~ Account in respect of which such ForexClear Clearing Member (i) is a party to Related ForexClear Contracts and (ii) at the time of such early termination date, is not a Defaulter, that ForexClear Clearing Member may instruct the Clearing House to take one of the following steps in respect of each Indirect Clearing Client comprising the Indirect Gross Account:

- (a) in circumstances where the ForexClear Clearing Member notifies the Clearing House of a Backup Client in respect of the relevant Indirect Clearing Client, transfer all of the open Related ForexClear Contracts registered to the Indirect Gross Sub-Account referable to the Indirect Clearing Client to the relevant Indirect Gross Sub-Account referable to the Indirect Clearing Client of the new or existing Indirect Gross

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Account which the ForexClear Clearing Member has opened in respect of such Backup Client (a "Client to Client Porting");

(b) transfer all of the open Related ForexClear Contracts registered to the relevant Indirect Gross Sub-Account referable to the Indirect Clearing Client to;

(i) a new Individual Segregated Account opened within the Clearing House by the ForexClear Clearing Member directly on behalf of such Indirect Clearing Client who shall, after such transfer, become a ForexClear Clearing Client in respect of such Client Account; or

(ii) a new or existing Omnibus Segregated Account opened within the Clearing House by the ForexClear Clearing Member where such Indirect Clearing Client shall, after such transfer, become a ForexClear Clearing Client in respect of such Omnibus Segregated Account,

(each, a "Direct Account Opening"); or

(c) transfer all of the open Related ForexClear Contracts registered to the relevant Indirect Gross Sub-Account referable to the Indirect Clearing Client to its Proprietary Account (an "Initial Transfer").

The Clearing House will determine, in respect of each Indirect Clearing Client comprising the Indirect Gross Account, whether a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) is possible within the period of time considered by the Clearing House (in its sole discretion) to be appropriate in the relevant circumstances. In the event of a determination by the Clearing House that the relevant step is impossible within such time period (an "Impossibility Determination"), the Clearing House will notify the ForexClear Clearing Member and will not undertake a Client to Client Porting, a Direct Account Opening or an Initial Transfer in respect of the relevant Indirect Clearing Client.

1.14.2 Each of the steps referred to in paragraphs 1.14.1 (a), (b) and (c) above will be subject to the following:

(a) the Clearing House receiving a copy of the notice from the ForexClear Clearing Member to the relevant ForexClear Clearing Client or from the relevant ForexClear Clearing Client to the ForexClear Clearing Member, copied to each Indirect Clearing Client comprising the Indirect Gross Account, designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;

(b) the Clearing House receiving a copy of the notice from the ForexClear Clearing Member to the relevant ForexClear Clearing Client and the relevant Indirect Clearing Client confirming that the ForexClear Clearing Member will, in accordance with the instructions of the

~~Deleted:~~ and (ii) within such time as the Clearing House may determine of the receipt of the relevant instructions from the ForexClear Clearing Member, the Clearing House has received confirmation in writing from the Backup Client of its agreement to act as Backup Client in relation to the arrangement described in this paragraph (a) (in such form as the Clearing House may require at the relevant time), transfer to the appointed Backup Client all of the open Related ForexClear Contracts and the balance of the Collateral recorded by the Clearing House as being credited to the relevant Indirect Omnibus Segregated Account

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~~Deleted:~~ to a new Omnibus Segregated Account opened within the Clearing House by the relevant ForexClear Clearing Member directly on behalf of the relevant clients

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Indirect Clearing Client, request the Clearing House to arrange a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) in respect of the Related ForexClear Contracts referable to such Indirect Clearing Client;

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(c) the ForexClear Clearing Member having satisfied the Total Required Margin Amount in respect of the relevant account to which the Related ForexClear Contracts are being transferred;

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(d) the Clearing House receiving an indemnity from the ForexClear Clearing Member in a form suitable to the Clearing House; and

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(e) in respect of a Client to Client Porting, the Clearing House receiving written confirmation from the ForexClear Clearing Member that the Backup Client has agreed to act as the Backup Client in relation to such Client to Client Porting.

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The Clearing House will usually arrange a transfer of the Related ForexClear Contracts referable to an Indirect Clearing Client, within 24 hours of receipt of the documents listed in Section 1.14.2(a) to (e).

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For the purposes of this Section 1.14, a **"Related ForexClear Contract"** has the same meaning as ascribed to such term in Section 1.12.3 save that, in this Section 1.14 the ForexClear Clearing Client is acting on behalf of one or more Indirect Clearing Clients in respect of whom the ForexClear Clearing Member clears Contracts with the Clearing House in an Indirect Gross Account.

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1.15 **Compression**

1.15.1 A ForexClear Clearing Member may compress existing ForexClear Contracts in accordance with Regulation 94. There are two options available to a ForexClear Clearing Member that wishes to compress ForexClear Contracts:

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(a) a ForexClear Clearing Member can request that all ForexClear Contracts entered into (i) on behalf of a designated ForexClear Clearing Client and in respect of a particular Client Account (or, where relevant, in respect of an Indirect Gross Sub-Account), or (ii) on such ForexClear 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 ForexClear Clearing Member after the applicable scheduled compression run) until the ForexClear Clearing Member notifies the Clearing House to discontinue such compression of ForexClear Contracts. ForexClear Clearing Members should contact the Clearing House's Membership Department to request such a compression of ForexClear Contracts; or

(b) a ForexClear Clearing Member may notify the Clearing House directly through the ClearLink API specifying which ForexClear Contracts and/or Resulting ForexClear Contracts should be compressed. The ForexClear Clearing Member will be notified after

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LCH Rule Submission

Appendix F

Procedures Section 2J (Listed Rates Service)



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PROCEDURES SECTION 2J

LISTED INTEREST RATES CLEARING SERVICE

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1. THE LISTED INTEREST RATES CLEARING SERVICE

1.1 Introduction

1.1.1 Background

These Procedures apply to the clearing of Listed Interest Rates Eligible Products listed for trading on Rates Exchanges, form part of the Rulebook and must be read in conjunction with the other parts of the Rulebook.

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Listed Interest Rates Clearing Members must inform themselves fully of their obligations under the Rulebook and other relevant documentation, such as the Clearing Membership Agreement and the terms of any approval by the Clearing House to extend clearing activities. Listed Interest Rates Clearing Members should also familiarise themselves with the relevant Rates Exchange Rules and the Listed Interest Rates Contract Terms.

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The Rulebook (including these Procedures) and the Listed Interest Rates Contract Terms are subject to change from time to time. Enquiries regarding these Procedures or any other aspects of the operation of the Listed Interest Rates Clearing Service should be directed to the Listed Rates Clearing House Client Services Department on +44 7426 7651 or ListedRates.Ops.UK@lch.com. Enquiries regarding Listed Interest Rates Clearing Member status should be directed to the Onboarding Department on +44 (0) 20 7426 7949 or onboarding@lch.com.

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In the event of any conflict between any provision of these Procedures and any requirement or provision of any third party (including but not limited to any requirement or provision in any Rates Exchange Rules), these Procedures shall prevail.

Enquiries relating to (i) trading Listed Interest Rates Contracts; (ii) Rates Exchange Rules; or (iii) the Listed Interest Rates Contract Terms of any Listed Interest Rates Contract other than a Designated Listed Interest Rates Contract should be directed to the relevant Rates Exchange. Enquiries relating to (i) clearing Listed Interest Rates Contracts; (ii) the Rulebook; or (iii) the Listed Interest Rates Contract Terms of any Designated Listed Interest Rates Contracts should be directed to the Clearing House.

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1.1.2 Interpretation

Capitalised terms used in these Procedures not otherwise defined herein have the meanings ascribed to them in the Rulebook.

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Except where otherwise stated, all times shown are London time and the twenty four hour clock is used.

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1.1.3 Listed Interest Rates Eligible Products

Listed Interest Rates Clearing Members are advised for the purposes of the Regulations and these Procedures, that the eligibility criteria for Listed Interest Rates Eligible Products are set out in the Product Specific Contract Terms and

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Eligibility Criteria Manual, which is available on the Clearing House’s website (www.lch.com).

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1.1.4 Use of the Listed Interest Rates Clearing Service

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(a) Where any Clearing Member wishes to participate in any part of the Listed Interest Rates Clearing Service, it must first seek appropriate authorisation from the Clearing House. Clearing Members seeking authorisation to participate in the Listed Interest Rates Clearing Service will be required to seek separate authorisation for business undertaken in relation to the service provided by each Rates Exchange.

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Details of how to obtain such authorisations may be obtained from the Clearing House’s Onboarding Department. The Clearing Member must comply with all membership and other requirements of the Clearing House, including requirements relating to settlement. Specifically with regard to settlement each Member must at all times ensure:

(i) that it has PPS accounts in all relevant currencies to enable clearing and settlement; and

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(ii) that it has settlement accounts with all relevant central securities depositories identified in these Procedures as relevant to such Member’s Listed Interest Rates Clearing Business.

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(b) Failure to meet the requirements set out in sub-paragraph (a) (i)-(ii) above (and other applicable requirements) will result in that Clearing Member not having appropriate settlement arrangements in place and, as a result, any Listed Interest Rates Novation Transaction or Rates Exchange Match presented for registration by or on behalf of that Member will not fulfil the relevant eligibility criteria for registration as Listed Interest Rates Contracts (see Regulation 97(c) and Regulation 98(b)). In such a case, such Listed Interest Rates Novation Transaction or Rates Exchange Match may be rejected by the Clearing House and no Listed Interest Rates Contracts would arise. The Listed Interest Rates Novation Transaction or Rates Exchange Match would then be governed by any applicable Rates Exchange Rules.

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1.1.5 Suspension of Trading

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For the avoidance of doubt, any action by a Rates Exchange to suspend, de-list or take any other action with regard to a Listed Interest Rates Eligible Product shall not affect any obligations that a Listed Interest Rates Clearing Member may have to the Clearing House with regard to any open Listed Interest Rates Contracts in such Listed Interest Rates Eligible Product.

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1.1.6 Liability

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(a) Listed Interest Rates Clearing Members are asked to note that any statements set out in these Procedures regarding the liability of the Clearing House are made without prejudice to the generality of the provisions set out in Regulation 52.

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(b) The Clearing House does not seek to limit or exclude any liability for personal injury or death caused by its negligence, or for fraud or wilful default on the part of the Clearing House.

1.1.7 Rates Exchange Status

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Application for Rates Exchange status shall be made in accordance with the policies published from time to time on the Clearing House’s website. A list of Rates Exchanges currently approved by the Clearing House, as well as an indication of whether Listed Interest Rates Eligible Products listed on such Rates Exchange are registered by the Clearing House through an open offer or a novation clearing mechanism, shall be made available by the Clearing House. Where the Clearing House approves additional Rates Exchanges, it will notify Listed Interest Rates Clearing Members via a member circular.

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1.2 General Information

1.2.1 Service Operation

(a) Trading and Clearing System Functions

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The respective functions of a Rates Exchange’s trading system and the Clearing House’s clearing system are contained in the relevant Service Description. All enquiries regarding the Listed Interest Rates Clearing Service should be directed to Client Services on +44 7426 7651 or ListedRates.Ops.UK@lch.com.

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(b) Operating Times

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Unless notified otherwise, the Listed Interest Rates Clearing Service clearing system will be operational as follows:

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Time (LDN)	Process
07:00	Listed Interest Rates Service clearing system available to accept trades
21:00	Listed Interest Rates Eligible Product receipt deadline
21:00 – 21:45	Position maintenance window (trading ceases at 21:00)
21:45 – 01:00	Clearing system starts end of day processing, which shall including portfolio margining

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The Listed Interest Rates Clearing Service clearing system uses the *SwapsMonitor Financial Calendar*. The calendar, as applicable to the Listed Interest Rates Service, will be available on the Clearing House’s website.

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(c) System Requirements

Clearing Members must have in their office, at a minimum, a PC configured to access the clearing system GUI, a printer and back-up connectivity to the clearing system as required by the Clearing House.

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1.2.2 Member Reporting

The Clearing House makes available appropriate clearing information via reports, real-time confirmations and other means. Full details are contained in the relevant Service Description documentation.

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1.2.3 Clearing House Reporting

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to a trade repository or similar body the details of a Listed Interest Rates Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of Applicable Law.

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1.2.4 Static Data

Prior to presentation of any Listed Interest Rates Novation Transaction or Rates Exchange Match for registration as a Listed Interest Rates Contract, a Listed Interest Rates Clearing Member is required to provide sufficient information in respect of the Rates Exchange from which such Listed Interest Rates Novation Transaction or Rates Exchange Match will be presented (“Rates Exchange Information”). This applies also to any Listed Interest Rates Eligible Product traded pursuant to any agency arrangements permitted by the rules of that Rates Exchange.

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The format, contents and completion process of the static data form for the provision of Rates Exchange Information, in respect of each Rates Exchange, is prescribed from time to time by the Clearing House. Copies of the prescribed forms, for each Rates Exchange, are available from the Clearing House Onboarding Department.

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Failure to provide the correct Rates Exchange Information in respect of the particular Rates Exchange may result in the rejection of a Listed Interest Rates Novation Transaction or Rates Exchange Match.

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1.3 Registration

1.3.1 General

Listed Interest Rates Contracts may arise through either a novation or an open offer clearing mechanism.

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(a) Novation

Novation applies to each Listed Interest Rates Eligible Product executed as a Listed Interest Rates Novation Transaction on a Rates Exchange. Where a Listed Interest Rates Novation Transaction is presented to the Clearing House for registration, the Clearing House will determine whether to accept or reject the Listed Interest Rates Novation Transaction within the required timeframe under all Applicable Law. Where the Clearing House determines to accept the Listed Interest Rates Novation Transaction, registration shall occur immediately and the Listed Interest Rates Novation Transaction shall be automatically replaced with (as applicable) (i) two separate Listed Interest Rates Contracts, one between the relevant Listed Interest Rates Clearing Member and the Clearing House and the other between the same or another Listed Interest Rates Clearing Member and the Clearing House, or (ii) one Listed Interest Rates Contract between the relevant Listed Interest Rates Clearing Member and the Clearing House and one FCM Listed Interest Rates Contract between the relevant FCM Clearing Member and the Clearing House.

Novation of Listed Interest Rates Novation Transactions is described in greater detail in Regulation 12 and Regulation 98.

(b) Open Offer

The Clearing House also provides an open offer in respect of Listed Interest Rates Eligible Products listed for trading on one or more Rates Exchanges. Pursuant to this "open offer", once the particulars of a Rates Exchange Match are presented to the Clearing House, then, subject to the Regulations and the Procedures, the Clearing House shall automatically and immediately register either (i) two separate Listed Interest Rates Contracts, one between the relevant Listed Interest Rates Clearing Member and the Clearing House and the other between the same or another Listed Interest Rates Clearing Member and the Clearing House, or (ii) one Listed Interest Rates Contract between the relevant Listed Interest Rates Clearing Member and the Clearing House and one FCM Listed Interest Rates Contract between the relevant FCM Clearing Member and the Clearing House.

The Clearing House's open offer arrangements for Rates Exchange Matches are described in greater detail in Regulation 97.

1.3.2 Confirmation

Presentation of a Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) for registration to the Clearing House constitutes immediate confirmation in accordance with the Regulations by the Listed Interest Rates Clearing Member in whose name such Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) is presented. However, the Clearing House will only accept for registration, as Listed Interest Rates Contracts, the particulars of a Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) presented by a Rates Exchange in a message format and manner acceptable to the Clearing House.

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Each Listed Interest Rates Clearing Member authorised to participate in the Listed Interest Rates Service must be familiar with the operating procedures and deadlines of each Rates Exchange in respect of which it has been approved by the Clearing House.

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1.3.3 Intra-Day Registration

The Clearing House registers all Listed Interest Rates Contracts on an intra-day basis.

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1.3.4 Risk Pending Trades

Except as otherwise required by Applicable Law, trades presented to the Clearing House for registration can be validated against a number of risk parameters, including quantity, price, premium, strike price, trade value or mark-to-market profit/loss parameters ("Risk Parameters"). Any trades that fall outside of the validation parameters will enter a pending state (the "Risk Pending Queue") and require validation by Risk Management before being accepted or rejected by the Clearing House.

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The Risk Parameter ranges are set by Risk Management and can be amended during periods of low or high volatility to capture or avoid suspension of trades which are within the day's trading range.

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1.3.5 Conditions for Acceptance of Risk Pending Trades

Except as otherwise required by Applicable Law, registration of trades held in the Risk Pending Queue is conditional on the transfer of sufficient Collateral to the Clearing House.

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If the Clearing House decides that additional Collateral is required it will advise the Listed Interest Rates Clearing Member as soon as possible. The currency and method of funds transfer, or type of Collateral to be provided, will be agreed between the Clearing House and the Listed Interest Rates Clearing Member. Only when the Clearing House has received the Collateral or has received confirmation from the transferring bank that the cash Collateral has been, or is, in the process of being transferred will it accept the pending trade.

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The Clearing House will carry out the process of accepting pending trades on an hourly basis throughout the day, or more frequently where possible. The acceptance process will apply to both sides of a trade at the same time.

It is the responsibility of each Listed Interest Rates Clearing Member to ensure that any trades likely to require acceptance are input as early as possible in the day; and that either sufficient surplus Collateral is maintained with the Clearing House or arrangements are in place to meet additional calls for Collateral. Trades not accepted by the Clearing House will not be registered. In order to achieve registration, the trade must be re-submitted (in accordance with the relevant Rates Exchange Rules) the next business day, when the same process will apply.

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1.3.6 Rejection

Where (a) a Listed Interest Rates Novation Transaction, or (b) the particulars of a Rates Exchange Match are presented to the Clearing House for registration as two Listed Interest Rates Contracts (or one Listed Interest Rates Contract and one FCM Listed Interest Rates Contract), the Clearing House may reject such registration where:

- (i) the relevant Listed Interest Rates Eligibility Criteria are not met;
- (ii) such transaction or particulars (as applicable) have as their subject a product which is not a Listed Interest Rates Eligible Product;
- (iii) such transaction or particulars (as applicable) contain invalid or incomplete message data;
- (iv) such transaction or particulars (as applicable) are required or requested by any Regulatory Body or the relevant Rates Exchange to be rejected or treated as void or voided; or
- (v) the Clearing House considers that rejection is advisable for its own protection or the protection of the relevant market.

If the Clearing House rejects the registration of a Listed Interest Rates Novation Transaction or a Rates Exchange Match, the relevant Clearing Members and relevant Rates Exchange will be notified of such rejection within the required timeframe under all Applicable Law.

If a Listed Interest Rates Novation Transaction or the particulars of a Rates Exchange Match are presented to the Clearing House for registration and rejected, such Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) may be re-presented for registration in the form of a new Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) but with the same economic terms in accordance with, and subject to, the Rulebook and all Applicable Law, and such Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) will, for the purposes of the Rulebook and upon such re-presentation, constitute a new Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable).

Listed Interest Rates Novation Transactions must be executed, matched and presented for registration prior to the relevant Rates Exchange deadline for registration. Any Listed Interest Rates Novation Transactions presented after that time will be rejected.

Where a transaction or particulars (as applicable) are rejected by the Clearing House, no Listed Interest Rates Contracts arise between the Clearing House and the Listed Interest Rates Clearing Members concerned. Subject to Regulation 52(e), the Clearing House has no liability in respect of such rejection.

1.3.7 Notification

All registered Contracts are listed on the Clearing Member statement available via the Member reporting website. Listed Interest Rates Clearing Members participating in the Portfolio Margining Service will also be notified via the

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Except as otherwise required by applicable law and regulation, Listed Interest Rates Novation Transactions submitted for registration which:¶
do not meet

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Deleted: relevant eligibility criteria for Listed Interest Rates Eligible Products or other registration criteria where applicable; or¶
<#>contain invalid or incomplete message data; or¶
for any other reason

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will be held pending clarification by

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The Clearing House will then contact the

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Deleted: the problem can be resolved and the trade re-submitted for registration. If, however, the trade still falls within any of paragraphs (a) to (c) above, and

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Novation replaces each Listed Interest Rates Novation Transaction executed between Listed Interest Rates Clearing Members with two separate contracts, one between the Listed Interest Rates Clearing Member-seller and the Clearing House and the other between the Listed Interest Rates Clearing Member-buyer and the Clearing House. ¶
The Clearing House may also provide an open offer in respect of Listed Interest Rates Eligible Products listed for trading on on (...)

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Member reporting website of transfers of Identified Off-Setting Listed Interest Rates Contracts as described more fully in Section 2C (SwapClear) of the Procedures.

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1.4 Proprietary Accounts and Client Accounts

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1.4.1 Proprietary Accounts

A Listed Interest Rates Service Clearing Member may request that the Clearing House opens one or more Proprietary Accounts in respect of its House Clearing Business.

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Each Proprietary Account will map to two sub-accounts:

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(a) a position account; and

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(b) a collateral account.

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1.4.2 Client Accounts

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(a) Types of Client Account

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Subject to Regulation 11 (Client Clearing Business) and Section 1.14 (Listed Interest Rates Client Clearing) below, a Listed Interest Rates Clearing Member may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

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(i) Individual Segregated Accounts;

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(ii) Indirect Gross Accounts;

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(iii) Non-Identified Client Omnibus Net Segregated Accounts;

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(iv) Identified Client Omnibus Net Segregated Accounts;

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(v) Affiliated Client Omnibus Net Segregated Accounts;

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(vi) Omnibus Gross Segregated Accounts; and/or

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(vii) Indirect Net Accounts.

(b) Each Client Account will map to two or more sub-accounts:

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(i) one or more position accounts; and

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(ii) one or more collateral accounts.

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1.4.3 Clearing Member Accounts – Position-Keeping Account(s)

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For identification purposes, each Listed Interest Rates Clearing Member is assigned a unique three-character mnemonic. A Listed Interest Rates Clearing Member’s position and financial information are further identified by a single character code: “C” for Listed Interest Rates Clearing Client Business; and “H” for Listed Interest Rates Clearing House Business.

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1.4.4 Relationship between Position Accounts and Collateral Accounts

Clearing Member position accounts have collateral accounts associated with them. These are, *inter alia*, used to record cash balances and securities. Information contained within a position-keeping account is consolidated with the associated collateral account, as follows:

Account Type	Collateral Account
HOUSE	H
MARKET MAKER (H)	H
INITIAL ALLOCATION	C
MARKET MAKER (C)	C
CLIENT	C

Only the H account is obligatory. The C account will be used in respect of any Listed Interest Rates Clearing Member that engages in Listed Interest Rates Client Clearing Business.

By accepting a trade into a position-keeping account a Listed Interest Rates Clearing Member is also deemed to be designating that trade for the associated collateral account.

Each client "C" position-keeping account and the client "C" collateral account of a Listed Interest Rates Clearing Member may hold any number of segregated sub-accounts. Each Individual Segregated Account of the Listed Interest Rates Clearing Member will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account, each Indirect Gross Account of the Listed Interest Rates Clearing Member will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account, and each Omnibus Segregated Account will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account. In the case of Indirect Gross Accounts, the relevant segregated sub-accounts of the client "C" position-keeping account will be further segregated into position-keeping sub-accounts for each Indirect Gross Sub-Account (relating to each Indirect Clearing Client).

1.4.5 Other Accounts

The Clearing House may, at its discretion, open further accounts.

1.4.6 Default Fund (DF) Account

Each Listed Interest Rates Clearing Member's Default Fund Contribution is held on a separate account. The Default Fund account code is 'F'.

1.5 Margin and Collateral

1.5.1 Initial Margin

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Separate initial margin calculations are performed for a Listed Interest Rates Clearing Member's Proprietary Account, each Client Account, other than an Indirect Gross Account and each Indirect Gross Sub-Account within an Indirect Gross Account. No offset between the Proprietary Accounts and the Client Accounts is allowed (except pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule) and no offset between any Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

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Margin requirements in respect of Listed Interest Rates Contracts are calculated net per account (except in the case of an Indirect Gross Account, where the margin requirements are calculated net per Indirect Gross Sub-Account), meaning that if long and short Listed Interest Rates Contracts are held in the same account in the same delivery month for futures, or the same series for options, the initial margin requirement is calculated by reference to the net position of such Listed Interest Rates Contracts. The Clearing House will calculate an account's (or, in the case of an Indirect Gross Account, an Indirect Gross Sub-Account's) net position in respect of any Designated Listed Interest Rates Contract by reference to all trading in such Contract on Designated Rates Exchanges.

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(a) *Initial Margin Parameters*

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Initial margin parameters are set by the Clearing House after consultation with the relevant Rates Exchange(s). However, in accordance with the Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for a Clearing Member's accounts.

Clearing Members will be notified by the Clearing House of alterations to initial margin parameters no later than the day before PPS Calls are made based on the new rates.

(b) *Intra-day Margin Calls*

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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 considers necessary. Intra-day margin calls will be made via the Protected Payments System (see Section 1.3 of Procedure 3 (*Financial Transactions*)).

(c) *Calculation of Initial Margin*

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(i) *Value At Risk (VaR)*

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Initial margin obligations are re-calculated at the close of each business day using a VaR algorithm developed to calculate margin requirements on Listed Interest Rates Contracts.

Technical questions about this algorithm should be directed to the Clearing House Risk Management Department on +44 (0)20 7426 7520.

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1.5.2 Variation Margin

All open contracts are marked to market daily by the Clearing House in accordance with the Listed Interest Rates Contract Terms. The official quotation is used as the market price. Profits or losses are either credited to or debited from a Clearing Member's Proprietary Account or Client Account (as applicable) or they form non-realised contingent liabilities or credits.

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Separate variation margin calculations are performed for a Clearing Member's Proprietary Account, each Client Account (other than an Indirect Gross Account) and each Indirect Gross Sub-Account within an Indirect Gross Account (as applicable). No offset between the Proprietary Accounts and the Client Account is allowed (except pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule), and no offset between any Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

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(a) Realised Margin

Realised margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant official quotations with the value of positions recorded by the Clearing House (i.e. the trade price for new trades and the previous day's official quotation for other positions). Realised margin is realised into postings to the relevant Proprietary Account or Client Account (as applicable).

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(b) Variation Margin

Variation margin is realised into postings to the relevant Proprietary Account or Client Account (as applicable).

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Contingent Variation Margin. Contingent variation margin is calculated with reference to the official quotation at which a Contract went to delivery and the underlying asset value or the next nearest futures delivery month official quotation, dependent on the terms of the Listed Interest Rates Contract or these Procedures. Contingent variation margin is calculated for Listed Interest Rates Contracts that are subject to delivery of an underlying asset.

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Option Variation Margin. Option variation margin is the value of unexpired options, calculated with reference to the official quotation. Bought and sold options generate credit and debit option variation margin respectively.

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1.5.3 Additional Margin

In accordance with Regulation 20 (Margin and Collateral), the Clearing House may call additional amounts of Collateral (on top of the amounts of Collateral previously transferred to the Clearing House in respect of initial margin and variation margin obligations) as security for the performance by a Listed Interest Rates Clearing Member of its obligations to the Clearing House in respect of Listed Interest Rates Contracts registered in its name. This may be required from

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time to time where, in the opinion of the Clearing House, the risk inherent in Contracts held by the Listed Interest Rates Clearing Member is not adequately covered by the Collateral in respect of the initial or variation margin obligations. This may cover instances where stress losses under various scenarios are larger than the pre-defined thresholds of the default fund. The Clearing House may only apply such additional Collateral against the Contracts generating such losses, and may not apply it as a credit in respect of initial margin obligations generally.

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1.5.4 Official Quotations

Official quotations are based on the "Daily Settlement Prices (DSP)" and are supplied by the relevant Rates Exchange (or, in respect of a Designated Listed Interest Rates Contract, the Clearing House) at the close of business each day. Should the relevant Rates Exchange fail to determine DSPs, the Clearing House will itself determine these as necessary. This will be done at the Clearing House's discretion and be announced as soon as possible.

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1.5.5 Settlement

(a) Cash Settlement

Cash settlement is a final settlement derived from the difference between the expiry price and the previous business day's official quotation or such other quotation as is specified in the Listed Interest Rates Contract Terms. This is debited from or credited to the relevant Proprietary Account or Client Account.

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(b) Delivery

Deliverable contracts, as specified by the Listed Interest Rates Contract Terms, remaining open at expiry, or as notified via early delivery notice, are settled by physical delivery of the underlying at the "Final Settlement Price (FSP)", as determined by the relevant Listed Interest Rates Contract Terms.

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1.6 Trade and Position Management

1.6.1 Allocations

Listed Interest Rates Novation Transactions and Rates Exchange Matches can be allocated to a Listed Interest Rates Clearing Member's Position Keeping Accounts in a number of different ways based on the information provided:

- by including the Position Account Owner and the Position account type (e.g., House or Client);
- by giving-up the trade to another Listed Interest Rates Clearing Member (GUI or message function);
- by carrying out an internal give-up (GUI or message) to move the trade between a Listed Interest Rates Clearing Member's own accounts; and
- by modifying the trade or particulars (GUI only).

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in Section 1.3.3 and Section 1.3.4 above before being accepted or rejected by the Clearing House.

Otherwise, Listed Interest Rates Clearing Members wishing to effect a position transfer should submit a written request by sending an email to ListedRates.Ops.UK@lch.com.

Provided they relate to valid positions and adequate Collateral is available from both Listed Interest Rates Clearing Members, the transfer will normally be authorised. Should insufficient Collateral be available, the transfer may not be authorised until additional Collateral is transferred to the Clearing House.

1.7 Option Exercise and Expiry

1.7.1 General

Each Contract is exercised through the clearing system. Exercise rules are specified by the relevant Rates Exchange Rules and/or the relevant Listed Interest Rates Contract Terms, which determine the form and manner in which exercise notifications must be given, and the time frames for doing so. Exercise may be automatic or manual.

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Options are exercised manually except on the last trading day when a combination of auto exercise and manual exercise is used and open futures contracts are created.

When exercised against, the Clearing House will select sellers against which to exercise, based on their open position. The method of allocation used for options is random scatter. The allocation process randomly determines each lot to be assigned in such a way that its selection is independent of either the proceeding lot or of the subsequent lot in the selection process.

An option shall be deemed to be exercised at such time as confirmed by the Clearing House on the clearing system.

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Exercised index option contracts are settled in cash. The settlement amount is the difference between the strike price of the contract and the relevant Final Settlement Price (FSP).

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Listed Interest Rates Clearing Members should consult the Service Description for more information and refer any enquiries to Client Services on +44 7426 7651 or ListedRates.Ops.UK@lch.com. to the 'Synapse Derivatives Member User Guide' for operating instructions and full details.

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(a) Options Exercise Instructions

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(i) Manual Exercise

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Exercise instructions are submitted via the Options Exercise screen on the clearing system, between times as specified by relevant Rates Exchange Rules and/or the relevant Listed Interest Rates Contract Terms on any business day from the business day following the day of trade until the expiry day.

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Exercise instructions can be cancelled via the Options Exercise screen up until the exercise deadline on the day the exercise instruction is input to the clearing system.

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Warning messages will be displayed on the following conditions:

- when an exercise is performed on Out-of-the-Money options;
- when a cancel is performed on In-the-Money options;
- the number of lots exceed the lot limit, if the lot limit parameter is set by the Clearing Member in the BP Exercise Limit screen; and
- early exercise i.e. non-spot month, if this parameter is set by the Clearing Member in the BP Exercise Limit screens.

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An option exercise maker-checker facility ensures exercise instructions are authorised by another authorised person before being submitted. Listed Interest Rates Clearing Members should ensure that they allow sufficient time for submitting instructions within contract deadlines, if this facility is switched on.

(ii) *Automatic Exercise on Expiry Day*

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Preset limits within the clearing system define which options will be subject to automatic exercise at expiry.

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Buyers of options may, in accordance with the relevant Listed Interest Rates Contract Terms, choose not to exercise option series that would be subject to automatic exercise. Listed Interest Rates Clearing Members that wish not to exercise such options must have done so by the exercise deadline of the expiring options. Failure to do so will result in the automatic exercise of the series.

(b) *Expiry Day*

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Options expire at the time specified by relevant Listed Interest Rates Contract Terms on the expiry date. Listed Interest Rates Clearing Members who wish to exercise positions for strike prices which are not subject to automatic exercise for the expiring series, must do so by this time.

It is not possible for Listed Interest Rates Clearing Members to input exercise or exercise cancellation instructions after the expiry time.

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(c) *Unavailability of System for Options Exercise*

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In the event that the clearing system option exercise facilities are unavailable (in particular if an expiry or exercise deadline is imminent), it

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

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

During Clearstream Frankfurt standard cycle

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

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

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

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

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1.14 Listed Interest Rates Client Clearing

1.14.1 Listed Interest Rates Client Clearing – Ancillary Documentation

- (a) Security Deed

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

- (b) Clearing House Prescribed Language

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

1.14.2 Backup Clearing Members

A Listed Interest Rates Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the Listed Interest Rates Contracts entered into

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by a Listed Interest Rates Clearing Member on its behalf, in accordance with the Client Clearing Annex.

Where, following the Default of a Listed Interest Rates Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing Member in respect of a Listed Interest Rates Clearing Client, the Clearing House is entitled, in accordance with the Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that appointed Backup Clearing Member. The Clearing House shall not require consent from any person in advance of sending these details.

Note: The appointment by a Listed Interest Rates Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that Listed Interest Rates Contracts will always be transferred to that Backup Clearing Member. Porting of Listed Interest Rates Contracts, following a Listed Interest Rates Clearing Member's Default is always subject to the Clearing House's receipt of consent from the relevant Backup Clearing Member.

1.14.3 Rates Service Default Management Disclosure Notice

Each Listed Interest Rates Clearing Member must ensure that each Clearing Client is provided with, or is directed to a copy of, the Rates Service Default Management Disclosure Notice and further must provide confirmation to the Clearing House, in the form and manner reasonably required by the Clearing House, that it has discharged this obligation in respect of each of its Clearing Clients.

1.15 Indirect Clearing

1.15.1 In circumstances where an early termination date (howsoever described) occurs in respect of all of the transactions between a Listed Interest Rates Clearing Member and a Listed Interest Rates Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect Gross Account in respect of which such Listed Interest Rates Clearing Member (i) is a party to Related Listed Interest Rates Contracts and (ii) at the time of such early termination date, is not a Defaulter, that Listed Interest Rates Clearing Member may instruct the Clearing House to take one of the following steps in respect of each Indirect Clearing Client comprising the Indirect Gross Account:

(a) in circumstances where the Listed Interest Rates Clearing Member notifies the Clearing House of a Backup Client in respect of the relevant Indirect Clearing Client, transfer all of the open Related Listed Interest Rates Contracts registered to the Indirect Gross Sub-Account referable to the Indirect Clearing Client to the relevant Indirect Gross Sub-Account referable to the Indirect Clearing Client of the new or existing Indirect Gross Account which the Listed Interest Rates Clearing Member has opened in respect of such Backup Client (a "Client to Client Porting");

(b) transfer all of the open Related Listed Interest Rates Contracts registered to the Indirect Gross Sub-Account referable to the Indirect Clearing Client to:

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Deleted: of its agreement to act as Backup Client in relation to the arrangement described in this paragraph (a) (in such form as the Clearing House may require at the relevant time), transfer to the appointed Backup Client

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(i) a new Individual Segregated Account opened within the Clearing House by the Listed Interest Rates Clearing Member directly on behalf of such Indirect Clearing Client who shall, after such transfer, become a Listed Interest Rates Clearing Client in respect of such Client Account;

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(ii) a new or existing Omnibus Segregated Account opened within the Clearing House by the Listed Interest Rates Clearing Member where such Indirect Clearing Client shall, after such transfer, become a Listed Interest Rates Clearing Client in respect of such Omnibus Segregated Account.

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(each, a "Direct Account Opening"); or

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(c) transfer all of the open Related Listed Interest Rates Contracts registered to the Indirect Gross Sub-Account referable to the relevant Indirect Clearing Client to its Proprietary Account (an "Initial Transfer").

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Deleted: and published on its website in relation to the relevant Listed Interest Rates Clearing Client.

The Clearing House will determine, in respect of each Indirect Clearing Client comprising the Indirect Gross Account, whether a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) is possible within the period of time considered by the Clearing House (in its sole discretion) to be appropriate in the relevant circumstances. In the event of a determination by the Clearing House that the relevant step is impossible (an "Impossibility Determination"), the Clearing House will notify the Listed Interest Rates Clearing Member and will not undertake a Client to Client Porting, a Direct Account Opening or an Initial Transfer in respect of the relevant Indirect Clearing Client.

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1.15.2 Each of the steps referred to in Section 1.15.1(a) to (c) will, in respect of each Indirect Clearing Client comprising the Indirect Gross Account, be subject to the following:

(a) the Clearing House receiving a copy of the notice from the Listed Interest Rates Clearing Member to the relevant Listed Interest Rates Clearing Client or from the relevant Listed Interest Rates Clearing Client to the Listed Interest Rates Clearing Member, copied to each Indirect Clearing Client comprising the Indirect Gross Account, designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;

(b) the Clearing House receiving a copy of the notice from the Listed Interest Rates Clearing Member to the relevant Listed Interest Rates Clearing Client and the relevant Indirect Clearing Client confirming that the Listed Interest Rates Clearing Member will, in accordance with the instructions of the Indirect Clearing Client, request the Clearing House to arrange a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) in respect of the Related Listed Interest Rates Contracts, referable to such Indirect Clearing Client;

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- (c) the Listed Interest Rates Clearing Member having satisfied the Total Required Margin Amount in respect of the relevant account to which the Related Listed Interest Rates Contracts are being transferred;
- (d) the Clearing House receiving an indemnity from the Listed Interest Rates Clearing Member in a form suitable to the Clearing House; and
- (e) in respect of a Client to Client Porting, the Clearing House receiving written confirmation from the Listed Interest Rates Clearing Member that the Backup Client has agreed to act as the Backup Client in relation to such Client to Client Porting.

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The Clearing House will usually arrange a transfer of the Related Listed Interest Rates Contracts referable to an Indirect Clearing Client within 24 hours of receipt of the documents listed in Section 1.15.2(a) to (e).

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For the purposes of this Section 1.15, a "Related Listed Interest Rates Contract" means in respect of a transaction between a Listed Interest Rates Clearing Member and a Listed Interest Rates Clearing Client which has been terminated on an early termination date, the open position represented by the Listed Interest Rates Contract entered into with the Clearing House by such Listed Interest Rates Clearing Member on behalf of the relevant Listed Interest Rates Clearing Client on equal and opposite terms to such transaction.

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LCH Rule Submission

Appendix G

Procedures Section 3 (Financial Transactions)



LCH LIMITED

PROCEDURES SECTION 3

FINANCIAL TRANSACTIONS

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Each Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, *inter alia*, by the Clearing Membership Agreement, clearing extension documentation and the Regulations, Default Rules and Procedures. Payment will only be recognised 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), and (ii) any time permitted by the relevant payment system for the recall of any such payment has expired or funds received have been paid out to another Clearing Member using the same PPS bank.

Where payments are due to a Clearing Member, payments will be recognised by the Clearing House as having been made 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 recognised 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.

1.3.1 **PPS Mandates**

(a) *Introduction*

A Clearing Member is required to maintain a PPS bank account(s) in the currency or currencies in which it makes Contributions, and for each currency in which it incurs settlements, at one or more of the bank branches participating in the PPS system in London. As an exception, an Australian PPS bank may be used for all AUD settlement and margin payments. All PPS calls and payments in AUD will be settled using Australian PPS where the Clearing Member has opted to use Australian PPS.

Clearing Members may use different banks for different currencies.

Each Clearing Member is also required to maintain at least one US dollar PPS account with at least one of the US PPS banks.

Please refer to the following link for details: <http://www.lch.com/risk-collateral-management/collateral-management/protected-payments-system>.

Clearing Members are responsible at all times for ensuring that their PPS bank accounts have sufficient funds or credit lines to be able to meet margin calls from the Clearing House.

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

Each Clearing Member is required to complete a standard form UK PPS Mandate and US PPS Mandate and, where applicable, Australian PPS Mandate (copies are available from collateral.clientservices@lch.com) for each bank branch at which they wish to operate an account before clearing

intra-day call after UK PPS closes (16:00 London time), such a call will be made upon the Clearing Member's nominated US PPS account.

Clearing Members must designate a currency ("GBP", "EUR" or "USD") that will be called by default during the hours of UK PPS for each mnemonic/sub-account. Clearing Members must request a change to the default currency no later than 09:30 London time in order for the change to be undertaken the following day. Members can submit a request to change their currency at the following link: <http://www.lch.com/risk-collateral-management/collateral-management/acceptable-collateral/preferred-currency>.

The Clearing House has the ability to call US dollars in respect of an intra-day margin call up until 16:00 New York time (21:00 London time).

The Clearing House may not accept delivery of US dollar cash other than in satisfaction of an intra-day margin call after 14:00 hours New York time.

The Clearing House must receive confirmation of payment from the Clearing Member's nominated PPS bank(s) within one hour of receipt of the intra-day call by the relevant bank.

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.

(e) *Use of UK and US PPS*

Generally UK PPS will be used for Morning PPS Calls (including Contributions to the Default Fund), remitting surplus cash balances to a Clearing Member, and for intra-day margin calls up to 16:00 hours London time. However Clearing Members should be aware that the Clearing House reserves the right to direct a morning PPS call or intra-day margin calls before 16:00 hours London time to a Clearing Member's US PPS account in exceptional circumstances (an "**Exceptional PPS Call**"). The Clearing House will use all reasonable commercial endeavours to notify the Clearing Member in advance of issuing any such Exceptional PPS Call.

(f) *Auto-repay*

Clearing Members may request that they are automatically repaid any excess cash balances that remain on their accounts (other than an Individual Segregated Account, an Indirect Gross Account or a Custodial Segregated Account) at the end of each day where the relevant Service of which the Clearing Member is a member provides an auto-repay mechanism. Clearing Members must contact Treasury Collateral Operations in order to have auto-repay applied to their accounts. (collateral.clientservices@lchcom or Tel +44 (0)20 7426 7505)

Those Clearing Members who are not on auto-repay may request that any cash balances on their accounts (~~other than an Individual Segregated Account or a Custodial Segregated Account~~) be repaid on the same day, provided that such request is received by the Clearing House by 09:30 London time.

In certain circumstances and following notification to one or more relevant Regulatory Bodies, the Clearing House may disable the auto-repay functionality for all Clearing Members of a Service. The Clearing House will notify affected Clearing Members via Clearing ~~member Circular~~ **Member circular** in the event that the functionality is disabled.

(g) *Value Date*

PPS calls and payments are for value the same day as the day of the CAD, EUR, GBP and USD and with value for the next day for all currencies, subject to Section 1.3.1(g). Call instructions issued on a day when the Clearing House is not open for business (e.g. Saturdays) are for value the next day for CAD, EUR, GBP and USD and for value two days are the instruction for all other currencies. Payment instructions will not be issued on a day when the Clearing is not open for business.

- (i) If, under Section 1.3.1(f), a PPS call or payment in a particular currency would be due to be made for value on a day ("**Payment Date**") which is a holiday in respect of that currency, the value date for such PPS transaction will be the first day which is not a holiday in respect of that currency occurring after the Payment Date; and
- (ii) in respect of AUD, if the PPS call or payment is instructed day which is a holiday for AUD or on a day when the Clearing House is not open for business (e.g. Saturdays), the value date for such PPS call or payment will be the second day which is not a holiday in respect of AUD occurring after the Payment Date.

Example 1: 20 August is a currently a holiday in the USA. The Clearing House is open. 21 August is not a currency holiday in the USA.

On 20 August, the Clearing House will issue USD instructions to PPS banks, and receive confirmation in response to the PPS calls on the same day; the value date for such calls will be 21 August.

Example 2: 20 August is a currency holiday in the UK. The Clearing House is open. 21 August is a currency holiday in Japan. 22 August is not a currency holiday in Japan.

On 20 August, the Clearing House will issue JPY instructions to PPS banks, and receive confirmations in response to the PPS calls on the same day; the value date for such calls will be 22 August.

LCH Rule Submission

Appendix H

FCM Regulations

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LCH The Markets'
Partner

FCM REGULATIONS OF THE CLEARING HOUSE

LCH LIMITED

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REGULATION 1 DEFINITIONS

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

- “30.7 customer”** means “30.7 customer” as that term is defined in CFTC Regulation 30.1(f).
- “ACSP Compression Cycle”** means a Multilateral Compression Cycle established by the Clearing House and facilitated by an ACSP nominated by the Clearing House, which shall be open to participation by FCM Clearing Members and FCM Clients in accordance with the provisions of Regulations 46(m) and relevant Compression Documentation.
- “Account Manager Executing Party”** means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated FCM SwapClear Transactions and/or Unallocated FCM ForexClear Transactions.
- “Affected Client”** means a client of an FCM Clearing Member (or potential client of an FCM Clearing Member) in respect of which the application of laws or regulations in the client’s jurisdiction of establishment or applicable in the context of activity on a relevant trading platform do not prevent or prohibit EMIR Client Clearing being provided to such client.
- “Aggregate Excess Loss”** has the meaning assigned to it in the Clearing House’s **“General Regulations”**.
- “Allocation Notice”** means a message delivered to the Clearing House which contains the following information: (i) details of the Client Account, FCM Client Sub-Account or the Proprietary Account of the Post-Allocation Clearing Member to which an Unallocated FCM SwapClear Contract should be allocated; (ii) the amount of notional value of the Unallocated FCM SwapClear Contract to be allocated to each such Client Account, FCM Client Sub-Account or Proprietary Account of the Post-Allocation Clearing Member; and (iii) confirmation of the Unallocated FCM SwapClear Contract to which the Allocation Notice relates. Any additional information contained in the Allocation Notice (including any economic details) shall be disregarded by the Clearing House.
- “Approved Compression Services Provider” or “ACSP”** means an entity other than the Clearing House which is approved by the Clearing House for the facilitation of Multilateral Compression in relation to eligible FCM SwapClear Contracts in accordance with Regulation 46 and relevant Compression Documentation

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FCM Regulations

“Executing Party”	means each person described as a party to an FCM Transaction in the details <u>presented</u> to the Clearing House via the relevant FCM Clearing Member and/or via the relevant FCM Approved Trade Source System.
“Expiry Month”	has the meaning ascribed to it in: (i) the relevant Exchange Rules in respect of an FCM Exchange Contract that is an FCM Option Contract; and (ii) the relevant provisions of the FCM Product Specific Terms and Eligibility Criteria Manual in respect of an FCM Listed Interest Rates Contract that is an FCM Option Contract.
“FCM”	means a futures commission merchant, as defined in the CEA and the CFTC Regulations promulgated thereunder, that is registered in such capacity with the CFTC.
“FCM Approved Trade Source System”	means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market, trade affirmation or routing system or other similar venue or system, approved by the Clearing House for submitting or presenting FCM Transactions to the Clearing House. For the avoidance of doubt, the “ClearLink API” is not an FCM Approved Trade Source System.
“FCM Buffer”	has the meaning assigned to such term in FCM Regulation 15(a).
“FCM Buffer Sub-Account”	has the meaning assigned to such term in FCM Regulation 15(a).
“FCM Clearing Member”	means an FCM that has been approved by the Clearing House for the clearing of one or more categories of FCM Contracts on behalf of FCM Clients, in accordance with an FCM Clearing Membership Agreement and the FCM Procedures, and pursuant to these FCM Regulations, and as such is a “Clearing Member” for all purposes under the Default Rules and the FCM Default Fund Agreement, unless otherwise specified in these FCM Regulations.
“FCM Clearing Membership Agreement”	means the agreement so designated under which, <i>inter alia</i> , the Clearing House agrees to make available clearing services to an FCM Clearing Member in respect of FCM Contracts together with any ancillary agreements.
“FCM Clearing Services”	means the FCM SwapClear Clearing Services, the FCM ForexClear Clearing Services and the FCM Listed Interest Rates Clearing Services, collectively.
“FCM Client”	means a client of an FCM Clearing Member with positions in FCM Contracts on behalf of which the FCM Clearing Member provides FCM Clearing Services and clears FCM

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Exchange Contracts and FCM Listed Interest Rates Contracts, collectively.

“FCM Contract Subject to Delivery Notice”

means a Physically-Settled FCM Contract in respect of which a Delivery Notice has been given, and which has not been closed out, settled or invoiced back, in accordance with the FCM Rulebook.

“FCM Contract Terms”

means the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms and the FCM Listed Interest Rates Contract Terms, collectively.

“FCM Default Fund Agreement”

means an agreement in a form prescribed by the Clearing House, entered into between an FCM Clearing Member and the Clearing House relating to the “default funds” of the Clearing House.

“FCM Eligible Trading Venue”

means:

- (i) in respect of an FCM Rates Service Clearing Member, an FCM Trading Venue for which the Clearing House’s records reflect that such FCM Rates Service Clearing Member has completed the Clearing House’s process for enabling the FCM Rates Service Clearing Member to be eligible to present (or have presented on its behalf) to the Clearing House for registration a transaction executed on such FCM Trading Venue by a third party Executing Party; and
- (ii) in respect of an FCM ForexClear Clearing Member, an FCM Trading Venue for which the Clearing House’s records reflect that such FCM ForexClear Clearing Member has completed the Clearing House’s process for enabling the FCM ForexClear Clearing Member to be eligible to present (or have presented on its behalf) to the Clearing House for registration a transaction executed on such FCM Trading Venue by a third party Executing Party.

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“FCM Eligible Trading Venue Transaction”

means:

- (i) in respect of an FCM Rates Service Clearing Member, an FCM Transaction recorded in the Clearing House’s systems (via applicable messaging from the FCM Trading Venue, FCM Approved Trade Source System or otherwise) as an FCM Transaction executed on an FCM Trading Venue that, as at the time of such execution, was an FCM Eligible Trading Venue in respect of such FCM Rates Service Clearing Member; and
- (ii) in respect of an FCM ForexClear Clearing Member,

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an FCM Transaction recorded in the Clearing House's systems (via applicable messaging from the FCM Trading Venue, FCM Approved Trade Source System or otherwise) as an FCM Transaction executed on an FCM Trading Venue that, as at the time of such execution, was an FCM Eligible Trading Venue in respect of such FCM ForexClear Clearing Member.

“FCM Exchange Contract” means an FCM Contract arising out of an FCM Exchange Transaction executed on a market administered by an Exchange in accordance with the Exchange Rules of the relevant Exchange.

“FCM Exchange Transaction” means a transaction entered on, or subject to, the Exchange Rules of the relevant Exchange of which particulars are to be presented to the Clearing House for registration as (i) an FCM Exchange Contract in the name of the relevant FCM Clearing Member in accordance with the relevant Exchange Rules, and the FCM Regulations and FCM Procedures and (ii) as applicable, as either (A) a second such FCM Exchange Contract or (B) a “Cleared Exchange Contract” with a Non-FCM Clearing Member governed by the UK General Regulations.

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

“FCM Foreign Futures Client Secured Amount Depository Account” means an omnibus account maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository (including any applicable “PPS Accounts”, which are described in the FCM Procedures), which is maintained in accordance with Part 30 of the CFTC Regulations, and which contains the FCM Foreign Futures Client Funds of its FCM Clients held in connection with Foreign Futures Products or other Foreign Futures/Options Contracts (and, if applicable, the funds of other 30.7 customers of an FCM Clearing Member held in connection with other Foreign Futures/Options Contracts).

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

“FCM ForexClear Clearing Services” means the services provided by an FCM Clearing Member in connection with FCM ForexClear Contracts cleared on

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Business	an FCM Listed Interest Rates Contract.
“FCM Listed Interest Rates Clearing Member”	means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM Listed Interest Rates Transactions and register FCM Listed Interest Rates Contracts.
“FCM Listed Interest Rates Clearing Services”	means the services provided by an FCM Clearing Member in connection with FCM Listed Interest Rates Contracts cleared on behalf of its FCM Clients.
“FCM Listed Interest Rates Contract”	means a Foreign Futures/Options Contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM Listed Interest Rates Contract Terms, and which is governed by these FCM Regulations.
“FCM Listed Interest Rates Contract Terms”	means the terms applicable to each FCM Listed Interest Rates Contract as set out from time to time in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.
<u>“FCM Listed Interest Rates Eligibility Criteria”</u>	<u>means the FCM Listed Interest Rates Open Offer Eligibility Criteria or the FCM Listed Interest Rates Novation Transaction Eligibility Criteria (as applicable).</u>
“FCM Listed Interest Rates Eligible Product”	means a product traded under the rules of a Rates Exchange which such Rates Exchange has agreed from time to time with the Clearing House to be cleared by the Clearing House pursuant to the FCM Regulations.
“FCM Listed Interest Rates Novation Transaction”	means, <u>in respect of a Rates Exchange</u> , the matched Rates Exchange Particulars representing a bilateral transaction and either: <ul style="list-style-type: none"> (i) concluded other than through the order book of <u>the</u> relevant Rates Exchange; or (ii) concluded through an order book of <u>the</u> Rates Exchange, and in <u>each</u> case: <ul style="list-style-type: none"> (a) entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM Listed Interest Rates Contract, and the other side of such transaction registered with the Clearing House as either an FCM Listed Interest Rates Contract or a Non-FCM Listed Interest Rates

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Contract; and

(b) which the Clearing House and the Rates Exchange have agreed will be cleared in accordance with, and subject to, the Rates Exchange Rules and the FCM Rulebook via novation under FCM Regulation 54 (and not via the FCM Listed Interest Rates Open Offer clearing mechanism).

“FCM Listed Interest Rates Open Offer” means the open offer made by the Clearing House in respect of a Rates Exchange Match under FCM Regulation 53.

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“FCM Listed Interest Rates Open Offer Eligibility Criteria” has the meaning set out in FCM Regulation 53.

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

“FCM Omnibus Client Account with LCH” means either an FCM Omnibus Swaps Client Account with LCH, an FCM Omnibus Futures Client Account with LCH, or an FCM Omnibus Foreign Futures Client Account with LCH.

“FCM Omnibus Foreign Futures Client Account with LCH” means an FCM Omnibus Listed Interest Rates Client Account with LCH.

“FCM Omnibus ForexClear Client Account with LCH” means an omnibus account maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM ForexClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus ForexClear Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM ForexClear Contracts. Each FCM Omnibus ForexClear Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Swaps Client Segregated Depository Account. The Clearing House will establish FCM Client Sub-Accounts within each FCM Omnibus ForexClear Client Account with LCH.

“FCM Omnibus Futures Client Account with LCH” means an FCM Omnibus Listed Interest Rates Client Account with LCH.

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Account	described in the FCM Procedures), which is segregated in accordance with Section 4d(f) of the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account and which contains the FCM Swaps Client Funds of its FCM Clients held in connection with Swap Products or other Cleared Swaps (and, if applicable, the funds of other Cleared Swaps customers of an FCM Clearing Member held in connection with other Cleared Swaps).
“FCM Transaction”	means either an FCM SwapClear Transaction, an FCM ForexClear Transaction, an FCM Exchange Transaction, or an FCM Listed Interest Rates Novation Transaction, as the context may require.
“FCM Trading Venue”	means a <u>Trading Venue (as defined in the UK General Regulations)</u> . For the avoidance of doubt, an FCM Trading Venue need not be an FCM Approved Trade Source System.
“FCM Trading Venue Transaction”	means, in respect of an FCM Clearing Member, a transaction recorded in the Clearing House’s systems (via applicable messaging from the relevant FCM Trading Venue, FCM Approved Trade Source System or otherwise) as a transaction that was executed on <u>an FCM Trading Venue</u> .
“FDICIA”	means the Federal Deposit Insurance Corporation Improvement Act of 1991, as amended.
“First Listed Interest Rates Clearing Member”	has the meaning assigned to it in Regulation 54.
“foreign board of trade”	means any board of trade, exchange or market located outside the United States, its territories or possessions, whether incorporated or unincorporated.
“Foreign Futures Account Class”	means the account class for foreign futures accounts (as defined in CFTC Regulation 190.01(a)(i)) for purposes of Parts 30 and 190 of the CFTC Regulations.
“Foreign Futures/Options Contract”	means the type of contract which is either (i) a contract for the purchase or sale of a commodity for future delivery made, or to be made, on or subject to the rules of a foreign board of trade, (ii) an option on any such contract or (iii) any similar type of contract, and which, in the case of any of the foregoing, requires an FCM to hold such contract (and maintain any related margin) pursuant to CFTC Rule 30.7 if cleared by an FCM for a 30.7 customer.
“Foreign Futures Product”	means a Product that constitutes a Foreign Futures/Options Contract. Such Products are: FCM Listed Interest Rates

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Interest Rates Clearing Service.

“Rates Exchange Rules”

means the rules, regulations, administrative procedures, Memorandum and Articles of Association or by-laws which regulate a Rates Exchange and the market administered by it as notified from time to time to the Clearing House.

“Rates Exchange Match”

means, in respect of a Rates Exchange, a match on such Rates Exchange of Rates Exchange Particulars submitted by, or on behalf of, two FCM Listed Interest Rates Clearing Members, or an FCM Listed Interest Rates Clearing Member and a Listed Interest Rates Clearing Member, which is made either:

(i) other than through an order book of the Rates Exchange; or

(ii) through an order book of the Rates Exchange, and

in each case:

(a) which the Clearing House and the Rates Exchange have agreed will be cleared in accordance with, and subject to, the Rates Exchange Rules and the FCM Rulebook via the FCM Listed Interest Rates Open Offer clearing mechanism (and not via novation under Regulation 54); and

(b) regardless of whether such match is described or characterised as a trade, transaction or agreement in the relevant Rates Exchange Rules.

“Rates Exchange Particulars”

means the order or trade particulars, in respect of an FCM Listed Interest Rates Eligible Product, submitted to a Rates Exchange in accordance with the relevant Rates Exchange Rules by, or on behalf of, an FCM Listed Interest Rates Clearing Member or a Listed Interest Rates Clearing Member.

“Rates Service DMP”

has the meaning assigned to it in the Rates Service DMP Annex of the Default Rules.

“Receiving Clearing Member”

means (i) an FCM Clearing Member or (ii) where the Transferring SwapClear Contracts are FCM SwapClear Contracts, a Clearing Member (as defined in the UK General Regulations, and being an entity other than an FCM Clearing Member) in each case that carries the Transfer Account that will receive the transfer of Transferring SwapClear Contracts and, where applicable, Associated Collateral Balance(s) held in respect of the Eligible Transferor from a Carrying Clearing Member. For the

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FCM Regulations

“Settlement Finality Regulations”	means the Clearing House's Settlement Finality Regulations from time to time in force.
“Settlement Price”	means, in relation to an FCM Contract, one or more prices determined in accordance with the FCM Regulations or the FCM Procedures.
“Standard Terms”	means those parts of the FCM Contract Terms designated as Standard Terms by the Clearing House from time to time.
“Strike Price”	means the price specified in an FCM Option Contract which becomes the price of the commodity under the relevant FCM Contract upon the exercise of the FCM Option Contract, in accordance, as applicable, with the relevant Exchange Rules, the FCM Regulations and/or the FCM Procedures.
“Sub-Block Trading Venue Transaction”	means a transaction, identified by the Clearing House as having been executed on <u>an FCM Trading Venue</u> , the notional amount of which is below the minimum block size <u>determined by the Clearing House in its sole and absolute discretion and published on the Clearing House's website in respect of the particular transaction and in effect as of the date of presentation</u> of such transaction to the Clearing House for registration.
“Swap Product”	means a Product which constitutes a Cleared Swap. Such Products are: (1) FCM SwapClear Contracts and (2) FCM ForexClear Contracts.
“SwapClear Contract”	has the meaning assigned to it in the General Regulations but which shall not, unless stated otherwise, include an FCM SwapClear Contract.
“SwapClear Contribution”	means, in relation to the Default Rules, the meaning assigned to it in rule 16 of the Default Rules.
“SwapClear Clearing Member”	means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
“SwapClear DMP”	has the meaning assigned to it in the SwapClear DMP Annex of the Default Rules.
“SwapClear Tolerance”	has the meaning assigned to it in Section 2.1.3(c) of the FCM Procedures.
“Terminating FCM SwapClear Contracts”	means, in relation to any Compression Proposal, the FCM SwapClear Contracts that will be terminated and replaced with Post-Multilateral Compression Contracts in accordance with Regulation 46(m).

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CHAPTER III - ACCOUNTS AND CLIENT CLEARING

REGULATION 7 FCM CLIENT BUSINESS AND FCM CLIENT ACCOUNT SEGREGATION

- (a) Subject to the provisions of these FCM Regulations, FCM Clearing Services may be provided by an FCM Clearing Member to its FCM Clients on any terms and conditions mutually agreed to by the FCM Clearing Member and the FCM Client; **provided, however**, that each FCM Clearing Member shall, before providing FCM Clearing Services to any FCM Client, ensure that it has entered into an agreement with that FCM Client, or an Addendum to an existing Agreement with such FCM Client, which, in either case, binds the FCM Client to the applicable provisions of the FCM Rulebook by direct reference to the FCM Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the Clearing House and FCM Clearing Members, or as may be prescribed by the Clearing House. Upon the registration of an FCM Contract at the applicable Registration Time on behalf of an FCM Client, both the FCM Clearing Member and the applicable FCM Client will be deemed to be bound by the relevant FCM Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client, which such terms shall, without limitation, incorporate all applicable terms of the FCM Rulebook and the applicable FCM Contract Terms.

Where an FCM Clearing Member offers or provides Client Clearing Services to an Affected Client, it must offer the following arrangement to that Affected Client: If the Affected Client elects EMIR Client Clearing, the FCM Clearing Member must, to the extent permitted and practicable under Applicable Law, procure the availability of EMIR Client Clearing for that Affected Client either through an affiliated Non-FCM Clearing Member or another Clearing Member.

In addition, an FCM Clearing Member may request the Clearing House to open one or more Indirect Accounts (as defined in, and operated in accordance with the provisions of, the UK General Regulations), provided that such FCM Clearing Member demonstrates, to the Clearing House's reasonable satisfaction, that it is able to perform its obligations in respect of such Indirect Accounts in accordance with Applicable Law.

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(b) **Book Entry Accounts – Swaps.**

- (i) With respect to each FCM Clearing Member, the Clearing House shall establish and maintain an FCM Omnibus Swaps Client Account with LCH on behalf of such FCM Clearing Member's FCM Clients with respect to each Swap Product for which such FCM Clearing Member clears FCM Contracts on behalf of its FCM Clients. FCM Clearing Services in respect of Swap Products may be provided by an FCM Clearing Member to its FCM Clients, and FCM Contracts may be registered by an FCM Clearing Member with the Clearing House on behalf of its FCM Clients only in an FCM Omnibus Swaps Client Account with LCH. Each such FCM Omnibus Swaps Client 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. In accordance with CFTC Regulation 22.8, the situs of

CHAPTER XII - FCM SWAPCLEAR REGULATIONS

REGULATION 46 REGISTRATION OF FCM SWAPCLEAR CONTRACTS; NOVATION AND POST-NOVATION COMPRESSION; SWAPCLEAR ACCOUNTS; PORTFOLIO TRANSFERS; BULK EVENTS

(a) In order for an FCM to register an FCM SwapClear Contract in respect of the registration of an FCM SwapClear Transaction, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM SwapClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must present the particulars of an FCM SwapClear Transaction for registration as two FCM SwapClear Contracts or one FCM SwapClear Contract and one Non-FCM SwapClear Contract (as the case may be) in accordance with these FCM Regulations. Each FCM SwapClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member.

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(b) Once an FCM SwapClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (c) below and Section 2.1.3 of the FCM Procedures) request the consent of the relevant FCM Clearing Member with whom an FCM SwapClear Contract shall be registered as a result thereof to such registration. Upon the FCM Clearing Member providing its consent, such FCM SwapClear Transaction shall be deemed to have been submitted (as such term is defined in the FCM Procedures) by such FCM Clearing Member to the Clearing House for registration. Any such consent shall be provided in accordance with the FCM Procedures.

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(c) An FCM Clearing Member which has been nominated to clear the FCM Contract arising from the registration of an FCM SwapClear Transaction on behalf of a third party Executing Party will (only where such FCM SwapClear Transaction is not an FCM Trading Venue Transaction) be notified by the Clearing House of such FCM SwapClear Transaction and shall choose whether to grant or refuse consent to the registration of such FCM SwapClear Transaction and the FCM SwapClear Contract resulting from such FCM SwapClear Transaction. Where:

(i) an FCM Clearing Member is an Executing Party to an FCM SwapClear Transaction and is to clear an FCM SwapClear Contract resulting from such FCM SwapClear Transaction; or

(ii) an FCM SwapClear Transaction is an FCM Eligible Trading Venue Transaction in respect of an FCM Clearing Member, and a third party Executing Party to such FCM SwapClear Transaction has nominated such FCM Clearing Member to clear an FCM SwapClear Contract resulting from such FCM SwapClear Transaction.

the consent of that FCM Clearing Member to the registration of the relevant FCM SwapClear Contract will occur automatically and without the need for any further action by such FCM Clearing Member.

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FCM Regulations

- (d) Without prejudice to the Clearing House's rights under paragraph (g) of this FCM Regulation 46, an FCM Clearing Member shall be bound by an FCM SwapClear Contract registered in its name,
- (e) The Clearing House shall register or reject the registration of an FCM SwapClear Contract in respect of an FCM SwapClear Transaction presented for registration subject to, and in accordance with, these FCM Regulations, the FCM Procedures and all Applicable Law, where the following are conditions for registration of an FCM SwapClear Contract:
- (i) both sides of the relevant FCM SwapClear Transaction have been properly presented and submitted for clearing by (or on behalf of) the Executing Parties;
 - (ii) the relevant FCM SwapClear Transaction meets the FCM SwapClear Product Eligibility Criteria prescribed in the FCM Product Specific Contract Terms and Eligibility Criteria Manual at the time the particulars of the FCM SwapClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;
 - (iii) each FCM SwapClear Contract resulting from an FCM SwapClear Transaction is consented to by the relevant FCM Clearing Member in accordance with paragraph (c) above and Section 2.1.3 of the FCM Procedures;
 - (iv) the applicable FCM Clearing Member has furnished, upon request of the Clearing House and in accordance with FCM Regulation 14 and such other applicable provisions of the FCM Rulebook, all required Margin in respect of such FCM SwapClear Contract prior to registration (taking into account MER and/or SwapClear Tolerance, if any; provided that such Margin need not be furnished prior to registration as a condition to the registration of such FCM SwapClear Contract where such FCM SwapClear Contract results from an FCM SwapClear Transaction that is a Sub-Block US Trading Venue Transaction; and
 - (v) all the conditions applicable (under the terms of the FCM Rulebook or the UK General Regulations, as the case may be) for the registration of the Non-FCM SwapClear Contract or the other FCM SwapClear Contract (as the case may be) deriving from the relevant FCM SwapClear Transaction have been satisfied.

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If for any reason in respect of an FCM SwapClear Contract the other corresponding FCM SwapClear Contract or Non-FCM SwapClear Contract (as the case may be) is not registered by the Clearing House, the Clearing House shall de-register such FCM SwapClear Contract and shall not have any liability whatsoever to any FCM Clearing Member or to any other person (including any SwapClear Dealer (as such term is defined in the UK General Regulations)) in contract, tort (including negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of such de-registration.

FCM Regulations

- (f) The Clearing House shall be deemed to register an FCM SwapClear Contract, in accordance with this FCM Regulation 46 in the name of an FCM Clearing Member, at the time prescribed in the FCM Procedures (“**Registration Time**”). At the Registration Time, the FCM Clearing Member, and the FCM Client if applicable, will be deemed to be bound by the relevant FCM SwapClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and of Schedule 1 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.
- (g) If at any time after registration of an FCM SwapClear Contract, the Clearing House determines that the corresponding FCM SwapClear Transaction of which details were presented for registration did not, at the Registration Time, meet the FCM SwapClear Product Eligibility Criteria in existence at the Registration Time (an “**Ineligible FCM SwapClear Transaction**”), the Clearing House shall, immediately following the next margin run following such determination, set aside both FCM SwapClear Contracts (or, the FCM SwapClear Contract and the Non-FCM SwapClear Contract, if applicable) arising from such Ineligible FCM SwapClear Transaction. Upon an FCM SwapClear Contract being set aside under this paragraph (any such FCM SwapClear Contract, an “**Ineligible FCM SwapClear Contract**”): (i) the Clearing House will notify the FCM Clearing Member party to such Ineligible FCM SwapClear Contract via the FCM Approved Trade Source System through which details of the relevant Ineligible FCM SwapClear Transaction were originally presented to the Clearing House that such Ineligible FCM SwapClear Contract has been set aside; and (ii) such Ineligible FCM SwapClear Contract shall immediately be deemed to be terminated and shall thereafter have no force or effect. Where an Ineligible FCM SwapClear Contract is set aside pursuant to this paragraph, all payments (including Variation Margin) (if any) paid by the Clearing House or by an FCM Clearing Member (or SwapClear Clearing Member, if applicable) in respect of such Ineligible FCM SwapClear Contract up to and including the time when such Ineligible FCM SwapClear Contract was set aside shall be retained by the receiving party upon termination as a termination payment. Without prejudice to FCM Regulation 44 and its obligations under this FCM Regulation 46, the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an Ineligible FCM SwapClear Contract.
- (h) Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM SwapClear Contracts are to be registered to furnish it with Margin as a condition of registration of such FCM SwapClear Contract(s), and such Margin shall be furnished to the Clearing House in accordance with FCM Regulation 14 and such other applicable provisions in the FCM Rulebook.
- (i) Notwithstanding anything to the contrary in the FCM Rulebook, the Clearing House may decline to register an FCM SwapClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market, **provided that** the Clearing House may (subject to the provisions of the FCM Rulebook) register any FCM SwapClear Contract which

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FCM Regulations

reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM SwapClear Transaction subject to any conditions stipulated by the Clearing House including the furnishing of additional Margin by any FCM Clearing Member in whose name any such FCM SwapClear Transaction is to be registered.

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

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

- (k) With effect from the registration of an FCM SwapClear Transaction in accordance with FCM Regulation 46(i) above:
- (i) such FCM SwapClear Transaction shall be extinguished and replaced by the corresponding FCM SwapClear Contracts (or if applicable, the corresponding FCM SwapClear Contract and Non-FCM SwapClear Contract), and the parties to such FCM SwapClear Transaction shall be released and discharged from all rights and obligations under such FCM SwapClear Transaction which fall due for performance on or after the Registration Time;

CHAPTER XIII - FCM FOREXCLEAR REGULATIONS

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

- (a) In order for an FCM to register an FCM ForexClear Contract in respect of the registration of an FCM ForexClear Transaction, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM ForexClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must present the particulars of an FCM ForexClear Transaction for registration as an FCM ForexClear Contract in accordance with the FCM Rulebook. Each FCM ForexClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member. It is a condition for registration as an FCM ForexClear Contract that both sides of the underlying FCM ForexClear Transaction be presented for clearing (as one FCM ForexClear Contract and one Non-FCM ForexClear Contract, or as two FCM ForexClear Contracts, as the case may be).
- (b) Once an FCM ForexClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (c) below and Section 2.2.8 of the FCM Procedures) request the consent of the relevant FCM Clearing Member with whom an FCM ForexClear Contract shall be registered as a result thereof to such registration. Upon the FCM Clearing Member providing its consent, such FCM ForexClear Transaction shall be deemed to have been submitted (as such term is defined in the FCM Procedures) by such FCM Clearing Member to the Clearing House for registration. Any such consent shall be provided in accordance with the FCM Procedures.
- (c) An FCM Clearing Member which has been nominated to clear the FCM Contract arising from the registration of an FCM ForexClear Transaction on behalf of a third party Executing Party will (only where such FCM ForexClear Transaction is not an FCM Trading Venue Transaction) be notified by the Clearing House of such FCM ForexClear Transaction and shall choose whether to grant or refuse consent to the registration of such FCM ForexClear Transaction and the FCM ForexClear Contract resulting from such FCM ForexClear Transaction. Where:
- (i) an FCM Clearing Member is an Executing Party to an FCM ForexClear Transaction and is to clear an FCM ForexClear Contract resulting from such FCM ForexClear Transaction; or
 - (ii) an FCM ForexClear Transaction is an FCM Eligible Trading Venue Transaction in respect of an FCM Clearing Member, and a third party Executing Party has nominated such FCM Clearing Member to clear an FCM ForexClear Contract resulting from such FCM ForexClear Transaction,
- the consent of that FCM Clearing Member to the registration of the relevant FCM ForexClear Contract will occur automatically and without the need for any further action by such FCM Clearing Member.

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(d) Without prejudice to the Clearing House's rights under paragraph (e) of this FCM Regulation 49, an FCM Clearing Member shall be bound by an FCM ForexClear Contract registered in its name,

(e) The Clearing House shall register or reject the registration of an FCM ForexClear Contract in respect of an FCM ForexClear Transaction presented for registration subject to, and in accordance with, these FCM Regulations, the FCM Procedures and all Applicable Law, where the following are conditions for registration of such FCM ForexClear Contract:

(i) both sides of the relevant FCM ForexClear Transaction have been properly presented and submitted for clearing by (or on behalf of) the Executing Parties;

(ii) the relevant FCM ForexClear Transaction meets the FCM ForexClear Product Eligibility Criteria prescribed in the FCM Product Specific Contract Terms and Eligibility Criteria Manual at the time the particulars of the FCM ForexClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;

(iii) each FCM ForexClear Contract resulting from an FCM ForexClear Transaction is consented to by the relevant FCM Clearing Member (to the extent such consent is required) in accordance with paragraph (c) of this FCM Regulation 49 and the FCM Procedures;

(iv) the applicable FCM Clearing Member has furnished, upon request of the Clearing House and in accordance with FCM Regulation 14 and such other applicable provisions of the FCM Rulebook, all required Margin in respect of such FCM ForexClear Contract prior to registration (taking into account any available MER Buffer and MCE, if any); provided that such Margin need not be furnished prior to registration as a condition to the registration of such FCM ForexClear Contract where such FCM ForexClear Contract results from an FCM ForexClear Transaction that is a Sub-Block Trading Venue Transaction; and

(v) all the conditions applicable (under the terms of the FCM Rulebook or the UK General Regulations, as the case may be) for the registration of the Non-FCM ForexClear Contract or the other FCM ForexClear Contract (as the case may be) deriving from the relevant FCM ForexClear Transaction have been satisfied

If for any reason in respect of an FCM ForexClear Contract the other corresponding FCM ForexClear Contract or Non-FCM ForexClear Contract (as the case may be) is not registered by the Clearing House, the Clearing House shall de-register such FCM ForexClear Contract and shall not have any liability whatsoever to any FCM Clearing Member or to any other person (including any ForexClear Dealer (as such term is defined in the UK General Regulations)) in contract, tort (including negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of such de-registration.

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FCM Regulations

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

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

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(h) **Ineligible Registered FCM ForexClear Transactions**

(i) If at any time after registration of an FCM ForexClear Contract, the Clearing House determines that the corresponding FCM ForexClear Transaction of which details were submitted for registration did not, at the Registration Time, meet the FCM ForexClear Product Eligibility Criteria in existence at the Registration Time (such an FCM ForexClear Transaction, an “**Ineligible FCM ForexClear Transaction**”), the Clearing House shall, as soon as practicable thereafter set aside such FCM ForexClear Contracts (or the FCM ForexClear Contract and the Non-FCM ForexClear Contract, as the case may be).

(ii) *Ineligible FCM ForexClear Transactions.* Upon an FCM ForexClear Contract being set aside under sub-clause (i) above (such set aside contract, an “**Ineligible FCM ForexClear Contract**”), the Clearing House will notify the FCM Clearing Member party to such Ineligible FCM ForexClear Contract via the ForexClear Matcher that such Ineligible FCM ForexClear Contract has been set aside. The following shall take effect immediately upon the delivery of such notice: (A) such Ineligible FCM ForexClear Contract shall be deemed to be terminated at the time of the notification and shall thereafter have no force or effect; (B) all Variation Margin (if any) paid by the Clearing House or by an FCM Clearing Member in respect of such Ineligible FCM ForexClear Contract shall be retained by the receiving party upon termination; (C) where there is a difference between the value of the Ineligible FCM ForexClear Contract as at the last margin run and the value (as determined by the Clearing House) of that Ineligible FCM ForexClear Contract at the time of the next official settlement rate for the relevant currency pair, then a payment shall be made between the FCM Clearing Members (or one FCM Clearing Member and one Non-FCM Clearing Member, as the case may be) to the original Ineligible FCM ForexClear Transaction equal to such difference; and (D) these payments shall be deemed to satisfy in full the relevant party's obligations under the Ineligible FCM ForexClear Contract and shall be

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pursuant to the UK General Regulations applicable to Non-FCM Clearing Members and one FCM ForexClear Contract pursuant to these FCM Regulations, where (i) the FCM ForexClear Contract shall be registered between the FCM Clearing Member as the Reference Currency Buyer and the Clearing House as the Reference Currency Seller (or vice versa as applicable), and (ii) the Non-FCM ForexClear Contract shall be registered between the Clearing House as the Reference Currency Buyer and the Non-FCM Clearing Member as the Reference Currency Seller (or vice versa as applicable); or

- (ii) in the case where each Executing Party will clear its respective side of such FCM ForexClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM ForexClear Contracts pursuant to these FCM Regulations where each relevant FCM ForexClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the Reference Currency Buyer, and the Clearing House as the Reference Currency Seller, and the other FCM Clearing Member as the Reference Currency Seller and the Clearing House as the Reference Currency Buyer.
- (iii) In each of the foregoing cases in paragraphs (i) and (ii) above, to the extent the FCM ForexClear Contract has been entered into by an FCM Clearing Member on behalf of an FCM Client, each FCM Clearing Member will be the agent of its FCM Client, but will nevertheless remain fully liable to the Clearing House for any and all amounts due to the Clearing House in connection with any FCM ForexClear Contract cleared on behalf of its FCM Client.

(l) **Effect of Registration of FCM ForexClear Transactions.** With effect from the registration of an FCM ForexClear Transaction in accordance with FCM Regulation 49(k):

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- (i) Such FCM ForexClear Transaction shall be extinguished and replaced by the corresponding FCM ForexClear Contracts (or if applicable, the corresponding FCM ForexClear Contract and Non-FCM ForexClear Contract), and the parties to such FCM ForexClear Transaction shall be released and discharged from all rights and obligations under such FCM ForexClear Transaction which fall due for performance on or after the Registration Time.

- (ii) Each FCM ForexClear Contract registered under FCM Regulation 49(k) shall be governed by the FCM ForexClear Contract Terms as applicable to that FCM ForexClear Contract.

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- (iii) Subject to sub-paragraph (ii) above, in respect of the Economic Terms, an FCM Clearing Member (or clearing on behalf of a person) that is the Reference Currency Buyer under an FCM ForexClear Transaction shall have the same rights against, and owe the same obligations to, the Clearing House under the corresponding FCM ForexClear Contract registered by it in respect of such FCM ForexClear Transaction; and

- (iv) Subject to sub-paragraph (ii) above, in respect of the Economic Terms, an FCM Clearing Member (or clearing on behalf of a person) that is the Reference Currency Seller under an FCM ForexClear Transaction shall have

CHAPTER XIV - FCM LISTED INTEREST RATES REGULATIONS

REGULATION 52 REGISTRATION OF FCM LISTED INTEREST RATES CONTRACTS

- (a) In order to utilize the FCM Listed Interest Rates Clearing Services, an FCM Listed Interest Rates Clearing Member must cause particulars of each relevant Rates Exchange Match and each relevant FCM Listed Interest Rates Novation Transaction to be presented for registration as an FCM Listed Interest Rates Contract, through such means as shall be prescribed by the FCM Procedures.
- (b) An FCM Listed Interest Rates Clearing Member shall not allow the presentation for registration of a match which is not a Rates Exchange Match or a transaction which is not an FCM Listed Interest Rates Novation Transaction in connection with the FCM Listed Interest Rates Clearing Service.
- (c) The Clearing House may decline to register an FCM Listed Interest Rates Contract in the name of an FCM Listed Interest Rates Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any FCM Listed Interest Rates Contract subject to any conditions stipulated by the Clearing House including the furnishing of Margin by the FCM Listed Interest Rates Clearing Member(s) in whose name any such FCM Listed Interest Rates Contract is to be registered.
- (d) The Clearing House shall register an FCM Listed Interest Rates Contract in respect of a Rates Exchange Match or an FCM Listed Interest Rates Novation Transaction in the name of an FCM Listed Interest Rates Clearing Member at the Registration Time for that type of FCM Listed Interest Rates Contract in accordance with FCM Regulation 53 or FCM Regulation 54, as applicable, provided that, in the case of an FCM Listed Interest Rates Contract registered by the Clearing House pursuant to Rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 52 will take effect.

Without prejudice to the Clearing House's rights under paragraph (g) an FCM Listed Interest Rates Clearing Member shall be bound by an FCM Listed Interest Rates Contract registered in its name pursuant to the presentation of particulars of a Rates Exchange Match or of an FCM Listed Interest Rates Novation Transaction.

- (e) Without prejudice to the Clearing House's rights under paragraph (f), a Rates Exchange Match or FCM Listed Interest Rates Novation Transaction presented for registration must meet the eligibility criteria prescribed in the FCM Procedures (and these FCM Regulations) at the time such particulars are presented to the Clearing House and must continue to meet such criteria at all times thereafter up to and including the Registration Time in order to be registered as two FCM Listed Interest Rates Contracts (or, if applicable, one FCM Listed Interest Rates Contract and one Non-FCM Listed Interest Rates Contract). An FCM Listed Interest Rates Clearing Member may not revoke, cancel or transfer a Rates Exchange Match or an FCM Listed Interest Rates Novation Transaction unless permitted by the FCM Rulebook and FCM Procedures or with the consent of the Clearing House.

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(f) If at any time after registration of an FCM Listed Interest Rates Contract the Clearing House determines that the corresponding Rates Exchange Match or FCM Listed Interest Rates Novation Transaction of which particulars were presented for registration did not, at the Registration Time, meet the eligibility criteria for registration as an FCM Listed Interest Rates Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such FCM Listed Interest Rates Contract. Upon the purported FCM Listed Interest Rates Contract being set aside under this paragraph (f), the particulars in question shall be deemed never to have been registered. Any payment made under, or in respect of, an FCM Listed Interest Rates Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 44 and its obligations under this paragraph (f), the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a contract as an FCM Listed Interest Rates Contract in respect of a Rates Exchange Match or FCM Listed Interest Rates Novation Transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an FCM Listed Interest Rates Contract.

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REGULATION 53 FCM LISTED INTEREST RATES OPEN OFFER FOR RATES EXCHANGE MATCHES

- (a) This FCM Regulation 53 applies to Rates Exchange Matches arising pursuant to Rates Exchange Particulars submitted by or on behalf of an FCM Listed Interest Rates Clearing Member. In the event of any inconsistency between the FCM Rulebook and any relevant Rates Exchange Rules, the FCM Rulebook shall prevail.
- (b) If an FCM Listed Interest Rates Clearing Member has been given approval by the Clearing House to clear eligible Rates Exchange Matches in respect of the Rates Exchange specified in such approval and such approval has not been withdrawn by the Clearing House, the Clearing House will enter into FCM Listed Interest Rates Contracts with that FCM Listed Interest Rates Clearing Member pursuant to such approval in accordance with and subject to the provisions of the FCM Rulebook. The terms of a registered FCM Listed Interest Rates Contract shall be as received by the Clearing House, or its relevant approved agent, from the relevant Rates Exchange or the relevant FCM Listed Interest Rates Clearing Member, as applicable, and otherwise subject to the FCM Regulations and the FCM Procedures (and the Clearing House and the FCM Listed Interest Rates Clearing Member party to the registered FCM Listed Interest Rates Contract shall be obliged to perform their obligations thereunder in accordance with such terms, the FCM Regulations and the FCM Procedures).
- (c) The Clearing House makes an open offer to a FCM Listed Interest Rates Clearing Member to enter into an FCM Listed Interest Rates Contract in respect of a Rates Exchange Match in accordance with paragraph (e), pursuant to the submission of Rates Exchange Particulars by or on behalf of such FCM Listed Interest Rates Clearing Member provided that the following requirements (“FCM Listed Interest Rates Open Offer Eligibility Criteria”) shall have been satisfied:
 - (i) at the relevant times the FCM Listed Interest Rates Clearing Member was party to a valid and subsisting FCM Clearing Membership Agreement;
 - (ii) at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under subparagraph (iv) of this paragraph (c), the FCM Listed Interest Rates Clearing Member is not a Defaulter;
 - (iii) the product the subject of the Rates Exchange Match is an FCM Listed Interest Rate Eligible Product;
 - (iv) all necessary details as required by the Clearing House from time to time in respect of the Rates Exchange Match shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;
 - (v) the FCM Listed Interest Rate Eligible Product, which is the subject of the Rates Exchange Match, is not subject to any trading halts, suspension of dealings or any other action having equivalent effect;

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- (vi) at the relevant times, the FCM Listed Interest Rates Clearing Service, or any relevant part of the FCM Listed Interest Rates Open Offer in respect of Rates Exchange Match, has not been suspended or withdrawn; and
 - (vii) the FCM Listed Interest Rates Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the FCM Listed Interest Rates Clearing Service.
- (d) For the avoidance of doubt, Rates Exchange Particulars are deemed to have been presented by or on behalf of the FCM Listed Interest Rates Clearing Member if the details of the Rates Exchange Match received by the Clearing House identify, in accordance with any relevant Rates Exchange Rules, the FCM Regulations or the FCM Procedures, the Rates Exchange Match as having been made by or on behalf of that FCM Listed Interest Rates Clearing Member.
- (e) If Rates Exchange Particulars have been submitted to the relevant Rates Exchange by or on behalf of an FCM Listed Interest Rates Clearing Member, as seller (the “**selling FCM Listed Interest Rates Clearing Member**”) or buyer (the “**buying FCM Listed Interest Rates Clearing Member**”), and have been matched by, or in accordance with, the Rates Exchange Rules with Rates Exchange Particulars submitted to such Rates Exchange by or on behalf of another FCM Listed Interest Rates Clearing Member or Listed Interest Rates Clearing Member, as buyer (the “**buying FCM Listed Interest Rates Clearing Member**” or “**buying Listed Interest Rates Clearing Member**”, respectively) or seller (the “**selling FCM Listed Interest Rates Clearing Member**” or “**selling Listed Interest Rates Clearing Member**”, respectively), and the resulting Rates Exchange Match has been presented to the Clearing House for registration, then, subject to satisfaction of the FCM Listed Interest Rates Open Offer Eligibility Criteria and to the FCM Regulations and the FCM Procedures, the Clearing House shall automatically and immediately register either two FCM Listed Interest Rates Contracts, or one FCM Listed Interest Rates Contract and one Non-FCM Listed Interest Rates Contract, as follows:
- (i) the Clearing House shall be the buyer under, as relevant: (A) an FCM Listed Interest Rates Contract to a selling FCM Listed Interest Rates Clearing Member; or (B) a Non-FCM Listed Interest Rates Contract to a selling Listed Interest Rates Clearing Member; and
 - (ii) the Clearing House shall be the seller under, as relevant: (A) an FCM Listed Interest Rates Contract to a buying FCM Listed Interest Rates Clearing Member; or (B) a Non-FCM Listed Interest Rates Contract to a buying Listed Interest Rates Clearing Member.
- (f) FCM Listed Interest Rates Contracts shall be on the terms received by the Clearing House pursuant to paragraph (c)(iv) and otherwise on the relevant FCM Listed Interest Rates Contract Terms and any other terms specified in these FCM Regulations and the FCM Procedures. The Clearing House and the FCM Listed Interest Rates Clearing Member party to an FCM Listed Interest Rates Contract shall be obliged to perform their obligations thereunder in accordance with such terms,
- (g) If the details required by the Clearing House pursuant to paragraph (c)(iv) are not provided to the Clearing House in accordance with the Clearing House's

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requirements, by the time prescribed by the Clearing House from time to time, or the Clearing House is not able to access such details, the Clearing House may in its sole discretion either:

(i) not register any FCM Listed Interest Rates Contract and Non-FCM Listed Interest Rates Contract; or

(ii) register two FCM Listed Interest Rates Contracts, or one FCM Listed Interest Rates Contract and one Non-FCM Listed Interest Rates Contract, on terms the Clearing House determines and such terms shall be binding on the relevant FCM Listed Interest Rates Clearing Members or FCM Listed Interest Rates Clearing Member and Listed Interest Rates Clearing Member (as applicable).

(h) Without prejudice to FCM Regulation 44, the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall not be liable to any FCM Listed Interest Rates Clearing Member or anyone else for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any FCM Listed Interest Rates Contract or any determination made by the Clearing House under paragraph (g), if the Clearing House does not receive the relevant details referred to in paragraph (c)(iv) by the time referred to in such paragraph (c)(iv).

(i) Subject to its rights to suspend the FCM Listed Interest Rates Open Offer and/or the FCM Listed Interest Rates Clearing Service generally or in respect of one or more Rates Exchanges or to withdraw the FCM Listed Interest Rates Clearing Service in whole or in part, as set out in these FCM Regulations or the FCM Procedures, the Clearing House undertakes to keep open the offer made by it in this FCM Regulation 53 until such FCM Listed Interest Rates Clearing Member is no longer eligible to have FCM Listed Interest Rates Contracts registered in its name or has withdrawn from trading through each Rates Exchange notified to the Clearing House under paragraph (b). Any such intended withdrawal from trading through an Rates Exchange must be notified to the Clearing House in accordance with the applicable provisions of FCM Regulation 5.

(j) Notwithstanding any other provision in this FCM Regulation 53, the Clearing House may, with the agreement of the FCM Listed Interest Rates Clearing Member(s) party to corresponding FCM Listed Interest Rates Contracts, set aside or take such other steps with respect to such contracts on such terms as may be agreed if either or both FCM Listed Interest Rates Clearing Members consider that they have entered into a contract in error or that certain terms of the contract have been agreed by them, or on their behalf, in error.

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REGULATION 54 FCM LISTED INTEREST RATES NOVATION TRANSACTIONS

- (a) Details of any FCM Listed Interest Rates Novation Transaction which is to be presented for registration must be presented in accordance with the FCM Procedures by or on behalf of the FCM Listed Interest Rates Clearing Member who is party to, or is providing clearing services to a party to, such FCM Listed Interest Rates Novation Transaction. For the avoidance of doubt, where the particulars of an FCM Listed Interest Rates Novation Transaction presented by or on behalf of an FCM Listed Interest Rates Clearing Member and received by the Clearing House identify, in accordance with the relevant Rates Exchange Rules or the FCM Procedures, that FCM Listed Interest Rates Clearing Member as buyer or seller, or as acting as clearing member for the buyer or seller, in respect of the FCM Listed Interest Rates Novation Transaction, the Clearing House will enter into an FCM Listed Interest Rates Contract with that FCM Listed Interest Rates Clearing Member in accordance with and subject to the provisions of the FCM Regulations and the FCM Procedures,
- (b) Without prejudice to the Clearing House’s rights under FCM Regulation 52(f), the Clearing House shall register or reject the registration of an FCM Listed Interest Rates Novation Transaction presented for registration by or on behalf of an FCM Listed Interest Rates Clearing Member subject to, and in accordance with, these FCM Regulations, the FCM Procedures and all Applicable Law, where a condition of such registration is that the following requirements (“FCM Listed Interest Rates Novation Transaction Eligibility Criteria”) are satisfied at the time when the particulars of such FCM Listed Interest Rates Novation Transaction are presented to the Clearing House and continue to be satisfied at all times thereafter up to and including the Registration Time (each such time, for the purposes of this FCM Regulation 54, the “**relevant times**”);
- (i) the product the subject of the FCM Listed Interest Rates Novation Transaction is, at the relevant times, an FCM Listed Interest Rate Eligible Product;
 - (ii) all necessary details as required by the Clearing House from time to time in respect of the FCM Listed Interest Rates Novation Transaction shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;
 - (iii) the FCM Listed Interest Rates Clearing Eligible Product, which is the subject of the FCM Listed Interest Rates Novation Transaction, is not subject to any trading halts, suspension of dealings or any other action having equivalent effect;
 - (iv) at the relevant times, the FCM Listed Interest Rates Clearing Services for the relevant Rates Exchange has not been suspended or withdrawn, generally or in relation to the relevant FCM Listed Interest Rates Eligible Product or FCM Listed Interest Rates Clearing Member; and
 - (v) the FCM Listed Interest Rates Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the FCM Listed Interest Rates Clearing Service.

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FCM Regulations

affect any FCM Listed Interest Rates Contract, unless otherwise determined by the Clearing House.

- (k) For the avoidance of doubt, any FCM Listed Interest Rates Novation Transaction of which details have been ~~presented~~ for registration as an FCM Listed Interest Rates Contract which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of their common participation in the Rates Exchange through or on which the transaction was executed or by which it was registered), but subject in all cases to the relevant Rates Exchange Rules, and the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.

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REGULATION 61 REJECTION OF RATES EXCHANGE MATCHES AND OF FCM LISTED INTEREST RATES NOVATION TRANSACTIONS

- (a) Any Rates Exchange Match, particulars of which are presented to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an FCM Listed Interest Rates Contract, which does not meet the relevant FCM Listed Interest Rates Open Offer Eligibility Criteria, or which the Clearing House declines to register under any other provision of these FCM Regulations or FCM Procedures will, subject to paragraph (c), be rejected by the Clearing House and no FCM Listed Interest Rates Contracts shall be deemed to have arisen. If the Clearing House rejects a Rates Exchange Match, the presenting FCM Clearing Members and the relevant Rates Exchange will be notified of the rejection within the required timeframe under all Applicable Law. Without prejudice to the generality of FCM Regulation 44, or any other provision of the FCM Regulations or FCM Procedures concerning liability of the Clearing House, the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no liability whatsoever to any FCM Listed Interest Rates Clearing Member or any other person with regard to the rejection by it of any such Rates Exchange Match.
- (b) Any FCM Listed Interest Rates Novation Transaction, particulars of which are presented to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an FCM Listed Interest Rates Contract, which does not meet the FCM Listed Interest Rates Novation Transaction Eligibility Criteria, or which the Clearing House declines to register under any other provision of these FCM Regulations of the FCM Procedures will, subject to paragraph (c), be rejected by the Clearing House and no FCM Listed Interest Rates Contracts shall be deemed to have arisen. If the Clearing House rejects an FCM Listed Interest Rates Novation Transaction, the presenting FCM Clearing Members and the relevant Rates Exchange will be notified of the rejection within the required timeframe under all Applicable Law. Without prejudice to the generality of FCM Regulation 44, or any other provision of the FCM Regulations or FCM Procedures concerning liability of the Clearing House, the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no liability whatsoever to any FCM Listed Interest Rates Clearing Member or any other person with regard to the rejection by it of any such FCM Listed Interest Rates Novation Transaction.
- (c) The Clearing House may, in its absolute discretion, agree to register an FCM Listed Interest Rates Contract, notwithstanding that it does not meet the relevant FCM Listed Interest Rates Open Offer Eligibility Criteria or FCM Listed Interest Rates Novation Transaction Eligibility Criteria, or it contains invalid or incomplete message data, in accordance with provisions prescribed by the Clearing House from time to time in the FCM Procedures.

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LCH Rule Submission

Appendix I

FCM Procedures

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LCH The Markets'
Partner

FCM PROCEDURES OF THE CLEARING HOUSE
LCH LIMITED

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2. PRODUCT-SPECIFIC PROCEDURES

Section 2 of these FCM Procedures contains certain requirements and procedures that are specific to individual Products cleared by the Clearing House. The clearing of FCM SwapClear Contracts is discussed in Section 2.1, the clearing of FCM ForexClear Contracts is discussed in Section 2.2 and the clearing of FCM Listed Interest Rates Contracts is discussed in Section 2.3.

2.1 SWAPCLEAR

2.1.1 The Clearing Process

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

(a) FCM SwapClear Service Functions

The following functions are performed within the FCM SwapClear Service:

- (i) processing and settlement of coupon payments;
- (ii) processing and settlement of consideration (fee) payments;
- (iii) calculation of initial and variation margin requirements;
- (iv) calculation of MER amounts and SwapClear Tolerance Limits;
- (v) calculation of Price Alignment Interest;
- (vi) adjustment of cash payments to conform with opening days and the SwapClear calendars;
- (vii) allocation and designation of trades to a position-keeping account; and
- (viii) reporting of registered trades.

FCM SwapClear Transactions ~~presented~~ via an FCM Approved Trade Source System (i.e. new trades ~~presented~~ for intra-day registration or existing trades ~~presented~~ for overnight registration – see Section 2.1.3(e)) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the FCM SwapClear clearing system. Information regarding FCM SwapClear Contracts and margin reporting will be disseminated via the Clearing House's FCM Clearing Member Reporting (see Section 2.1.1(c)).

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(b) *Clearing House System Requirements*

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

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(c) *SwapClear FCM Clearing Member Reporting*

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

- (i) Report 001;
- (ii) ~~via~~ the FCM Approved Trade Source System; and
- (iii) ~~via~~ ClearLink API.

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

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

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

(d) *Clearing House Reporting*

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligations) shall, to the extent required by (and in line with the requirements of) Applicable Law (including Parts 43 and 45 of the CFTC Regulations, and applicable requirements under English law), report to one or more data or trade repositories (including swap data repositories) or similar body the details of all FCM SwapClear Transactions and FCM SwapClear Contracts, including any modifications or terminations without duplication and no later than the working day following the conclusion, modification or termination of such contract. In order to avoid any such duplication of reports, each FCM Clearing Member acknowledges and agrees that it will not report the details referred to in this paragraph to the bodies referred to in this paragraph, unless otherwise agreed with the Clearing House.

For purposes of reporting obligations to the CFTC, FCMs may only report details of FCM SwapClear Contracts, including terminations

and modifications to an FCM SwapClear Contract, to an Approved LCH SDR. A list of Approved LCH SDRs is available on the Clearing House's website. In the event an FCM wishes to report details of FCM SwapClear Contracts to a swap data repository that is not an Approved LCH SDR, the FCM must provide the Clearing House with reasonable prior notice of the date on which it wishes to report to such swap data repository.

FCMs must inform their respective FCM Clients of the list of Approved LCH SDRs, and inform such FCM Clients that the Clearing House is only able to report details of an FCM SwapClear Contract to an Approved LCH SDR.

In accordance with CFTC Part 45 requirements (where the FCM has a reporting obligation), FCMs must provide the Clearing House (i) the USI of the original swap that is submitted to the Clearing House for registration and (ii) the LEI of the original swap SDR (i.e., "OriginalSwapRepository" or equivalent field) to enable the Clearing House to accurately report the termination of the original swap to the appropriate SDR.

(e) *Inflation Swap Data*

Pursuant to, and subject to the terms and conditions of, Regulation 60A of the UK General Regulations, certain SwapClear Clearing Members provide Market Data (as such term is defined in the UK General Regulations) to the Clearing House and the Clearing House is expressly authorized to use such Market Data to create Derived Data (as such term is defined in the UK General Regulations). Pursuant to, and subject to the terms and conditions of, Regulation 60A of the UK General Regulations, the Clearing House may disclose or furnish Derived Data to third parties on terms to be determined by the Clearing House in its sole discretion. In the event that the Clearing House provides Derived Data to an FCM Clearing Member, upon such provision, it grants such FCM Clearing Member, and such FCM Clearing Member agrees to be bound by the terms of, a limited, worldwide, non-exclusive, non-transferable, non-sublicensable, revocable license (the "License") permitting the FCM Clearing Member to use the Derived Data solely for the purposes of such FCM Clearing Members' internal settlement and risk management activities in relation to Inflation SwapClear Contracts referencing the relevant Index and may only share the Derived Data with:

- (i) an FCM Client for whom the FCM Clearing Member conducts FCM SwapClear Clearing Services in respect of Inflation FCM SwapClear Contracts referencing the relevant Index and/or their third party service providers, provided that the FCM Clearing Member shall procure that such FCM Client and/or its service providers (as applicable) shall only use the Derived Data for the purposes of the FCM Client's internal risk management and settlement activities in respect of Inflation

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FCM SwapClear Contracts which the FCM Clearing Member clears or intends to clear on the FCM Client's behalf in respect of the relevant Index and may not further disclose the Derived Data to any other person or use the Derived Data for any other purpose;

- (ii) third parties providing the FCM Clearing Member with risk management or settlement services, provided that the FCM Clearing Member shall procure that such third parties shall only use the Derived Data for the purposes of the FCM Clearing Member's internal risk management and settlement activities in relation to FCM Inflation SwapClear Contracts that reference the relevant Index and that the third party may not further disclose the Derived Data to any other person or use the Derived Data for any other purpose; and
- (iii) competent regulatory authorities when required to do so by Applicable Law or regulation;

2.1.2 *Operating Times And Calendars*

(a) *Opening Days*

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

(b) *Opening Hours*

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

06:00 London time to 19:00 hours New York time (a "**Business Day**")¹.

The Clearing House will notify FCM Clearing Members in the event that the FCM SwapClear clearing system is scheduled for closure for operational or other reasons (including compression runs).

(c) *FCM SwapClear Clearing System Calendars*

The FCM SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. This will require all FCM Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM SwapClear clearing system, will be available online for inspection and for file download from FCM Clearing Member Reporting (see Section 2.1.1(c)).

2.1.3 *Registration*

¹ The FCM SwapClear clearing system may, in the Clearing House's absolute discretion, be operational beginning 05:00 London Time.

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(a) *Submission for Registration*

Prior to and as a precondition to the registration of an eligible FCM SwapClear Transaction, the relevant FCM Clearing Member must provide notice to and receive approval from the Clearing House (or have previously provided such notice and received such approval), in such form as determined by the Clearing House in its sole discretion, with respect to each type of FCM SwapClear Transaction to be presented for registration (be it with respect to tenor, currency or other eligibility criteria). Notwithstanding anything herein to the contrary, if (i) notification pursuant to this paragraph is not received by the Clearing House, (ii) the relevant FCM Clearing Member does not receive approval from the Clearing House pursuant to this paragraph, or (iii) approval granted pursuant to this paragraph has been rescinded by the Clearing House, the Clearing House may, in its sole discretion, reject the registration of any relevant FCM SwapClear Transaction.

The Clearing House receives details of a new eligible FCM SwapClear Transaction using agreed format messages via an FCM Approved Trade Source System. The FCM Approved Trade Source System will send these trades to the Clearing House once they have been bilaterally agreed by two Executing Parties, or otherwise executed by or on behalf of two Executing Parties on an FCM Trading Venue, and will confirm which FCM Clearing Member(s) has been elected to register the FCM SwapClear Transaction.

(b) *Conditions to Registration*

In respect of an FCM SwapClear Transaction that is not an FCM Trading Venue Transaction, following receipt of information from the FCM Approved Trade Source System, the Clearing House will notify the relevant FCM Clearing Member, via member reports, the ClearLink API or otherwise, that a third party Executing Party has elected it to register the FCM SwapClear Transaction with the Clearing House (the “FCM Notification”). Where an FCM Clearing Member has been elected to clear both FCM SwapClear Contracts resulting from the registration of an FCM SwapClear Transaction in the capacities described in this paragraph, such FCM Clearing Member will receive two separate FCM Notifications from the Clearing House in relation to such FCM SwapClear Transaction. All FCM Notifications shall be provided within the required timeframe under all Applicable Law. In all other cases, no FCM Notifications will be provided to any FCM Clearing Member.

Following receipt of an FCM Notification, an FCM Clearing Member may choose to grant or refuse consent to register the FCM SwapClear Transaction. It is a condition for registration of such FCM SwapClear Transaction that an FCM Clearing Member provides a separate consent (each, an “FCM Acceptance”) in respect of each FCM Notification received by it in relation to the registration of such FCM SwapClear Transaction. The Clearing House has an automated system which it

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Where an FCM Clearing Member accepts registration of the FCM SwapClear Transaction and notifies the Clearing House of such acceptance, (such acceptance, the “FCM Acceptance”), the FCM Clearing Member shall, pursuant to FCM Regulation 45(b) (*Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts*), be deemed to have presented the FCM SwapClear Transaction for clearing.¶

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operates on each business day for the purposes of rejecting FCM SwapClear Transactions which have been presented for clearing but in respect of which any necessary FCM Acceptance has not been notified to the Clearing House prior to the LCH Cut-off Time. The “**LCH Cut-off Time**” in respect of an FCM SwapClear Transaction will be the expiry of the timeframe determined by the Clearing House. If an FCM Clearing Member has not notified the Clearing House of an FCM Acceptance prior to the LCH Cut-Off Time, it will be deemed to have rejected the relevant FCM SwapClear Transaction. Any FCM Acceptance provided prior to the LCH Cut-Off Time shall be irrevocable and any FCM Acceptance provided following the LCH Cut-Off Time shall be invalid.

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In circumstances where the registration of an FCM SwapClear Transaction is conditional upon one or more FCM Acceptances(s) being notified by the applicable FCM Clearing Member(s), the relevant FCM SwapClear Transaction shall be deemed to have been "submitted" to the Clearing House by each such FCM Clearing Member at the time when it notifies the Clearing House of its FCM Acceptance. In all other circumstances, an FCM SwapClear Transaction shall be "submitted" to the Clearing House by the applicable FCM Clearing Member upon being presented to the Clearing House for clearing by or on behalf of such FCM Clearing Member.

In accordance with Section 2.1.3(e) of these FCM Procedures, it is a precondition for registration of an FCM SwapClear Contract resulting from an FCM SwapClear Transaction **other than a Sub-Block Trading Venue Transaction** that the applicable FCM Clearing Member has complied with all requirements to furnish sufficient Margin (taking into account **MER and/or SwapClear Tolerance**, if any) **to the Clearing House as of the time of its “submission” or “deemed submission” of the FCM SwapClear Transaction to which the FCM SwapClear Contract relates.**

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In respect of an FCM US Trading Venue Transaction, the relevant FCM Clearing Member shall, pursuant to FCM Regulation 45(b), be deemed to have presented the FCM SwapClear Transaction for clearing when the Clearing House receives details of the FCM SwapClear Transaction via an FCM Approved Trade Source System pursuant to Section 2.1.3(a) of these FCM Procedures. ¶

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In exceptional circumstances, where an FCM Clearing Member experiences technical issues such that it is unable to accept or reject an FCM Notification, it may contact the Clearing House via email to request that an FCM SwapClear Transaction to which an FCM Notification relates be accepted or rejected on its behalf. In such circumstances, and unless the Clearing House notifies the FCM Clearing Member otherwise, the Clearing House will manually accept or reject the FCM SwapClear Transaction on behalf of the requesting FCM Clearing Member and will confirm registration or rejection of the FCM SwapClear Transaction via email. In the event that an FCM Clearing Member requests the manual acceptance or rejection of an FCM SwapClear Transaction it shall ensure that such acceptance is requested by appropriately authorized personnel. The Clearing House shall have no liability in the event that an FCM Clearing Member

suffers a loss through the unauthorised manual acceptance or rejection of an FCM SwapClear Transaction.

- (c) *Trade Registration Facilitation: SwapClear Tolerance and Minimum Excess Requirement (“MER”)*

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

The Clearing House will set MER requirements (where applicable) and SwapClear Tolerance Limits (as defined below) based on a number of factors, including an FCM Clearing Member's credit rating and risk profile, an analysis of the incremental risk registered by an FCM Clearing Member during an historic look-back period and, in the case of the overall value of the SwapClear Tolerance which may be made available to an FCM Clearing Member, whether the FCM Clearing Member is a participant in the MER Arrangements at the relevant time. However, the Clearing House sets MER requirements and SwapClear Tolerance Limits in its sole discretion, and may modify its methodologies at any time or may vary it across different FCM Clearing Members.

SwapClear Tolerance:

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

The Clearing House will determine, in its sole discretion, the maximum value of the SwapClear Tolerance (which may be zero) (the “**SwapClear Tolerance Limit**”) which it will make available to an FCM Clearing Member at any particular time. SwapClear Tolerance is made available by the Clearing House to an FCM Clearing Member at the Clearing House's sole discretion. The Clearing House may adjust the value of an FCM Clearing Member's SwapClear Tolerance Limit,

and/or require an FCM Clearing Member to provide Initial Margin in respect of any utilized SwapClear Tolerance, at any time and without prior notice to the relevant FCM Clearing Member. The Clearing House will provide each FCM Clearing Member with information regarding its SwapClear Tolerance Limit and will, as promptly as reasonably practicable, notify it following any adjustment to the amount of its SwapClear Tolerance Limit. Subject to the above, an FCM Clearing Member will typically be required to furnish Initial Margin in respect of any SwapClear Tolerance utilized by it in the margin run immediately following the time of the relevant registration of an FCM SwapClear Contract where SwapClear Tolerance was utilized.

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

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Minimum Excess Requirement (“MER”):

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

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

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

Clearing Member and processed by the Clearing House in accordance with the provisions of this paragraph.

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

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

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

(d) *SwapClear FCM Approved Trade Source Systems and FCM Trading Venues*

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(i) FCM Approved Trade Source Systems

Application for FCM Approved Trade Source System status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of FCM Approved Trade Source Systems currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.

FCM SwapClear Transactions presented through an FCM Approved Trade Source System must be in an acceptable message format, as prescribed by the Clearing House.

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

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

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

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

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

(ii) FCM Trading Venues

While the Clearing House receives details of an FCM SwapClear Transaction via an FCM Approved Trade Source System pursuant to Section 2.1.3(a) of these FCM Procedures, such FCM Approved Trade Source System may in providing such details to the Clearing House rely upon similar details delivered to it by an FCM Trading Venue (where such FCM SwapClear Transaction is executed on such FCM Trading Venue). Additionally, the Clearing House may rely on details relating to an FCM SwapClear Transaction obtained from an FCM Trading Venue for verification purposes or in order to generate reports or to exercise its rights or discretion under Regulation 45. In this

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regard, the Clearing House may direct the FCM Trading Venues to use prescribed format messages or classifications.

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Notwithstanding the approval by the Clearing House of any FCM Trading Venues, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Trading Venue or the timeliness or otherwise of the delivery of any FCM SwapClear Transaction details by that FCM Trading Venue. Such matters form part of the relationship between the FCM Clearing Members and that FCM Trading Venue.

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The Clearing House will process any FCM SwapClear Transaction reported to it by an FCM Trading Venue on an "as is" basis, and subject to the FCM Rulebook, may register any FCM SwapClear Contract arising from such FCM SwapClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and the relevant FCM Trading Venue. The Clearing House has no obligation to verify that the details received properly reflect the trade entered into by the relevant Executing Parties or that the FCM Trading Venue is correctly applying the format messages or classifications that the Clearing House has prescribed.

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

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(e) Registration of New Trades and Backloaded Trades

(i) New Trades:

The following section does not apply to Backloaded Trades, which are dealt with in Section 2.1.3(e)(ii) below.

As a precondition of registering an FCM SwapClear Contract resulting from an FCM SwapClear Transaction other than a Sub-Block Trading Venue Transaction, the Clearing House will require the FCM Clearing Member in whose name such FCM SwapClear Contract is to be registered to furnish to the Clearing House sufficient Margin in respect of such FCM Contract as of the time of its "submission" or "deemed submission" of such FCM SwapClear Transaction. In determining

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whether sufficient Margin for registration is available, the Clearing House will take into account any Available FCM Buffer, MER and SwapClear Tolerance. Available FCM Buffer or MER will always be applied prior to taking into account any available SwapClear Tolerance. In respect of an FCM SwapClear Contract resulting from an FCM SwapClear Transaction that is a Sub-Block Trading Venue Transaction, the FCM Clearing Member in whose name such FCM SwapClear Contract is registered shall furnish the Clearing House with sufficient Margin in respect of such FCM SwapClear Contract at such time after the registration of such FCM SwapClear Contract as the Clearing House shall require.

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Notwithstanding the foregoing: (A) if the Clearing House registers an FCM SwapClear Contract resulting from an FCM SwapClear Transaction that is not a Sub-Block Trading Venue Transaction where one or both of the relevant FCM Clearing Members has not furnished sufficient Margin prior to registration, the FCM Clearing Members shall be bound by the terms of the FCM SwapClear Contract relating thereto arising under FCM Regulation 45 and any other applicable provision of the FCM Rulebook; and (B) if the Clearing House rejects an FCM SwapClear Transaction that is a Sub-Block Trading Venue Transaction for insufficient Margin, the Clearing House shall not be liable to any FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Transaction.

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Upon an FCM SwapClear Transaction being presented to the Clearing House for registration, the Clearing House will determine whether to accept or reject the FCM SwapClear Transaction within the required timeframe under all Applicable Law.

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Where the Clearing House determines to accept the FCM SwapClear Transaction, registration shall occur immediately and the FCM SwapClear Transaction shall be automatically replaced with (as applicable) (i) two separate FCM SwapClear Contracts, one between the relevant FCM Clearing Member and the Clearing House and the other between the same or another FCM Clearing Member and the Clearing House, or (ii) one FCM SwapClear Contract between the relevant FCM Clearing Member and the Clearing House and one SwapClear Contract between the relevant SwapClear Clearing Member and the Clearing House.

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The SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system and/or the FCM Clearing Member reporting system (including by way of the originating FCM Approved Trade Source System). The definitive report of a registered FCM SwapClear Contract will be shown within the FCM Clearing Member reporting system on the FCM Clearing Member reporting account.

(ii) Backloaded Trades:

An FCM SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of presentation of such FCM SwapClear Transaction to the Clearing House for registration is considered a backloaded trade by the Clearing House (a “**Backloaded Trade**”). Due to the nature of Backloaded Trades, FCM Clearing Members should note that a relatively large amount of cover is required in order to register such trades. The Clearing House provides the facility for FCM Clearing Members to load such eligible existing FCM SwapClear Transactions, through an FCM Approved Trade Source System. Where the Clearing House approves additional FCM Approved Trade Source Systems for these purposes, it will notify FCM Clearing Members via member circular. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, of the full particulars required by the Clearing House for each such FCM SwapClear Transaction.

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At least once every Business Day, the Clearing House will carry out a process for the registration of Backloaded Trades (each, a “**Backload Registration Cycle**”) which have been presented for clearing or with respect to which the Clearing House has received the one or more FCM Acceptances, if any. Following each Backload Registration Cycle, the Clearing House will calculate the increase in Required Margin required to register the Backloaded Trade(s) and will notify each relevant FCM Clearing Member (the “**Backload Margin Call**”). The Backload Margin Call will be for the entire amount of additional Collateral required in connection with the Backloaded Trades, and the Backload Margin Call cannot be satisfied by and will not take into account SwapClear Tolerance (i.e., SwapClear Tolerance is not available for this purpose) or any available MER Cover or FCM Buffer (other than that which has been expressly allocated for that purpose, as described in the paragraph below). In connection with a Backload Margin Call, following the time that an FCM Clearing Member is required to furnish the Clearing House with the Margin associated with such Backload Margin Call (the “**Backload Margin Call Deadline**”), the Clearing House will issue such FCM Clearing Member with a subsequent margin call to furnish Margin in respect of any SwapClear Tolerance utilisation as of the time of the Backload Margin Call Deadline (if any).

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Where an individual FCM Clearing Member determines that the Backloaded Trade(s) that it is presented for registration will lead to an aggregate change in the net present value of its portfolio of FCM SwapClear Contracts in excess of a threshold amount (the “**Individual Backload Value Threshold**”) as published by the Clearing House from time to time, it shall notify the Clearing House before the end of the Business Day preceding the Backload Registration Cycle. In the event that the Clearing House does not receive such notification and

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the change in net present value of the FCM Clearing Member's portfolio of FCM SwapClear Contracts is in excess of the Individual Backload Value Threshold the Clearing House may, in its sole discretion, exclude that FCM Clearing Member from the Backload Registration Cycle or postpone or cancel the entire Backload Registration Cycle.

Where an FCM Clearing Member notifies the Clearing House of a change in net present value in excess of the Individual Backload Value Threshold, the Clearing House shall inform the FCM Clearing Member whether it will be required to pre-fund the Backload Margin Call and, if so, how it should be delivered such that it will be made available for a Backload Registration Cycle.

In the event that the aggregate Backload Margin Call required from all FCM Clearing Members participating in a Backload Registration Cycle is in excess of a pre-determined threshold amount (the "**Aggregate Backload Margin Threshold**") as published by the Clearing House from time to time, the Clearing House may postpone or cancel the relevant Backload Registration Cycle.

Where the Clearing House postpones or cancels a Backload Registration Cycle it shall notify those FCM Clearing Members that were intending to participate in the Backload Registration Cycle.

Backloaded Trades received by the Clearing House in advance of a Backload Registration Cycle will be 'parked' until the next Backload Registration Cycle (whether that Backload Registration Cycle is on the same Business Day or the following Business Day).

In order for the registration of the Backloaded Trades included in a Backload Registration Cycle to complete, **Collateral** from each FCM Clearing Member (and each SwapClear Clearing Member, if applicable) which is party to a Backloaded Trade within that Backload Registration Cycle must be furnished as required to the Clearing House in advance.

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A Backloaded Trade which has been **presented** for clearing (or with respect to which the Clearing House has received the one or more FCM Acceptances, if any) shall be deemed to have been submitted by the FCM Clearing Member(s) or the FCM Clearing Member and the SwapClear Clearing Member (as the case may be) for registration by the Clearing House at such time that the Clearing House determines that sufficient **Collateral** has been furnished to register that Backloaded Trade.

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For any FCM SwapClear Transaction which is a Backloaded Trade, where one leg is to be registered as a Non-FCM SwapClear Contract, the UK General Regulations and UK General Procedures will apply with respect to such registration of the Non-FCM SwapClear Contract.

The Clearing House shall publish the following via member circular:

- (A) times of Backload Registration Cycles;
- (B) the Individual Backload Value Threshold; and
- (C) the Aggregate Backload Margin Threshold.

(f) Notification

In respect of an FCM SwapClear Transaction which is:

- (i) an FCM Trading Venue Transaction, the Clearing House will notify the FCM Clearing Members, the FCM Trading Venue and (if the FCM Approved Trade Source System is different to the FCM Trading Venue) the originating FCM Approved Trade Source System of registration or rejection of the FCM SwapClear Transaction (as applicable); and
- (ii) not an FCM Trading Venue Transaction, the Clearing House will notify the FCM Clearing Members (via the originating FCM Approved Trade Source System or the ClearLink API) of registration or rejection of the FCM SwapClear Transaction (as applicable).

in each case within the required timeframe under all Applicable Law.

(g) Rejected Trades

Trades presented for registration that do not meet the FCM SwapClear Product Eligibility Criteria or any other requirements for registration under the FCM Rulebook, including a trade (i) presented by or on behalf of an FCM Clearing Member in respect of a third party Executing Party where such trade was executed on an FCM Trading Venue that was not at the time of execution of such trade an FCM Eligible Trading Venue in respect of such FCM Clearing Member, (ii) presented by or on behalf of an FCM Clearing Member that was executed on a trading venue or facility that had not at the time of the execution of such trade been approved by the Clearing House as an FCM Trading Venue, (iii) which contains invalid or incomplete message data, or (iv) that is not a Sub-Block Trading Venue Transaction and with respect to which the Clearing House has not been furnished with sufficient Collateral (taking into account MER and/or SwapClear Tolerance, if any) will, in each case, be rejected.

If an FCM SwapClear Transaction is presented to the Clearing House for registration and rejected, such FCM SwapClear Transaction may be re-presented for registration in the form of a new FCM SwapClear Transaction but with the same economic terms in accordance with, and subject to, the FCM Rulebook and Applicable Law, and such FCM SwapClear Transaction will, for the purposes of the FCM Rulebook

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and upon such re-presentation, constitute a new FCM SwapClear Transaction.

(h) Package Transactions

In certain circumstances an FCM Clearing Member may, via an FCM Approved Trade Source System, present to the Clearing House, in a single submission, a group of two or more FCM SwapClear Transactions for simultaneous registration (such group of FCM SwapClear Transactions, a **“Package Transaction”**). A Package Transaction must be identified to the Clearing House at the time of its presentation in the format prescribed by the Clearing House. Where the Package Transaction is not presented in the prescribed format, each constituent FCM SwapClear Transaction within the Package Transaction will be rejected.

Where the Clearing House receives a Package Transaction for registration it shall treat each FCM SwapClear Transaction that forms part of the Package Transaction as a new FCM SwapClear Transaction in accordance with the FCM Rulebook and, where each constituent FCM SwapClear Transaction within the Package Transaction meets the registration requirements as set out in the FCM Rulebook (including an FCM Acceptance and the provision of Collateral, where applicable), the Clearing House will simultaneously register all of the FCM SwapClear Transactions within that Package Transaction. Where one or more of the constituent FCM SwapClear Transactions does not meet the Clearing House’s registration requirements then all the constituent FCM SwapClear Transactions of the Package Transaction shall be rejected.

Where a constituent FCM SwapClear Transaction of a Package Transaction is an FCM Eligible Trading Venue Transaction, it is a condition of registration that all of the constituent FCM SwapClear Transactions of such Package Transaction be FCM Eligible Trading Venue Transactions. Where such condition is not met, all constituent FCM SwapClear Transactions of the Package Transaction will be rejected. In respect of a Package Transaction comprising FCM SwapClear Transactions that are not executed on an FCM Trading Venue, the Clearing House will send an FCM Notification to the relevant FCM Clearing Member(s) for the acceptance of each such constituent FCM SwapClear Transaction.

In respect of a Package Transaction presented in an FCM Clearing Member’s name, such FCM Clearing Member’s Margin requirement will be assessed based on the net Margin call for all of the constituent FCM SwapClear Transactions of such Package Transaction. Where one or more of the constituent FCM SwapClear Transactions in a Package Transaction is not a Sub-Block Trading Venue Transaction, the relevant FCM Clearing Member is required to provide the Clearing House with sufficient Collateral prior to registration of the entire

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Package Transaction as a condition thereto (taking into account MER and/or SwapClear Tolerance, if any).

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The Clearing House may limit the number of FCM SwapClear Transactions that may be included in a Package Transaction by way of member circular.

2.1.4 *Allocation Notices*

In respect of an Allocation Notice, the Clearing House will notify the relevant Pre-Allocation FCM Clearing Member and Post-Allocation FCM Clearing Member via member reports, the ClearLink API or otherwise, that an Allocation Notice has been submitted to allocate some or all of notional value of an Unallocated FCM SwapClear Contract from the FCM SwapClear Suspension Sub-Account of that Pre-Allocation FCM Clearing Member to the Client Segregated Sub-Account or Proprietary Account of the Post Allocation FCM Clearing Member.

Following receipt of this notification, a Pre-Allocation FCM Clearing Member or Post-Allocation FCM Clearing Member may choose to accept or refuse to register the Allocation Notice as if such Allocation Notice were a new FCM SwapClear Transaction, as described above.

2.1.5 *Position Accounts*

(a) *FCM Accounts*

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

(b) *Position-Keeping Accounts*

FCM Clearing Member Accounts

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

All registered FCM SwapClear Contracts will be identifiable to FCM Clearing Members and FCM Clients, as applicable via SwapClear FCM Clearing Member Reporting (see Section 2.1.1(c)). All registered FCM SwapClear Contracts will be maintained only in SwapClear accounts (identified as such by a unique three letter mnemonic). Each FCM SwapClear Contract will also be assigned a unique trade identifier by the Clearing House. The SwapClear FCM

Position- keeping Account	Financial Account	Segregated Account used for Margin Flows	Depository Account used for Variation
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The C account is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations.

(b) *Other Financial Accounts*

The Clearing House may, at its discretion, open further financial accounts.

(c) *Default Fund (DF) Account*

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

2.1.7 **FCM SwapClear Contract Valuation**

(a) *Net Present Value*

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

It is a condition of registration that sufficient Margin, as determined by the Clearing House, is furnished to the Clearing House to cover the Clearing House's Margin requirement for each FCM SwapClear Transaction (taking into account, for these purposes, MER and/or SwapClear Tolerance, if any), except that such Margin shall not be required to be furnished prior to registration as a condition thereto if such FCM SwapClear Transaction is a Sub-Block Trading Venue Transaction.

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All FCM SwapClear Contracts credited to an FCM Clearing Member will, on submission to the Clearing House, be marked-to-market, in accordance with FCM Regulation 46 (*Collateralization of FCM SwapClear Contracts*). The NPV so determined must, subject to Intra-day Registration (see Section 2.1.3(e)), be paid by the FCM Clearing Member in cash in the currency of the FCM SwapClear Contract. Where an FCM SwapClear Transaction is registered intra-day, and the NPV is covered with non-cash Collateral, the Clearing House will, the following Business Day, require payment of the full cash amount.

(b) *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

or on behalf of an or FCM Client, is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

2.1.14 *Economic Amendments to FCM SwapClear Contracts*

The FCM SwapClear [Service](#) Clearing System provides functionality for certain Economic Terms of each Contract in an Amendment Pair to be amended to have new identical Economic Terms (both such amendments, together, an “**Economic Amendment**”) upon request, provided that the requirements and conditions specified in this Section are met.

For purposes of this Section 2.1.14, an “**Amendment Pair**” means two FCM SwapClear Contracts or one SwapClear Contract and one FCM SwapClear Contract, each registered in respect of the same FCM SwapClear Transaction, and “**Economic Amendment CM**” means each FCM Clearing Member of each Contract in the Amendment Pair that is being requested for Economic Amendment.

Notwithstanding anything to the contrary in this Section 2.1.14, the Clearing House may reject any Economic Amendment Request in its sole and absolute discretion, and the Clearing House shall not be liable for any costs, expenses, damages or losses of whatsoever nature, whether direct or indirect, suffered by an FCM Clearing Member and/or FCM Client in connection with this Section 2.1.14, including effecting a requested Economic Amendment erroneously or failing to effect a requested Economic.

(a) *Economic Amendment Requests*

Each request for an Economic Amendment (an “**Economic Amendment Request**”) to be made to an Amendment Pair pursuant to this Section 2.1.14 must be prepared and submitted in the form and manner prescribed by the Clearing House from time to time by each Economic Amendment CM for that Amendment Pair. An FCM Client may submit, on behalf of an Economic Amendment CM, an Economic Amendment Request, or any details connected therewith, to the Clearing House.

An Economic Amendment Request must:

- (i) specify the relevant Contract requested to be amended by the Economic Amendment Request along with all details relating to the Economic Amendment as required by the Clearing House from time to time ;
- (ii) specify the original and amended Economic Terms of the Contract identified in (i) above; and
- (iii) specify such other details as the Clearing House may reasonably require from time to time.

Where relevant, the Clearing House shall notify the requesting Economic Amendment CM or FCM Client of its rejection of an

2.2 FOREXCLEAR

2.2.1 *Introduction and Interpretation*

This Section 2.2 of the FCM Procedures governs the FCM ForexClear Service and must be read in conjunction with the other parts of the FCM Rulebook.

A reference to an “FXCCM” is generic and encompasses both ForexClear Clearing Members (as defined in the UK General Regulations) and FCM ForexClear Clearing Members.

References to "Business Day", "Calculation Agent", "Currency Pair", "Disruption Fallback", "Notional Amount", "Reference Currency", "Settlement Currency", "Settlement Currency Amount", "Settlement Date", "Settlement Rate", "Settlement Rate Option", "Trade Date", "Valuation Date", and "Valuation Postponement" shall have the meanings given to them in the FCM ForexClear Contract Terms.

References to "business day" shall carry the meaning given to it in the Rulebook.

“EMTA” means EMTA Inc., the trade association for the emerging markets that was formerly known as the Emerging Markets Traders Association, or any successor entity.

“EMTA Template” means the template terms for Non-Deliverable FX Transactions for a particular Currency Pair that are in effect and published by EMTA on its website on the relevant Trade Date.

“Relevant EMTA Template” means, for a particular FCM ForexClear Contract, the EMTA Template that is incorporated by reference into the FCM ForexClear Contract Terms applicable to such Contract, together with any amendments thereto as set out in the FCM ForexClear Contract Terms.

Unless otherwise specified, all times are in local London time.

The liability of the Clearing House is as set out in Regulation 32 (*Exclusion of Liability*), which applies to these FCM Procedures in its entirety unless provided otherwise.

2.2.2 *Users of FCM ForexClear*

The FCM ForexClear Service is an interface that processes and stores all FCM ForexClear Transactions. FCM Clearing Members approved by the Clearing House to clear in the FCM ForexClear Service (“FX FCMs”) and FCM Clients of FX FCMs are known as ForexClear Participants (“FXPs”). For membership procedures, please see Section 1 of the FCM Procedures.

For identification purposes each FX FCM is assigned a unique three-character mnemonic for purposes of the FCM ForexClear Service.

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2.2.3 **Termination of FX FCM Status**

FCM Clearing Members should contact the Clearing House Onboarding Department (+44 (0)207 426 7891/7627/7063; onboarding@lch.com) for details of how to resign from the FCM ForexClear Service.

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2.2.4 **Service Scope**

(a) *Eligibility*

Non-Deliverable FX Transactions as defined in Part A of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual (“NDFs”) may be presented for clearing through the FCM ForexClear Service. To be eligible to be registered as a ForexClear Contract, an NDF must meet the FCM ForexClear Product Eligibility Criteria (as set out in Part B of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual).

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(b) *Service Operating Hours*

Opening Days:

The FCM ForexClear Service will be open each day, except weekends, Christmas Day and New Year's Day.

Opening Hours:

The FCM ForexClear Service will be open between 20:00 hours, London time, Sunday night and 01:00 hours, London time, Saturday morning (“**Opening Hours**”). The FCM ForexClear Service will not accept FCM ForexClear Transactions outside of these hours.

2.2.5 **Position Accounts**

(a) *FCM Accounts*

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

(b) *Position-Keeping Accounts*

FCM Clearing Member Accounts:

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

Position-keeping Account	Financial Account				
	Client	L	LCH Segregated Account used for Margin Flows	ForexClear	Client Depository Variation
H	House	H	Proprietary Account		

The C account is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations.

(b) *Other Financial Accounts*

The Clearing House may, at its discretion, open further financial accounts.

(c) *Default Fund (DF) Account*

Each FCM Clearing Member's Contribution is held in a separate financial account. The Default Fund account code is "F". Each FCM Clearing Member's ForexClear Contribution is held in an account that is separate from any financial account containing such FCM Clearing Member's Contribution relating to any other Business Categories of FCM Contracts.

2.2.7 *Novation and Registration*

An NDF is an FCM ForexClear Transaction (i.e. eligible for registration as an FCM ForexClear Contract) if it satisfies the FCM ForexClear Product Eligibility Criteria (set out in Part B of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual) at the Registration Time. Upon an FCM ForexClear Transaction being presented to the Clearing House for registration, the Clearing House will determine whether to accept or reject the FCM ForexClear Transaction within the required timeframe under all Applicable Law. Where the Clearing House determines to accept the FCM ForexClear Transaction, registration shall occur immediately and the FCM ForexClear Transaction shall be automatically replaced by two separate FCM ForexClear Contracts.

Prior to registering an FCM ForexClear Contract (except where such FCM ForexClear Contract results from an FCM ForexClear Transaction that is a Sub-Block Trading Venue Transaction), the Clearing House will require the FX FCM in whose name such FCM ForexClear Contract is to be registered to provide and maintain sufficient Margin for its Liabilities (as defined in Section 2.2.17) (or its estimated Liabilities) (taking into account any MER Buffer (as defined in Section 2.2.12(b)) and any MCE (as defined in Section 2.2.12(c)) made available by the Clearing House, if any) as a precondition to registration. This Margin check process is referred to as the **"Incremental Risk Check"** (as defined in Section 2.2.8(b)).

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If any FX FCM does not have sufficient Margin for its Liabilities or estimated Liabilities (taking into account any MER Buffer and MCE provided by the Clearing House, if any) at the time of the relevant Incremental Risk Check, then any presented and unregistered FCM ForexClear Transaction that the FX FCM has been nominated to clear and that is subject to such Incremental Risk Check will be rejected.

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Once the FCM ForexClear Transaction has passed the Validation Checks (as defined in Section 2.2.8(a)), and the Clearing House has determined to accept the FCM ForexClear Transaction for registration, the Clearing House will send a message confirming the registration of the FCM ForexClear Transaction as two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable) and including a date stamp of the relevant registration time to the entities specified in Section 2.2.8(a)(iii) (Trade Validation and Registration). For the purpose of the Part III of the FCM Regulations, the time of dispatch of such message shall be the **“Registration Time”** of such FCM ForexClear Contract(s).

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The definitive report of a registered FCM ForexClear Contract will be shown on the **“All Open Contracts”** report issued by ForexClear Reporting (as defined in Section 2.2.21).

If an FX FCM is declared a Defaulter, the Clearing House will not register any ForexClear Contracts in the name of the Defaulter (except pursuant to the Default Rules), ForexClear Transactions in respect of non-defaulting FX FCMs will continue to be registered in accordance with, and subject to, the FCM Rulebook.

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(a) *Trade Capture*

Once the FCM Approved Trade Source System receives the trade instructions from the FXPs who are parties to the trade, the FCM Approved Trade Source System matches both instructions (a **“trade”**). The FCM Approved Trade Source System validates the trade using the FCM ForexClear Product Eligibility Criteria as set forth in Part B to Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual (the **“FCM ForexClear Eligibility Criteria”**) and will, if appropriate, present a single message containing the names of the FXPs who are parties to the trade and the terms of the trade to the Clearing House for registration and clearing, such matched trade being known as an **“FCM ForexClear Transaction”**.

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The Clearing House will determine whether to accept or reject the FCM ForexClear Transaction within the required timeframe under Applicable Law. In respect of an FCM ForexClear Transaction which is:

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(i) an FCM Trading Venue Transaction, the Clearing House will notify the FX FCMs, the FCM Trading Venue and (if the originating FCM Approved Trade Source System is different to the FCM Trading Venue) the originating FCM Approved Trade

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Source System of the registration or rejection of the FCM ForexClear Transaction (as applicable); and

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(ii) not an FCM Trading Venue Transaction, the Clearing House will notify the FX FCMs (via the originating FCM Approved Trade Source System or ClearLink API) of registration or rejection of the FCM ForexClear Transaction (as applicable),

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in each case within the required timeframe under all Applicable Law.

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(b) *ForexClear FCM Approved Trade Source Systems*

Application for approved trade source system status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of FCM Approved Trade Source Systems currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves any additional FCM Approved Trade Source System, it will notify FCM Clearing Members via member circular.

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FCM ForexClear Transactions presented through an FCM Approved Trade Source System must be in an acceptable message format, as prescribed by the Clearing House.

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The Clearing House is not able to, and will not, verify the authorization of the source of any details of any FCM ForexClear Transaction reported to it for registration by an FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FX FCM suffers any loss through the unauthorized input of details into a system of an FCM Approved Trade Source System.

Notwithstanding the designation by the Clearing House of any system as an FCM Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM ForexClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System and the terms of such relationship may entitle the FCM Approved Trade Source System to suspend the ability of an FX FCM to make submissions from time to time.

FX FCMs must not submit instructions to the Clearing House for trades which will not meet the FCM ForexClear Eligibility Criteria. The Clearing House will process any FCM ForexClear Transaction reported to it by an FCM Approved Trade Source System on an "as is" basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM ForexClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and

approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM ForexClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM ForexClear Contract, unless the FCM ForexClear Contract is subsequently cancelled in accordance with FCM Regulation 49 (*Cancellation of FCM ForexClear Contracts*).

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

2.2.8 Trade Validation and Registration

(a) Process flow description

(i) The Clearing House performs a validation check on each trade presented by FXPs to ensure that each such trade meets: (A) the FCM ForexClear Product Eligibility Criteria and the Counterparty Technical Validation Check (as defined in Section 2.2.8(b)); (B) where applicable, the Incremental Risk Checks (as defined in Section 2.2.8(c)); and (C) where applicable, the Acceptance Validation Checks (as defined in Section 2.2.8(d)), in each case, required for FCM ForexClear Transactions (together, the “**Validation Checks**”).

(ii) The Clearing House will create two trade records for an FCM ForexClear Transaction which passes the Validation Checks and is accepted for clearing by the Clearing House: one for the FCM ForexClear Contract between the Clearing House and the relevant FX FCM and the other for the FCM ForexClear Contract between the Clearing House and the same or another FX FCM (or, where applicable, the Non-FCM ForexClear Contract between the Clearing House and the relevant ForexClear Clearing Member).

(iii) In respect of an FCM ForexClear Transaction which is:

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(A) an FCM Trading Venue Transaction, the Clearing House will notify the FX FCMs, FCM Trading Venue and (if the originating FCM ForexClear Approved Trade Source System is different to the FCM Trading Venue) the originating FCM ForexClear Approved Trade Source System of registration or rejection of the FCM ForexClear Transaction (as applicable); and

(B) not an FCM Trading Venue Transaction, the Clearing House will notify the FX FCMs (via the originating FCM ForexClear Approved Trade Source System or ClearLink API) of registration or rejection of the FCM ForexClear Transaction (as applicable),

in each case within the required timeframe under all Applicable Law.

(iv) As provided in Section 2.2.7, in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that FCM ForexClear Contract.

(v) The account (H or C) and sub-account (if applicable) into which each trade record is booked is derived from the BIC/unique identifier code within the message from the FCM Approved Trade Source System. The BIC links to the FX FCM reference data.

(vi) Both new trade records arising out of the ForexClear Transaction have the same unique ForexClear ID (the “ForexClear ID”). Any further events or actions are applied on the basis of this ForexClear ID, to ensure consistency.

(b) The Clearing House checks the following in respect of each trade presented by FXPs for clearing (i) are both parties to the trade FXPs? (ii) is each FX FCM in whose name an FCM ForexClear Contract is to registered not a Defaulter? (iii) is each FX FCM in whose name an FCM ForexClear Contract is to registered approved by the Clearing House to clear the relevant trade type? (together, the “Counterparty Technical Validation Check”).

(c) Incremental Risk Checks

The Clearing House will apply an “**Incremental Risk Check**” to each individual FCM ForexClear Transaction that is not a Sub-Block Trading Venue Transaction. The Incremental Risk Check uses a suitable approximation methodology to estimate an FX FCM’s Liabilities (including the new FCM ForexClear Transaction) against available Margin (taking into account any MER Buffer and MCE made available by the Clearing House, if any). However, any FCM ForexClear Transaction presented by that FX FCM that is risk reducing (i.e. results in a reduction of that FX FCM’s Liabilities) will always

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<#>Provided each FXCCM has sufficient Margin, the Clearing House will send a message via the FCM Approved Trade Source System confirming the registration or, where the trade fails a Validation Check, the trade will be rejected and a status message will be sent to the FCM Approved Trade Source System giving a reason for rejection. ¶

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pass the Incremental Risk Check, even if the FX FCM does not have sufficient Margin for its Liabilities.

Each relevant FX FCM must pass the Incremental Risk Check in order for the Clearing House to register two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable).

If either (or both) FX FCM(s) fail(s) the Incremental Risk Check(s), then the FCM ForexClear Transaction will be rejected immediately and a notification sent in accordance with Section 2.2.8(a)(iii).

(d) FCM Acceptance

(i) In the case of an FX FCM which has been nominated to register an FCM ForexClear Transaction on behalf of a third party Executing Party, the Clearing House will (only where such FCM ForexClear Transaction is not an FCM Trading Venue Transaction) provide notification to such FX FCM of the relevant FCM ForexClear Transaction and that it has been so nominated, via member reports, the ClearLink API or otherwise ("FCM Notification"). Where an FX FCM is nominated to clear both FCM ForexClear Contracts arising from the registration of an FCM ForexClear Transaction in the capacities described in this paragraph, such FX FCM will receive two separate FCM Notifications from the Clearing House in relation to such FCM ForexClear Transaction. All FCM Notifications shall be provided within the required timeframe under all Applicable Law. In all other cases, no FCM Notification will be provided to any FX FCM.

(ii) In respect of an FCM ForexClear Transaction that is not an FCM Trading Venue Transaction, following receipt of an FCM Notification, an FX FCM may choose to grant or refuse consent to register the ForexClear Transaction. It is a condition for registration of such an FCM ForexClear Transaction that an FX FCM grants a separate consent (each, an "FCM Acceptance") in respect of each FCM Notification received by it in relation to the registration of such FCM ForexClear Transaction. The Clearing House has an automated system which it operates on each business day for the purposes of rejecting FCM ForexClear Transactions which have been presented for clearing but in respect of which any FCM FCM Acceptance has not been notified to the Clearing House prior to the LCH Cut-off Time. The "**LCH Cut-off Time**" in respect of an FCM ForexClear Transaction will be the expiry of the timeframe determined by the Clearing House. If an FX FCM has not notified the Clearing House of an FCM Acceptance by the LCH Cut-off Time, it will be deemed to have rejected the relevant FCM ForexClear Transaction. Any FCM Acceptance of an FCM ForexClear Transaction notified by an FX FCM to the

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Clearing House prior to the LCH Cut-off Time is irrevocable. Any FCM Acceptance notified by an FX FCM to the Clearing House after the LCH Cut-off Time shall be invalid.

(iii) In circumstances where the registration of an FCM ForexClear Transaction is conditional upon one or more FCM Acceptance(s) being notified by the applicable FX FCM(s), the relevant FCM ForexClear Transaction shall be deemed to have been "submitted" to the Clearing House by each such FX FCM at the time when it notifies the Clearing House of its FCM Acceptance. In all other circumstances, an FCM ForexClear Transaction shall be "submitted" to the Clearing House by the applicable FX FCM upon being presented to the Clearing House for clearing by or on behalf of such FX FCM.

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(iv) The Clearing House will (where applicable) apply an "Acceptance Validation Check" in respect of an FCM ForexClear Transaction presented for clearing that is not an FCM Trading Venue Transaction in order to ensure that the Clearing House has received all required FCM Acceptances, in accordance with this Section 2.2.8(d).

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(e) Registration

Once it is confirmed that an FCM ForexClear Transaction has passed the applicable Validation Checks for the relevant FX FCMs, and the Clearing House has determined to accept the FCM ForexClear Transaction for registration, the Clearing House:

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(i) registers the FCM ForexClear Transaction as two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable) and changes the status for the FCM ForexClear Transaction to "NOVATED"; and

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(ii) acknowledges the FCM ForexClear Contract status and sends a notification in accordance with Section 2.2.8(a)(iii) that the FCM ForexClear Transaction is "NOVATED"

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(f) Trade Rejection

Trades presented for registration that do not meet the FCM ForexClear Product Eligibility Criteria or any other requirement for registration under the FCM Rulebook, including a trade (i) presented by or on behalf of an FCM ForexClear Clearing Member in respect of a third party Executing Party where such trade was executed on an FCM Trading Venue that was not at the time of execution of such trade an FCM Eligible Trading Venue in respect of such FCM ForexClear Clearing Member, (ii) presented by or on behalf of an FCM ForexClear Clearing Member that was executed on a trading venue or facility that had not at the time of the execution of such trade been approved by the

Clearing House as an FCM Trading Venue, (iii) which contains invalid or incomplete message data, or (iv) that is not a Sub-Block Trading Venue Transaction and with respect to which the Clearing House has not received sufficient Margin (taking into account any MER Buffer and MCE provided by the Clearing House, if any) will, in each case, be rejected.

If an FCM ForexClear Transaction is presented to the Clearing House for registration and rejected, such FCM ForexClear Transaction may be re-presented for registration in the form of a new FCM ForexClear Transaction but with the same economic terms in accordance with, and subject to, the FCM Rulebook and all Applicable Law, and such FCM ForexClear Transaction will, for the purposes of the FCM Rulebook and upon such re-presentation, constitute a new FCM ForexClear Transaction.

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(g) *Manual Trade Rejection, Novation and Cancellation (Exceptional Event)*

From time to time, as an exceptional event, it may be necessary for the Clearing House to (i) reject a trade presented for registration; (ii) register an FCM ForexClear Transaction, or (iii) accept or reject a cancellation request for an FCM ForexClear Contract or an FCM ForexClear Transaction, in each case, manually prior to a Margin Run (e.g. in the case of a Default, when an FCM ForexClear Transaction needs to be registered immediately to expedite the hedging and auction process or to reject an FCM ForexClear Transaction received from an FX FCM which is a Defaulter).

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The Clearing House acknowledges the action:

(i) in respect of trades being manually rejected or manually registered, by notifying the entities specified in Section 2.2.8(a)(iii) of such rejection or registration (as applicable); and

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(ii) in respect of trades being manually cancelled, by sending a message to the FCM Approved Trade Source System that it is "CANCELLED".

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(h) *Trade Cancellation*

The Clearing House accepts cancellation messages from Executing Parties against both non-novated trades (FCM ForexClear Transactions) and novated trades (FCM ForexClear Contracts).

With respect to any FCM ForexClear Contract, cancellation messages may be submitted via the FCM Approved Trade Source System until such FCM ForexClear Contract is "fixed" (i.e., when its Settlement Rate has been determined on the relevant Valuation Date).

On the Valuation Date with respect to each FCM ForexClear Contract, the Settlement Rate will be retrieved from the Settlement Rate Option per Currency Pair in accordance with the Relevant EMTA Templates. The Market Data provider for Settlement Rates is Reuters.

The FCM ForexClear Service applies the relevant Settlement Rate to FCM ForexClear Contracts using the following criteria:

- (i) Settlement Rate Option source code (as referenced in the Relevant EMTA Template)
- (ii) Valuation Date

The Clearing House applies the Settlement Rate to all relevant FCM ForexClear Contracts at a predefined time following its publication.

The Clearing House calculates the Settlement Currency Amount in the Settlement Currency per FCM ForexClear Contract. FX FCMs can retrieve the Settlement Rate and Settlement Currency Amount in the Settlement Currency via ForexClear Reporting on the ForexClear Service Portal and on MemWeb, which are internet services onto which information is loaded and can be accessed by FX FCMs.

(l) FX Package Transactions

In certain circumstances an FCM Approved Trade Source System may present to the Clearing House, in a single submission, a group of two or more FCM ForexClear Transactions for simultaneous registration (such group of FCM ForexClear Transactions, **an “FX Package Transaction”**). An FX Package Transaction must be identified to the Clearing House at the time of its presentation in the format prescribed by the Clearing House. Where the FX Package Transaction is not presented in the prescribed format, each constituent FCM ForexClear Transaction within the FX Package Transaction will be rejected.

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Where the Clearing House receives an FX Package Transaction for registration it shall treat each FCM ForexClear Transaction that forms part of the FX Package Transaction as a new FCM ForexClear Transaction in accordance with the FCM Rulebook and, where each constituent FCM ForexClear Transaction within the FX Package Transaction meets the registration requirements as set out in the FCM Rulebook (including the provision of sufficient Margin, where applicable), the Clearing House will simultaneously register all of the FCM ForexClear Transactions within that FX Package Transaction. Where one or more of the constituent FCM ForexClear Transactions does not meet the Clearing House’s registration requirements then all the constituent FCM ForexClear Transactions of the FX Package Transaction shall be rejected.

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Where a constituent FCM ForexClear Transaction of a Package Transaction is an FCM Eligible Trading Venue Transaction, it is a

condition of registration that all of the constituent FCM ForexClear Transactions of such Package Transaction be FCM Eligible Trading Venue Transactions. Where such condition is not met, all constituent FCM ForexClear Transactions of the Package Transaction will be rejected. In respect of a Package Transaction comprising FCM ForexClear Transactions that are not executed on an FCM Trading Venue, the Clearing House will send an FCM Notification to the relevant FCM Clearing Member(s) for the acceptance of each such constituent FCM ForexClear Transaction.

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In respect of an FX Package Transaction presented in an FX FCM's name, such FX FCM's Margin requirement will be assessed based on the net Margin call for all of the constituent FCM ForexClear Transactions of such FX Package Transaction.

The Clearing House may limit the number of FCM ForexClear Transactions that may be included in an FX Package Transaction by way of member circular.

(m) *Valuation Date Event Management: Process flow description*

After the Registration Time for an FCM ForexClear Contract, the FCM ForexClear Service links a Settlement Rate Option to it in accordance with the Relevant EMTA Template.

On the Valuation Date, the Clearing House uses the Settlement Rate for the Currency Pair for the FCM ForexClear Contract when it is published by Reuters, and calculates the Settlement Currency Amount for each FCM ForexClear Contract in the Settlement Currency by applying the relevant Settlement Rate Option as published.

If the Settlement Rate Option set out in the Relevant EMTA Template is unavailable at the relevant time, Disruption Fallback alternatives for the determination of the Settlement Rate will apply as set out in the Relevant EMTA Template.

(n) *Settlement*

With respect to each FCM ForexClear Contract, the Settlement Currency Amount is calculated by the application of the Settlement Rate to the Notional Amount in accordance with the FCM ForexClear Contract Terms (see Part A of Schedule 2 to the FCM Product Specific Contract Terms And Eligibility Criteria Manual).

From (and including) the Registration Time to (and including) the Business Day immediately preceding the Settlement Date, changes in the daily value of open FCM ForexClear Contracts will have resulted in VM credits and debits between the parties (as set out in Section 2.2.10(b)). With respect to each FCM ForexClear Contract, on the Business Day immediately preceding the Settlement Date, the Clearing House nets the Settlement Currency Amount against the

2.3 LISTED INTEREST RATES

2.3.1 Introduction

(a) Background

These FCM Procedures apply to the clearing of FCM Listed Interest Rate Eligible Products listed for trading on Rates Exchanges, and form part of the FCM Rulebook and must be read in conjunction with the other parts of the FCM Rulebook.

FCM Listed Interest Rates Clearing Members must inform themselves fully of their obligations under the FCM Rulebook and other relevant documentation, such as the FCM Clearing Membership Agreement and the terms of any approval by the Clearing House to extend clearing activities. FCM Listed Interest Rates Clearing Members should also familiarise themselves with the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms.

The FCM Rulebook (including these FCM Procedures) and the FCM Listed Interest Rates Contract Terms are subject to change from time to time. Enquiries regarding these FCM Procedures or any other aspects of the operation of the FCM Listed Interest Rates Clearing Service should be directed to the Listed Rates Clearing House Client Services Department on +44 7426 7651 or ListedRates.Ops.UK@lch.com. Enquiries regarding FCM Listed Interest Rates Clearing Member status should be directed to the Onboarding Department on +44 (0) 20 7426 7949 or onboarding@lch.com.

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In the event of any conflict between any provision of these FCM Procedures and any requirement or provision of any third party (including but not limited to any requirement or provision in any Rates Exchange Rules), these FCM Procedures shall prevail.

Enquiries relating to: (i) trading FCM Listed Interest Rates Contracts; (ii) Rates Exchange Rules; or (iii) the FCM Listed Interest Rates Contract Terms of any FCM Listed Interest Rates Contract other than a Designated FCM Listed Interest Rates Contract should be directed to the relevant Rates Exchange. Enquiries relating to (i) clearing FCM Listed Interest Rates Contracts; (ii) the FCM Rulebook; or (iii) the FCM Listed Interest Rates Contract Terms of any Designated FCM Listed Interest Rates Contracts should be directed to the Clearing House.

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(b) Interpretation

Capitalised terms used in these FCM Procedures not otherwise defined herein have the meanings ascribed to them in the FCM Rulebook.

Except where otherwise stated, all times shown are London time and the twenty four hour clock is used.

(c) *FCM Listed Interest Rates Eligible Products*

FCM Listed Interest Rates Clearing Members are advised for the purposes of the FCM Regulations and these FCM Procedures, that the eligibility criteria for FCM Listed Interest Rate Eligible Products are set out in the FCM Product Specific Contract Terms and Eligibility Criteria Manual, which is available on the Clearing House’s website (www.lch.com).

(d) *Use of the FCM Listed Rates Clearing Service*

(i) Where any FCM Clearing Member wishes to participate in any part of the FCM Listed Interest Rates Clearing Service, it must first seek appropriate authorisation from the Clearing House. **FCM Clearing** Members seeking authorisation to participate in the FCM Listed Interest Rates Clearing Service will be required to seek separate authorisation for business undertaken in relation to the service provided by each Rates Exchange.

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Details of how to obtain such authorisations may be obtained from the Clearing House’s Onboarding Department. The FCM Clearing Member must comply with all membership and other requirements of the Clearing House, including requirements relating to settlement. Specifically, with regard to settlement, each **FCM Clearing** Member must at all times ensure:

- (A) that it has PPS accounts in all relevant currencies to enable clearing and settlement; and
- (B) that it has settlement accounts with all relevant central securities depositories identified in these FCM Procedures as relevant to such FCM Clearing Member’s FCM Listed Interest Rates Clearing Business.

(ii) Failure to meet the requirements set out in sub-paragraph (d)(i)(A)-(B) above (and other applicable requirements) will result in that FCM Clearing Member not having appropriate settlement arrangements in place and, as a result, any **FCM Listed Interest Rates Novation Contract or Rates Exchange Match presented for registration by, or on behalf of, that FCM Clearing** Member will not fulfil the relevant eligibility criteria for registration as FCM Listed Interest Rates Contracts (see FCM Regulation 59(c) and FCM Regulation 60(b)). In such a case, such FCM Listed Interest Rates Novation Contract or Rates Exchange Match may be rejected by the Clearing House and no FCM Listed Interest Rates Contracts would arise. The FCM Listed Interest Rates Novation Contract or Rates

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Exchange Match would then be governed by any applicable Rates Exchange Rules.

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(e) *Suspension of Trading*

For the avoidance of doubt, any action by a Rates Exchange to suspend, de-list or take any other action with regard to an FCM Listed Interest Rate Eligible Product shall not affect any obligations that an FCM Listed Interest Rates Clearing Member may have to the Clearing House with regard to any open FCM Listed Interest Rates Contracts in such Listed Interest Rate Eligible Product.

(f) *Liability*

- (i) FCM Listed Interest Rates Clearing Members are asked to note that any statements set out in these FCM Procedures regarding the liability of the Clearing House are made without prejudice to the generality of the provisions set out in FCM Regulation 44.
- (ii) The Clearing House does not seek to limit or exclude any liability for personal injury or death caused by its negligence, or for fraud or wilful default on the part of the Clearing House.

(g) *Rates Exchange Status*

Application for Rates Exchange status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of Rates Exchanges currently approved by the Clearing House, as well as an indication of whether FCM Listed Interest Rates Eligible Products listed on such Rates Exchange are registered by the Clearing House through an open offer or through novation, shall be made available by the Clearing House. Where the Clearing House approves additional Rates Exchanges, it will notify FCM Listed Interest Rates Clearing Members via a member circular.

2.3.2 **General Information**

(a) *Service Operation*

(i) Trading and Clearing System Functions

The respective functions of a Rates Exchange's trading system and the Clearing House's clearing system are contained in the relevant Service Description. All enquiries regarding the FCM Listed Interest Rates Clearing Service should be directed to Client Services on +44 7426 7651 or ListedRates.Ops.UK@lch.com.

(ii) Operating Times

The Clearing House will publish by member circular and on its website details of the days and times during which the FCM Listed Interest Rates Clearing Service will be operational.

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(iii) Trade Acceptance Hours

The trade acceptance hours of a given Rates Exchange are set out in the relevant Service Description.

(iv) System Requirements

FCM Clearing Members must have in their office, at a minimum, a PC configured to access the clearing system GUI, a printer and back-up connectivity to the clearing system as required by the Clearing House.

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(b) Member Reporting

The Clearing House makes available appropriate clearing information via reports, real time confirmations and other means. Full details are contained in the relevant Service Description documentation.

(c) Clearing House Reporting

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to a trade repository or similar body the details of an FCM Listed Interest Rates Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of Applicable Law.

(d) Static Data

Prior to presentation of any FCM Listed Interest Rates Novation Contract or Rates Exchange Match for registration as an FCM Listed Interest Rates Contract, an FCM Listed Interest Rates Clearing Member is required to provide sufficient information in respect of the Rates Exchange from which such FCM Listed Interest Rates Novation Contract or Rates Exchange Match will be presented ("Rates Exchange Information"). This applies also to any FCM Listed Interest Rates Novation Contract or Rates Exchange Match traded pursuant to any agency arrangements permitted by the rules of that Rates Exchange.

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The format, contents and completion process of the static data form for the provision of the Rates Exchange Information, in respect of each Rates Exchange, is prescribed from time to time by the Clearing House. Copies of the prescribed forms, for each Rates Exchange, are available from the Clearing House Onboarding Department.

Failure to provide the correct Rates Exchange Information in respect of the particular Rates Exchange may result in the rejection of FCM Listed Interest Rates Novation Contract or Rates Exchange Match.

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2.3.3 **Registration**

(a) General

FCM Listed Interest Rates Contracts may arise through either a novation or an open offer clearing mechanism.

(i) Novation

Novation applies to each FCM Listed Interest Rates Eligible Product executed as an FCM Listed Interest Rates Novation Transaction on a Rates Exchange. Where an FCM Listed Interest Rates Novation Transaction is presented to the Clearing House for registration, the Clearing House will determine whether to accept or reject the FCM Listed Interest Rates Novation Transaction within the required timeframe under all Applicable Law. Where the Clearing House determines to accept the FCM Listed Interest Rates Novation Transaction, registration shall occur immediately and the FCM Listed Interest Rates Novation Transaction shall be automatically replaced with (as applicable) (i) two separate FCM Listed Interest Rates Contracts, one between the relevant FCM Listed Interest Rates Clearing Member and the Clearing House and the other between the same or another FCM Listed Interest Rates Clearing Member and the Clearing House, or (ii) one FCM Listed Interest Rates Contract between the relevant FCM Listed Interest Rates Clearing Member and the Clearing House and one Non-FCM Listed Interest Rates Contract between the relevant Listed Interest Rates Clearing Member and the Clearing House.

Novation of FCM Listed Interest Rates Novation Transactions is described in greater detail in FCM Regulation 3(b) and FCM Regulation 54.

(ii) Open Offer

The Clearing House also provides an open offer in respect of FCM Listed Interest Rates Eligible Products listed for trading on one or more Rates Exchanges. Pursuant to this “open offer”, once particulars in respect of a Rates Exchange Match are presented to the Clearing House, then, subject to the FCM Regulations and the FCM Procedures, the Clearing House shall automatically and immediately register either (i) two separate FCM Listed Interest Rates Contracts, one between the relevant FCM Listed Interest Rates Clearing Member and the Clearing House and the other between the same or another FCM Listed

Interest Rates Clearing Member and the Clearing House, or (ii) one FCM Listed Interest Rates Contract between the relevant FCM Listed Interest Rates Clearing Member and the Clearing House and one Non-FCM Listed Interest Rates Contract between the relevant Listed Interest Rates Clearing Member and the Clearing House.

The Clearing House’s open offer arrangements for Rates Exchange Matches are described in greater detail in FCM Regulation 53.

(b) Presentation

Presentation of an FCM Listed Interest Rates Novation Contract or a Rates Exchange Match (as applicable) for registration to the Clearing House constitutes immediate confirmation in accordance with the FCM Regulations by the FCM Listed Interest Rates Clearing Member in whose name the FCM Listed Interest Rates Novation Contract or a Rates Exchange Match is presented. However, the Clearing House will only accept for registration, as FCM Listed Interest Rates Contracts, the particulars of an FCM Listed Interest Rates Novation Contract or a Rates Exchange Match presented by a Rates Exchange in a message format and manner acceptable to the Clearing House.

Each FCM Listed Interest Rates Clearing Member authorised to participate in the FCM Listed Interest Rates Clearing Service must be familiar with the operating procedures and deadlines of each Rates Exchange in respect of which it has been approved by the Clearing House.

(c) *Intra-Day Registration*

The Clearing House registers all FCM Listed Interest Rates Contracts on an intra-day basis.

(d) *Risk Pending Trades*

Except as otherwise required by Applicable Law, trades presented to the Clearing House for registration can be validated against a number of risk parameters, including: quantity, price, premium, strike price, trade value or mark-to-market profit/loss parameters (“**Risk Parameters**”). Any trades that fall outside of the validation parameters will enter a pending state (the “**Risk Pending Queue**”) and require validation by Risk Management before being accepted or rejected by the Clearing House.

The Risk Parameter ranges are set by Risk Management and can be amended during periods of low or high volatility to capture or avoid suspension of trades which are within the day’s trading range.

(e) *Conditions for Acceptance of Risk Pending Trades*

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Except as otherwise required by Applicable Law, registration of trades held in the Risk Pending Queue is conditional on the transfer of sufficient Collateral to the Clearing House.

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If the Clearing House decides that additional Collateral is required it will advise the FCM Listed Interest Rates Clearing Member as soon as possible. The currency and method of funds transfer, or type of Collateral to be provided, will be agreed between the Clearing House and the FCM Listed Interest Rates Clearing Member. Only when the Clearing House has received the Collateral or has received confirmation from the transferring bank that the cash Collateral has been, or is, in the process of being transferred will it accept the pending trade.

The Clearing House will carry out the process of accepting pending trades on an hourly basis throughout the day, or more frequently where possible. The acceptance process will apply to both sides of a trade at the same time.

It is the responsibility of each FCM Listed Interest Rates Clearing Member to ensure that any trades likely to require acceptance are input as early as possible in the day; and that either sufficient surplus Collateral is maintained with the Clearing House or arrangements are in place to meet additional calls for Collateral. Trades not accepted by the Clearing House will not be registered. In order to achieve registration the trade must be re-submitted (in accordance with the relevant Rates Exchange Rules) the next business day, when the same process will apply.

(f) Rejection

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Where (a) an FCM Listed Interest Rates Novation Transaction, or (b) the particulars of a Rates Exchange Match are presented to the Clearing House for registration as two FCM Listed Interest Rates Contracts (or one FCM Listed Interest Rates Contract and one Non-FCM Listed Interest Rates Contract), the Clearing House may reject such registration where:

- (i) the relevant FCM Listed Interest Rates Eligibility Criteria are not met;
- (ii) such transaction or particulars (as applicable) have as their subject a product which is not an FCM Listed Interest Rates Eligible Product;
- (iii) such transaction or particulars (as applicable) contain invalid or incomplete message data;
- (iv) such transaction or particulars (as applicable) are required or requested by any Regulatory Body or the relevant Rates Exchange to be rejected or treated as void or voided; or

(v) the Clearing House considers that rejection is advisable for its own protection or the protection of the relevant market.

If the Clearing House rejects the registration of an FCM Listed Interest Rates Novation Transaction or a Rates Exchange Match, the relevant FCM Listed Interest Rates Clearing Member(s) and Listed Interest Rates Clearing Member, and the relevant Rates Exchange, will be notified of such rejection within the required timeframe under all Applicable Law.

If an FCM Listed Interest Rates Novation Transaction or the particulars of a Rates Exchange Match are presented to the Clearing House for registration and rejected, such FCM Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) may be re-presented for registration in the form of a new FCM Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) but with the same economic terms in accordance with, and subject to, the FCM Rulebook and all Applicable Law, and such FCM Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) will, for the purposes of the FCM Rulebook and upon such re-presentation, constitute a new FCM Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable).

FCM Listed Interest Rate Novation Transactions must be executed, matched and presented for registration prior to the relevant Rates Exchange deadline for registration. Any FCM Listed Interest Novation Transactions presented after that time will be rejected.

Where a transaction or particulars (as applicable) are rejected by the Clearing House, no FCM Listed Interest Rates Contracts arise between the Clearing House and the FCM Listed Interest Rates Clearing Members concerned. Subject to FCM Regulation 44(e), the Clearing House has no liability in respect of such rejection.

2.3.4 **Accounts**

(a) *Position Accounts*

- (i) **FCM Accounts.** For identification purposes, each FCM Listed Interest Rates Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to FCM Listed Interest Rates Contracts. An FCM Listed Interest Rates Clearing Member’s position and financial information are further identified by a single character code: “C” for 30.7 customer business. The requirement to open a C account is compulsory.
- (ii) **Position-Keeping Accounts.** The account type is “C” for a 30.7 customer account (an FCM Omnibus Listed Interest Rates Client Account with LCH). An FCM Listed Interest Rates Clearing Member’s FCM Listed Interest Rates Contract

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do not meet the relevant eligibility criteria for FCM Listed Interest Rate Eligible Products or other registration criteria where applicable; ¶
contain invalid or incomplete message data; or¶
for any other reason are not eligible for registration.¶
will be held pending clarification by the Clearing House.¶
The Clearing House will then contact the FCM Listed Interest Rates Clearing Members concerned and/or the operator of the relevant Rates Exchange in order to seek to rectify the problem. It may be the case that the problem can be resolved and the trade re-submitted for registration. If, however, the trade still falls within any of paragraphs (a) to (c) above, and the Clearing House does not register that trade, the submitting FCM Listed Interest Rates Clearing Members will be contacted and notified of the reason for rejection.¶

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Novation replaces each FCM Listed Interest Rate Novation Transaction executed between FCM Listed Interest Rates Clearing Members with two separate contracts, one between the FCM Listed Interest Rates Clearing Member-seller and the Clearing House and the other between the FCM Listed Interest Rates Clearing Member-buyer and the Clearing House.¶
The Clearing House may also provide an open offer in respect of FCM Listed Interest Rate Eligible Products listed for trading on one or more Rates Exchanges. Pursuant to this “open offer”, once particulars in respect of any such Product are matched on the Rates Exchange and submitted to the Clearing House, then, subject to the requirements for acceptance set out in the FCM Listed Interest Rates Regulations, an FCM Listed Interest Rates Contract will be registered between the FCM Listed Interest Rates Clearing Member-seller and the Clearing House as buyer and a second FCM Listed Interest Rates Contract will be registered between the FCM Listed Interest Rates Clearing Member-buyer and the Clearing House as seller.¶
Novation is described in FCM Regulation 3(b) and FCM Regulation 60; the Clearing House’s open offer arrangements are described in FCM Regulation 59.

positions are also recorded within the FCM Listed Interest Rates Clearing Service, in Listed Interest Rates accounts. The FCM Listed Interest Rates Clearing Member reporting functionality also allows each FCM Listed Interest Rates Clearing Member to identify all FCM Listed Interest Rates Contracts registered in its name.

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(b) *Financial Accounts*

FCM Listed Interest Rates Clearing Member position-keeping accounts have financial accounts associated with them. These are, among other things, used to record cash balances, securities/documentary credits and unrealized margin.

An FCM Listed Interest Rates Clearing Member’s financial accounts are identified by a single character code: “C” for 30.7 customer business.

Information contained within position-keeping accounts is consolidated into financial accounts, as follows:

(i) Relationship with Position-Keeping Accounts

Position-keeping accounts	Financial account
C 30.7 customer (used for Initial Margin flows)	C

The C Account is a 30.7 customer account which is part of the Foreign Futures Account Class.

By permitting a transaction to be allocated to a position-keeping account, an FCM Listed Interest Rates Clearing Member is also deemed to be designating that transaction for the associated financial account.

(ii) Other Financial Accounts. Subject to approval by the Clearing House, further financial accounts, used only to record financial balances, may be opened as follows:

	<u>Code</u>
Additional Margin account (FCM Client), used for holding additional cash in relation to FCM Client business.	E
LCH 30.7 customer secured account (used for Variation Margin flows)	L

- (iii) Default Fund (DF) Account. Each FCM Listed Interest Rates Clearing Member's Contribution is held on a separate financial account, in accordance with the Default Fund Rules. The Default Fund account code is F.

2.3.5 *Margin and Collateral*

(a) *Initial Margin*

The Clearing House will require FCM Listed Interest Rates Clearing Members to furnish it with Initial Margin. Initial Margin requirements in respect of an FCM Listed Interest Rates Clearing Member's FCM Omnibus Listed Interest Rates Client Account with LCH are calculated on a gross basis for each FCM Client equal to the sum of the Initial Margin that would be required by the Clearing House as if each such FCM Client was an FCM Listed Interest Rates Clearing Member. The Clearing House reserves the right to require additional amounts of Margin from a specific FCM Listed Interest Rates Clearing Member or from all FCM Listed Interest Rates Clearing Members in accordance with FCM Regulation 14.

(i) Initial Margin Parameters

Initial margin parameters are set by the Clearing House after consultation with the relevant Rates Exchange. However, in accordance with the FCM Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for an FCM Listed Interest Rates Clearing Member's accounts.

FCM Listed Interest Rates Clearing Members will be notified by the Clearing House of alterations to initial margin parameters no later than the day before PPS Calls are made based on the new rates.

(ii) Intra-Day Margin Calls

In accordance with the FCM Regulations the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it considers necessary. Intra-day margin calls will be made via the Protected Payments System (see FCM Procedure 3.2).

(iii) Calculation of Initial Margin

Value at Risk (VaR). Initial margin obligations are re-calculated at the close of each business day using a VaR algorithm developed to calculate margin requirements on FCM Listed Interest Rates Contracts.

Technical questions about this algorithm should be directed to the Clearing House Risk Management Department on +44 (0)20 7426 7520.

(b) *Variation Margin*

All open contracts are marked to market daily by the Clearing House in accordance with the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms. The official quotation is used as the market price. Profits or losses are either credited to or debited from an FCM Listed Interest Rates Clearing Member’s FCM Omnibus Listed Interest Rates Client Account with LCH (realised margin) or they form non-realised contingent liabilities or credits.

(i) Realised Margin

Realised margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant official quotations with the value of positions recorded by the Clearing House (j.e. the trade price for new trades and the previous day’s official quotation for other positions). Realised margin is realised into postings to the FCM Omnibus Listed Interest Rates Client Account with LCH.

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(ii) Contingent Variation Margin

Contingent variation margin is calculated with reference to the official quotation at which a contract went to delivery and the underlying asset value or the next nearest futures delivery month official quotation, dependent on the terms of the FCM Listed Interest Rates Contract or these FCM Procedures. Contingent variation margin is calculated for FCM Listed Interest Rates Contracts which are subject to delivery of an underlying asset.

(iii) Option Variation Margin

Option variation margin is the value of unexpired options, calculated with reference to the official quotation. Bought and sold options generate credit and debit option variation margin respectively.

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(c) *Additional Margin*

In accordance with FCM Regulation 14 (*Margin and Collateral*), the Clearing House may call additional amounts of Collateral (on top of the amounts of Collateral previously transferred to the Clearing House in respect of initial margin and variation margin obligations) as security for the performance by an FCM Listed Interest Rates Clearing Member of its obligations to the Clearing House in respect of FCM Listed Interest Rates Contracts registered in its name. This may be

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required from time to time where, in the opinion of the Clearing House, the risk inherent in FCM Contracts held by the FCM Listed Interest Rates Clearing Member is not adequately covered by the Collateral in respect of the initial or variation margin obligations. This may cover instances where stress losses under various scenarios are larger than the pre-defined thresholds of the default fund. The Clearing House may only apply such additional Collateral against the FCM Contracts generating such losses, and may not apply it as a credit in respect of initial margin obligations generally.

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(d) *Official Quotations*

Official Quotations are based on the “Daily Settlement Price (DSP)” and are supplied by the relevant Rates Exchange (or, in respect of Designated FCM Listed Interest Rates Contracts, by the Clearing House) at the close of business each day. Should the relevant Rates Exchange fail to determine DSPs, the Clearing House will determine these as necessary. This will be done at the Clearing House’s discretion and announced as soon as possible.

(e) *Settlement*

(i) *Cash Settlement*

Cash settlement is a final settlement derived from the difference between the expiry price and the previous business day’s official quotation or such other quotation as is specified in the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms. This is debited from or credited to the FCM Omnibus Listed Interest Rates Client Account with LCH.

(ii) *Delivery*

Deliverable contracts, as specified by the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms, remaining open at expiry, or as notified via early delivery notice, are settled by physical delivery of the underlying at the Final Settlement Price (FSP), as determined by the relevant FCM Listed Interest Rates Contract Terms.

2.3.6 *Trade and Position Management*

(a) *Allocations*

FCM Listed Interest Rates Novation Transactions and Rates Exchange Matches can be allocated to an FCM Listed Interest Rates Clearing Member’s Position Keeping Accounts in a number of different ways based on the information provided:

- (i) by including the Position Account Owner and the Position account type (e.g., House or Client);

Take-ups are permitted up until the end of the Position Management Window. Take-ups on expiring contracts are only permitted until the end of the Position Management Window of the expiry process.

(d) Position Transfers

Without prejudice to any approval that may be required under the relevant Rates Exchange Rules, FCM Listed Interest Rates Clearing Members wishing to effect a position transfer to another FCM Listed Interest Rates Clearing Member approved to participate in the FCM Listed Interest Rates Clearing Service may do so directly through Synapse, provided that, where a transfer would exceed any applicable Risk Parameters, such transfer will be subject to the validation process described in Section 2.3.3(c) and (d) above before being accepted or rejected by the Clearing House.

Otherwise, FCM Listed Interest Rates Clearing Members wishing to effect a position transfer should submit a written request by sending an email to derivatives.ops.uk@lch.com.

Provided they relate to valid positions and adequate Collateral is available from both FCM Listed Interest Rates Clearing Members, the transfer will normally be authorised. Should insufficient Collateral be available, the transfer may not be authorised until additional Collateral is transferred to the Clearing House.

2.3.7 **Option Exercise and Expiry**

(a) *General*

Each contract is exercised through the Clearing System. Exercise Rules are specified by the relevant Rates Exchange Rules and/or the relevant FCM Listed Interest Rates Contract Terms, which determine the form and manner in which exercise notifications must be given, and the time frames for doing so. Exercise may be automatic or manual.

Options are exercised manually except on the last trading day when a combination of auto exercise and manual exercise is used and open futures contracts are created.

When exercised against, the Clearing House will select sellers against which to exercise, based on their open position. The method of allocation used for options is random scatter. The allocation process randomly determines each lot to be assigned in such a way that its selection is independent of either the preceding lot or of the subsequent lot in the selection process.

An option shall be deemed to be exercised at such time as confirmed by the Clearing House on the FCM Clearing System.

Exercised Index Option contracts are settled in cash. The settlement amount is the difference between the strike price of the contract and the relevant Final Settlement Price (FSP).

FCM Listed Interest Rates Clearing Members should consult the Service Description for more information and refer any enquiries to Client Services on +44 7426 7651 or ListedRates.Ops.UK@lch.com. to the 'Synopsis Derivatives Member User Guide' for operating instructions and full details.

(b) *Options Exercise Instructions*

(i) *Manual Exercise*

Exercise instructions are submitted via the Options Exercise screen on the [Clearing House clearing system](#), between times as specified by relevant Rates Exchange Rules and/or the relevant FCM Listed Interest Rates Contract Terms on any business day from the business day following the day of trade until the expiry day.

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Exercise instructions can be cancelled via the Options Exercise screen up until the exercise deadline on the day the exercise instruction is input to the FCM Clearing System.

Warning messages will be displayed on the following conditions:

- when an exercise is performed on Out-of-the-Money options;
- when a cancel is performed on In-the-Money options;
- the number of lots exceed the lot limit, if the lot limit parameter is set by the FCM Clearing Member in the BP Exercise Limit screen; and
- early exercise, i.e. non-spot month, if this parameter is set by the Clearing Member in the BP Exercise Limit screens

An option exercise maker-checker facility ensures exercise instructions are authorised by another authorised person before being submitted. FCM Listed Interest Rates Clearing Members should ensure that they allow sufficient time for submitting instructions within contract deadlines, if this facility is switched on.

(ii) *Automatic Exercise on Expiry Day*

Preset limits within the [Clearing House clearing system](#) define which options will be subject to automatic exercise at expiry.

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Buyers of options may, in accordance with the relevant FCM Listed Interest Rates Contract Terms, choose not to exercise option series that would be subject to automatic exercise. FCM Listed Interest Rates Clearing Members that wish not to exercise such options must have done so by the exercise deadline of the expiring options. Failure to do so will result in the automatic exercise of the series.

(c) *Expiry Day*

Options expire at the time specified by relevant FCM Listed Interest Rates Contract Terms on the expiry date. FCM Listed Interest Rates Clearing Members who wish to exercise positions for strike prices which are not subject to automatic exercise for the expiring series, must do so by this time.

It is not possible for FCM Listed Interest Rates Clearing Members to input exercise or exercise cancellation instructions after the expiry time.

(d) *Unavailability of System for Options Exercise*

In the event that the Clearing House clearing system option exercise facilities are unavailable (in particular if an expiry or exercise deadline is imminent), it is essential that the FCM Listed Interest Rates Clearing Member contacts Client Services on +44 7426 7651.

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2.3.8 *[Reserved]*

2.3.9 *Deliverable Bond Futures – Delivery Procedures*

These delivery procedures should be read in conjunction with the rest of this document, the FCM Rulebook, the relevant Rates Exchange Rules and the relevant FCM Listed Interest Rates Contract Terms. FCM Listed Interest Rates Clearing Members must be fully aware of their obligations under the relevant contracts.

In the event of any conflict between the Rulebook and the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms, the Rulebook shall prevail.

Enquiries concerning the procedures in this Section should be directed to Client Services on +44 7426 7651.

(a) *Common Delivery Procedures*

(i) Allocation Method

For all deliverable bond contracts the following method is used by the Clearing House to allocate stock delivered by Sellers to Buyers: