

VIA CFTC PORTAL

15 August 2016

Mr Christopher Kirkpatrick  
Commodity Futures Trading Commission  
115 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington DC 20581

**LCH.Clearnet Limited Self Certification: Allocation of SwapClear Contracts**

Dear Mr Kirkpatrick

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet Limited ("LCH"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to its rules to allow an Unallocated FCM SwapClear Contract to be allocated from a suspension sub-account of a Futures Commission Merchant ("FCM") Clearing Member to the Client account of another Clearing Member which is not an FCM.

**Part I: Explanation and Analysis**

Pursuant to FCM Regulation 46(o) in the LCH rules, an FCM may register with LCH a FCM SwapClear Contract subject to post-registration allocation to one or more FCM Clients; ahead of allocation, such contract is defined as an "Unallocated FCM SwapClear Contract" and is registered in an FCM suspension sub-account opened at the request of the allocating FCM Clearing Member. This process allows asset managers to execute and submit to the Clearing House single bunched transactions in a first stage and allocate such transactions to one or more Clients in a second stage.

LCH proposes to amend its General Regulations to allow an FCM Clearing Member to transfer an Unallocated FCM SwapClear Contract from a FCM suspension sub-account to the client account of a SwapClear Clearing Member ("SCM"); as a result of such transfer, the relevant contract shall be converted to a SwapClear Contract. Both the General Regulations and the FCM Regulations have been amended to accommodate this transfer.

The above rule change meets the desire of global asset managers to clear a single bunched order and allocate to clients clearing via both the FCM agency model and SCM principal to principal model offered by LCH.

Further, the proposed changes in the General Regulations note that when an Unallocated FCM SwapClear Contract is erroneously allocated to a SCM Client, in response to a written request from the relevant SCM, LCH will transfer such contract to the FCM suspension sub-account from which that contract was allocated. The relevant SCM shall be

deemed to guarantee that the transfer is in accordance with the LCH rules. This process is already in place in respect to FCM Clients and clarified in the FCM Regulations.

The rule changes will go live on, or after, September 6, 2016.

**Part II: Description of Rule Changes**

Both the General Regulations and the FCM Regulations include new definitions to reflect the transfer of an Unallocated FCM SwapClear Contract from a FCM suspension sub-account to a SCM client account.

Regulation 18 of the General Regulations outlines the conditions under which the above transfer may take effect. This change aligns the General Regulations with the existing process in the FCM Regulations. Further, Regulation 46 (o) of the FCM Regulations has been amended to clarify that where such transfer takes effect, the relevant FCM SwapClear Contract shall be converted to a SwapClear Contract.

The texts of the changes to the General Regulations and to the FCM Regulations are attached hereto as **Appendix I** and **Appendix II** respectively.

**Part III: Core Principle Compliance**

LCH has reviewed the changes to its eligible transfers against the requirements of Core Principles F and G and finds that the new eligible transfers will continue to comply with all the requirements and standards therein.

LCH has concluded that compliance with the Core Principles will not be adversely affected by this change.

**Part IV: Public Information**

LCH has posted a notice of pending certification with the CFTC and a copy of the submission on LCH's 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.Clearnet or market participants that were not incorporated into the rule.

**Certification**

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

Should you have any questions please contact me at [julian.oliver@lchclearnet.com](mailto:julian.oliver@lchclearnet.com) .

Yours sincerely



Julian Oliver  
Chief Compliance Officer  
LCH.Clearnet Limited

**Appendix I**  
**General Regulations**



**GENERAL REGULATIONS OF  
LCH.CLEARNET LIMITED**

<b>"FCM Client"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM Client Segregated Sub-Account"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM Contract"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM Default Fund Agreement"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM EnClear Contract"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM ForexClear Client Clearing Services"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM ForexClear Contract"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM ForexClear Transaction"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM Omnibus Clearing Product Client Account with LCH"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM Omnibus EnClear Client Account with LCH"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM Omnibus ForexClear Client Account with LCH"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM Omnibus SwapClear Client Account with LCH"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM Procedures"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM Regulations"</b>	means the Clearing House's FCM Regulations
<b>"FCM SwapClear Client Clearing Services"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM SwapClear Contract"</b>	has the meaning assigned to it in the FCM Regulations
<b><u><a href="#">"FCM SwapClear Suspension Sub-Account"</a></u></b>	<u><a href="#">has the meaning assigned to it in the FCM Regulations</a></u>
<b>"FCM SwapClear Transaction"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM Transaction"</b>	has the meaning assigned to it in the FCM Regulations
<b>"Fed Funds Rate"</b>	means the Federal Funds Rate as published by the Federal Reserve Bank of New York (or, if such a rate is not available, such Fed Fund-linked rate as may be determined

<b>"OTC Contract Terms"</b>	means the SwapClear Contract Terms in respect of SwapClear Contracts, the RepoClear Contract Terms in respect of RepoClear Contracts, the RepoClear Term £GC Contract Terms in respect of the RepoClear Term £GC Contracts, the RepoClear €GC Contract Terms in respect of RepoClear €GC Contracts and the ForexClear Contract Terms in respect of ForexClear Contracts
<b>"OTC market"</b>	means any dealings in an investment (as defined in section 22(1) and Schedule 2 Part II of the Financial Services and Markets Act 2000) which are entered into otherwise than on or subject to the rules of an Exchange
<b>"OTC Service"</b>	means a service provided by the Clearing House for the clearing of a category of OTC Contract
<b>"OTC Transaction"</b>	means a transaction being a SwapClear Transaction, RepoClear Transaction, RepoClear GC Transaction, Repo Trade, Bond Trade or GC Trade, or ForexClear Transaction
<b>"Own Resources Provision"</b>	means Article 35 of Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties or any law, regulation, rule, official directive or guideline (having the force of law) which replaces, supplements, modifies, amends or varies such provision
<b>"Portfolios"</b>	has the meaning assigned to it in the Default Rules
<b>"Porting Window"</b>	has the meaning assigned to it in the Client Clearing Annex to the Default Rules
<b>"Porting Window Reduction"</b>	has the meaning assigned to it in the Client Clearing Annex to the Default Rules
<b>"Post-Compression Contracts"</b>	means the Post-Multilateral Compression Contracts and/or any replacement SwapClear Contracts referred to in Regulation 56
<b>"Post-Multilateral Compression Contracts"</b>	means, in relation to a Compression Proposal, the SwapClear Contracts registered as a result of Multilateral Compression in accordance with such Compression Proposal
<b><u>"Pre-Allocation FCM Clearing Member"</u></b>	<u>shall have the meaning assigned to it in the FCM Regulations</u>

<b>"Trading Platform Particulars"</b>	means the orders or other trade particulars submitted in respect of the sale or purchase of EquityClear Eligible Equities or EquityClear Eligible ccCFD(s), to an ATP in accordance with the relevant ATP Market Rules by, or on behalf of, an EquityClear Clearing Member or, in the case of an EquityClear Mixed Member Match, by, or on behalf of a member of a relevant Co-operating Clearing House
<b>"Trading System"</b>	means the Nodal Trading Facility or the NLX Trading Facility (as applicable)
<b>"Treasury Account"</b>	means any accounting process under which an amount due under a Treasury Contract from a member to the Clearing House is set off against any amount due from the Clearing House to that Member
<b>"Treasury Contract"</b>	means any contract, including a contract of deposit, entered into by the Clearing House with that Member for purposes of, in connection with or otherwise in the course of its treasury management activities (and excluding, for the avoidance of doubt, ATS Contracts)
<b><u>"Unallocated FCM Swap Clear Contract"</u></b>	<u>has the meaning assigned to it in the FCM Regulations</u>
<b>"Unallocated Excess"</b>	has the meaning assigned to it in the FCM Regulations
<b>"Unallocated Excess Sub-Account"</b>	has the meaning assigned to it in the FCM Regulations
<b>"Undertaking to Pay or Deliver"</b>	has the meaning ascribed to such term in Regulation 11(c)
<b>"Unfunded Contribution"</b>	means the unfunded Contribution of a Clearing Member referable to a specific Service provided by the Clearing House
<b>"US Trading Venue"</b>	means a swap execution facility or designated contract market registered as such with the CFTC which the Clearing House has approved for the purposes of having transactions executed thereon submitted to the Clearing House for registration. For the avoidance of doubt, a US Trading Venue need not be an Approved Trade Source System
<b>"US Trading Venue Transaction"</b>	means, in respect of a Clearing Member, a transaction recorded in the Clearing House's systems (via applicable messaging from the relevant US Trading Venue, Approved Trade Source System or otherwise) as a transaction that was executed on a swap execution facility or designated contract market that, as at the time of such execution, was an Eligible US Trading Venue in respect of such Clearing

## REGULATION 18 TRANSFER

- (a) If a Member wishes to transfer an open contract from his name to be registered in the name of another Member, the Clearing House may, with the agreement of both Members and subject to such conditions as it may stipulate, at its absolute discretion and, without prejudice to any power of the Clearing House under the Default Rules, and where relevant with the consent of the Exchange whose Exchange Rules form part of the terms of such open contract, transfer the registration of such open contract into the name of the Member agreeing to have such contract registered in his name, whereupon Regulation 12(b) (Novation) shall take effect.
- (b) No open contract on the terms of an exchange contract may be transferred pursuant to paragraph (a) above to any Member who is not entitled under Exchange Rules to have open contracts on the terms of that exchange contract registered in his name. No open contract may be transferred pursuant to paragraph (a) above to any Member who is not a Member in respect of the relevant Service.
- (c) Rights under an open contract shall not be capable of assignment by a Member. Any such purported assignment by a Member shall be void.
- (d) Pursuant to FCM Regulation 46(o), a Pre-Allocation FCM Clearing Member may transfer an Unallocated FCM SwapClear Contract to the Client Account of a SwapClear Clearing Member. The following provisions shall apply with respect to such a transfer:
  - (i) The transfer of an Unallocated FCM SwapClear Contracts as set forth above is subject to all other applicable provisions of the Rulebook including, where applicable, the provision by the applicable SwapClear Clearing Member(s) of adequate Margin, at the time of the transfer of the relevant Unallocated FCM SwapClear Contract, in respect of each of the applicable Client Accounts. If adequate Margin is not so provided in respect of each Client Account, the Clearing House may in its sole discretion, delay or reject the transfer of all or any portions of the Unallocated SwapClear FCM Contract, and may take any other actions permitted under the Rulebook.
  - (ii) Where an Unallocated FCM SwapClear Contract has been erroneously allocated to a Client Account the Clearing House will, in response to a written request from a SwapClear Clearing Member and subject to acceptance of the transfer by the relevant Pre-Allocation FCM Clearing Member, transfer an SwapClear Contract to the FCM SwapClear Suspension Sub-Account from which that FCM SwapClear Contract was allocated. Any transfer pursuant to this Regulation 18(d)(ii) must be requested within three Business Days of the original allocation to the relevant Client Account. Through requesting a transfer pursuant to this paragraph (ii), the SwapClear Clearing Member shall be deemed to represent and warrant that the transfer is in accordance with Applicable Law.



**Appendix II**  
**FCM Regulations**

**FCM REGULATIONS OF  
THE CLEARING HOUSE  
LCH.CLEARNET LIMITED**

## 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:

- “Account Manager Executing Party”** means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated FCM SwapClear 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 Segregated Sub-Account or the Proprietary Account of the Post-Allocation ~~FCM~~ 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 Segregated Sub-Account or Proprietary Account of the Post-Allocation ~~FCM~~ 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.
- “Applicable Law”** means any applicable statute, law, ordinance, regulation, rule and other instruments in force from time to time, including the rules, codes or practice of a Governmental Authority or Regulatory Body.
- “Assumed Allocation”** has the meaning assigned to it in FCM Regulation 15(d)(iii).
- “Auction Portfolio”** has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
- “Available FCM Buffer”** means, at any given time, (i) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the Without Client Excess Model, FCM Buffer credited therein that is not

<b>Member”</b>	and Collateral attributed to such account is to be transferred to a Receiving FCM Clearing Member pursuant to FCM Regulation 13 and in accordance with the FCM Procedures or (ii) in respect of a transfer as described in sub-paragraph (b) of the definition of “Receiving Clearing Member”, a Clearing Member (as defined in the UK General Regulations, and being an entity other than an FCM Clearing Member).
<b>“Cash-Settled FCM Exchange Contract”</b>	means an FCM Exchange Contract which is to be settled by cash-settlement only.
<b>“CEA”</b>	means the U.S. Commodity Exchange Act.
<b>“CFTC”</b>	means the U.S. Commodity Futures Trading Commission.
<b>“CFTC Regulations”</b>	means the rules and regulations promulgated by the CFTC.
<b>“Cleared Swap”</b>	means “Cleared Swap” as such term is defined in CFTC Regulation 22.1, which term includes but is not limited to Swap Products.
<b>“Cleared Swaps Account Class”</b>	means the account class for cleared swaps accounts (as defined in CFTC Regulations 190.01(a)(i)) for purposes of Part 190 of the CFTC Regulations and Section 4d(f) of the CEA.
<b>“Cleared Swaps Customer Account”</b>	means “Cleared Swaps Customer Account” as such term is defined in CFTC Regulation 22.1.
<b>“Clearing House”</b>	means LCH.Clearnet Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom.
<b><u>“Client Account”</u></b>	<u><a href="#">has the meaning assigned to it in the General Regulations.</a></u>
<b>“Closing-out Contract”</b>	means, for the purposes of these FCM Regulations, an FCM Contract effected by or on behalf of the Clearing House and registered in an FCM Clearing Member's name, being an FCM Contract on the same terms (except as to price) as an Open Contract in the FCM Clearing Member's name, save that where the Clearing House has position “X” under the terms of such open FCM Contract (where such FCM Contract consists of positions “X” and “Y”), the Clearing House shall have position “Y” under the terms of such closing-out FCM Contract, and vice-versa.
<b>“Collateral”</b>	means the cash, securities or other collateral or assets deposited with or to be deposited with (as the context may require) the Clearing House by an FCM Clearing Member or otherwise furnished to (including any proceeds therefrom) an FCM Clearing Member’s Proprietary Account or its FCM

Futures Client Funds or Collateral held in connection with Futures Products, a depository qualified to hold customer funds in accordance with CFTC Regulation 1.49.

**“Physically-Settled FCM Exchange Contract”**

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

**“Portfolios”**

has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.

**“Porting Collateral”**

has the meaning assigned to it in FCM Regulation 13(a)

**“Porting Contracts”**

has the meaning assigned to it in FCM Regulation 13(a)

**“Post-Allocation-FCM Clearing Member”**

means the FCM Clearing Member or SwapClear Clearing Member associated with a Client Segregated Sub-Account, Client Account or Proprietary Account to which part of all of an Unallocated FCM SwapClear Contract is to be allocated pursuant to an Allocation Notice.

**“Pre-Allocation FCM Clearing Member”**

has the meaning assigned to it in FCM Regulation 46(o)(i).

**“Pre-Allocation Executing Party” or “Account Manager Executing Party”**

means an Executing Party, including an Account Manager Executing Party, which is not an FCM Clearing Member and which is authorized to execute Unallocated FCM SwapClear Transactions on its own behalf or on behalf of one or more FCM Clients.

**“Premium”**

means the consideration for the selling of an Option payable by the Buyer in accordance with these FCM Regulations and the FCM Procedures.

**“Price”**

means, in the case of an FCM Contract, the price calculated by the Clearing House in accordance with the FCM Regulations and the FCM Procedures.

**“Product”**

means a Swap Product or a Futures Product, as the context may require.

**“Prompt Date”**

in respect of an FCM Exchange Contract, has the meaning ascribed to it in the Exchange Rules governing such FCM Exchange Contract.

**“Proprietary Account”**

means the house account with the Clearing House opened in the name of an FCM Clearing Member to which FCM

	amendments or extensions to the FCM Rulebook or the FCM Clearing Membership Agreement in accordance with its terms of reference
<b>“Second Nodal Clearing Member”</b>	has the meaning assigned to it in FCM Regulation 56(a)(ii).
<b>“Seller”</b>	means an FCM Clearing Member (or the Clearing House where the context so requires) who is a seller under the terms of an FCM Exchange Contract.
<b>“Settlement Finality Regulations”</b>	means the Clearing House's Settlement Finality Regulations from time to time in force.
<b>“Settlement Price”</b>	means, in relation to an FCM Contract, one or more prices determined in accordance with the FCM Regulations or the FCM Procedures.
<b>“Standard Terms”</b>	means those parts of the FCM Contract Terms designated as Standard Terms by the Clearing House from time to time.
<b>“Strike Price”</b>	means the price specified in an FCM Option Contract which becomes the price of the commodity under an FCM Exchange Contract, upon the exercise of the FCM Option Contract, in accordance with the relevant Exchange Rules, and the FCM Regulations and FCM Procedures.
<b>“Swap Product”</b>	means a Product which constitutes a Cleared Swap. Such Products are: (1) FCM SwapClear Contracts and (2) FCM ForexClear Contracts.
<b><u>“SwapClear Contract”</u></b>	<u>has the meaning assigned to it in the General Regulations but which shall not, unless stated otherwise, include an FCM SwapClear Contract.</u>
<b>“SwapClear Contribution”</b>	means, in relation to the Default Rules, the meaning assigned to it in rule 16 of the Default Rules.
<b>“SwapClear Clearing Member”</b>	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.
<b>“SwapClear DMP”</b>	has the meaning assigned to it in the SwapClear DMP Annex of the Default Rules.
<b>“SwapClear Tolerance”</b>	has the meaning assigned to it in Section 2.1.3(c) of the FCM Procedures.
<b>“Termination Amount”</b>	has the meaning assigned to such term in FCM Regulation 37(d)(iii).

shall have a notional amount equal to the net notional amount of the compressed FCM SwapClear Contracts, however, in some cases the replacement FCM SwapClear Contracts will have an aggregate notional amount that is greater than the net notional amount of the compressed FCM SwapClear Contracts **provided that** in no event will the aggregate notional amounts of the replacement FCM SwapClear Contracts be greater than the aggregate notional amounts of the compressed FCM SwapClear Contracts, and provided further that in the event that the net notional amount and net future cash flows are equal to zero such compression shall result in no replacement FCM SwapClear Contracts. The Clearing House shall determine (in its sole discretion) whether FCM SwapClear Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such FCM SwapClear Contracts are compressed, the Clearing House shall determine the resulting terms of the FCM SwapClear Contract(s) (if any) that replaces the compressed FCM SwapClear Contracts, and such determination shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of FCM SwapClear Contracts that the amount of Margin that the Clearing House requires in respect of the original FCM SwapClear Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM SwapClear Contract(s).

- (n) **SwapClear Accounts.** All FCM Omnibus SwapClear Client Accounts with LCH shall not be permitted to contain any FCM Contracts other than FCM SwapClear Contracts or to reflect any Margin other than in connection with FCM SwapClear Contracts.
- (o) **Unallocated FCM SwapClear Transactions.** In accordance with all other applicable provisions of the FCM Rulebook, an FCM Clearing Member may register an FCM SwapClear Contract subject to post-registration allocation on behalf of a Pre-Allocation Executing Party in accordance with the following provisions:
  - (i) In order for a FCM SwapClear Transaction executed by a Pre-Allocation Executing Party and to be subject to post-registration allocation (such transaction, an “**Unallocated FCM SwapClear Transaction**”), the FCM Clearing Member that will be registering the Unallocated FCM SwapClear Transaction (such FCM Clearing Member, a “**Pre-Allocation FCM Clearing Member**”) must have notified the Clearing House that it wishes to establish a FCM SwapClear Suspension Sub-Account with respect to that Pre-Allocation Executing Party and the Clearing House shall have opened such FCM SwapClear Suspension Sub-Account for the FCM Clearing Member.
  - (ii) The FCM SwapClear Contract registered on behalf of a Pre-Allocation Executing Party that results from an Unallocated FCM SwapClear Transaction (an “**Unallocated FCM SwapClear Contract**”) shall be registered in [the](#) FCM SwapClear Suspension Sub-Account. The beneficial owner of the Unallocated FCM SwapClear Contract shall be the unidentified FCM Client on whose behalf the Unallocated FCM SwapClear Transaction was executed.
  - (iii) In order to allocate an Unallocated FCM SwapClear Transaction, a Pre-Allocation Executing Party or Pre-Allocation FCM Clearing Member must provide the Clearing House with one or more Allocation Notices. Each Allocation Notice shall be delivered to the Clearing House via an FCM

Approved Trade Source System, the SwapClear API or such other means as notified by the Clearing House. Where the foregoing delivery methods are unavailable, or in such other circumstances that the Clearing House deems appropriate, the Pre-Allocation Executing Party or Pre-Allocation FCM Clearing Member as the case may be may provide the Allocation Notice in the form of a direct written request, subject that the processing of an Allocation Notice received as a direct written request may take the Clearing House up to five (5) Business Days.

- (iv) Where an Allocation Notice: (i) contains instructions that would result in the allocation of a notional value that is greater than the notional value of the Unallocated FCM SwapClear Contract to which such Allocation Notice relates; or (ii) does not relate to an Unallocated FCM SwapClear Contract; or (iii) seeks to allocate part of all of an Unallocated FCM SwapClear Contract to a Proprietary Account of a SwapClear Clearing Member other than the Pre-Allocation FCM SwapClear Clearing Member, then such Allocation Notice shall be ineligible and shall be rejected by the Clearing House. For the avoidance of doubt, the Post-Allocation ~~FCM~~-Clearing Member(s) need not be the same as the Pre-Allocation FCM Clearing Member. Unless or until the Clearing House receives an eligible Allocation Notice, the Unallocated FCM SwapClear Contract shall remain in the Pre-Allocation FCM Clearing Member's FCM SwapClear Suspension Sub-Account and subject to the rules of the Clearing House.
- (v) Following receipt of an eligible Allocation Notice, the Clearing House shall (following acceptance from the relevant Post-Allocation ~~FCM~~-Clearing Member(s) and the Pre-Allocation FCM Clearing Member, in the same manner as a new FCM SwapClear Transaction is accepted in accordance with the Procedures):
  - (A) close out the outstanding Unallocated FCM SwapClear Contract and simultaneously register two or more (as applicable) FCM SwapClear Contracts to the same FCM SwapClear Suspension Sub-Account, and these newly registered FCM SwapClear Contracts shall have the same Economic Terms as the Unallocated FCM SwapClear Contract except that they shall have lower notional values corresponding to the allocation instructions provided in the Allocation Notice (which notional values shall, in the aggregate, equal the notional value of the Unallocated FCM SwapClear Contract) – for the purpose of the foregoing, if the Allocation Notice has not allocated the full notional value of the Unallocated FCM SwapClear Contract, one of the FCM SwapClear Contracts so registered by the Clearing House shall be a new Unallocated FCM SwapClear Contract with a notional value equal to that portion of the Unallocated FCM SwapClear Contract that has not been allocated; and
  - (B) following the actions described in paragraph (A) above, transfer one or more of the newly registered FCM SwapClear Contracts resulting from the cancellation of the Unallocated FCM SwapClear Contract to the applicable Client Segregated Sub-Accounts, Client Account or Proprietary Account in accordance with the Allocation Notice.



Following the transfer of one or more of the newly registered FCM SwapClear Contracts, any remaining FCM SwapClear Contract that has not been transferred shall thereafter be the Unallocated FCM SwapClear Contract.

Where an Allocation Notice directs the entire notional amount of an Unallocated FCM SwapClear Contract to be allocated to a single Client Segregated Sub-Account, [Client Account](#) or the Proprietary Account, then the Clearing House shall not take the steps described in sub-paragraphs (A) and (B) above and shall instead transfer the Unallocated FCM SwapClear Contract to the applicable Client Segregated Sub-Account, [Client Account](#) or Proprietary Account following receipt of the Allocation Notice.

[Where the transfer is from an FCM SwapClear Suspension Sub-Account to a Client Account, the relevant FCM SwapClear Contract shall be converted to a SwapClear Contract.](#)

By a Pre-Allocation FCM Clearing Member delivering an eligible Allocation Notice to the Clearing House, that Pre-Allocation FCM Clearing Member shall be deemed to represent and warrant that it has been properly authorized by the Pre-Allocation Executing Party to allocate the relevant Unallocated FCM SwapClear Contract or, where the allocation is to such Pre-Allocation FCM Clearing Member's Proprietary Account, in accordance with paragraph (vii) below. Where the Clearing House receives an ineligible Allocation Notice, the Unallocated FCM SwapClear Transaction to which it relates shall remain in the FCM SwapClear Suspension Sub-Account.

- (vi) Subject to paragraph (viii) below, the transfer of an Unallocated FCM SwapClear Contract from the FCM SwapClear Suspension Sub-Account to a Client Segregated Sub-Account, [Client Account](#) or Proprietary Account shall be final. In no event can Unallocated FCM SwapClear Contracts be further allocated once they are transferred from the FCM SwapClear Suspension Sub-Account.
- (vii) Where an Unallocated FCM SwapClear Contract has been registered to an FCM SwapClear Suspension Sub-Account and is not allocated by the Pre-Execution Allocating Party or in such other circumstances that the Clearing House considers appropriate, the Pre-Allocation FCM Clearing Member may submit an Allocation Notice to the Clearing House requesting the transfer of the relevant Unallocated FCM SwapClear Contract to that FCM Clearing Member's Proprietary Account. An FCM Clearing Member, through requesting such transfer, shall be deemed to represent that such transfer is in accordance with Applicable Law and regulation and the FCM's contractual rights against the Pre-Allocation Executing Party or, if applicable, the Pre-Allocation Executing Party's underlying customer(s).
- (viii) Where an Unallocated FCM SwapClear Contract has been erroneously allocated to a Client Segregated Sub-Account or [Client Account](#) the Clearing House will, in response to a written request from a Post-Allocation ~~FCM~~ Clearing Member and subject to acceptance of the transfer by the relevant Pre-Allocation FCM Clearing Member, transfer an FCM SwapClear Contract or

[SwapClear Contract \(as applicable\)](#) to the FCM SwapClear Suspension Sub-Account from which that FCM SwapClear Contract was allocated. Following such transfer, the FCM SwapClear Contract shall be treated as an Unallocated FCM SwapClear Contract except that the provisions of FCM Regulation 46(o)(iv) shall not apply to it, such that an over-allocation will not be ineligible and will result in the allocation of the notional amount prescribed in an Allocation Notice. Any transfer pursuant to this FCM Regulation 46(o)(viii) must be requested within three Business Days of the original allocation to the relevant Client Segregated Sub-Account [or Client Account](#). Through requesting a transfer pursuant to this paragraph (viii), the Post-Allocation ~~FCM~~-Clearing Member shall be deemed to represent and warrant that the transfer is in accordance with Applicable Law.

- (ix) The registration and allocation of Unallocated FCM SwapClear Contracts as set forth above is subject to all other applicable provisions of the FCM Rulebook including, where applicable, and to the same extent as if an Unallocated FCM SwapClear Transaction or Allocation Notice were a new FCM SwapClear Transaction with respect to the relevant account: (A) the provision by the Pre-Allocation FCM Clearing Member of adequate Margin in the FCM SwapClear Suspension Sub-Account at the time of registration of the Unallocated FCM SwapClear Contract; (B) the provision by the applicable Post-Allocation ~~FCM~~-Clearing Member(s) of adequate Margin, at the time of the transfer of the relevant Unallocated FCM SwapClear Contract, in respect of each of the applicable Client Segregated Sub-Accounts, [Client Accounts](#) or Proprietary Account to which an Unallocated FCM SwapClear Contract is to be allocated. If adequate Margin is not so provided in respect of each Proprietary Account, [Client Account](#), Client Segregated Sub-Account and Omnibus Client Swaps Account with LCH, the Clearing House may in its sole discretion, delay or reject the allocation and transfer all or any portions of the Unallocated SwapClear FCM Contract, and may take any other actions permitted under the FCM Rulebook.
- (x) In order to meet the obligations of a FCM Clearing Member set out under paragraph (viii) above, the Clearing House will solely look to the FCM Buffer held by the relevant FCM Clearing Member and such FCM Buffer shall only be available to margin an Unallocated FCM SwapClear Transaction to the extent that it is Available FCM Buffer. For such time as any Available FCM Buffer is, and remains, applied to margin an Unallocated FCM SwapClear Transaction, such FCM Buffer shall no longer be Available FCM Buffer and shall be Encumbered Buffer.
- (xi) Each Pre-Allocation FCM Clearing Member and Post-Allocation ~~FCM~~ Clearing Member must comply with the applicable provisions of the CFTC Regulations (including CFTC Regulations 1.35 and 1.73) and all other Applicable Law, and shall be responsible for ensuring that Pre-Allocation Executing Parties clearing through it are in compliance with CFTC Regulation 1.35(b)(5), where applicable.