

**VIA EMAIL TO: SUBMISSIONS@CFTC.GOV**

03 March 2014

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

Dear Ms. Jurgens:

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet SA ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification several amendments to its rulebook, to be implemented and effective starting on 17 March 2014.

The submission cover sheet and rulebook changes are attached hereto as appendices.

#### **Part I: Explanation and Analysis**

##### Global Netting of House Termination Amounts in Case of Default

The LCH.Clearnet rules have been amended to allow for global netting. Where a CDS Clearing Member is a member of another clearing service(s) provided by the Clearing House, any House Termination Amount calculated in respect of the CDSClear service shall be netted with the house termination amount(s) calculated in respect of other clearing services offered by the Clearing House (i.e. cash & derivatives, fixed income services).

##### Disclosure of Confidential Information

Article 1.2.12.5 has been inserted to allow for the disclosure of confidential information within the LCH.Clearnet Group, with certain limitations, and provided that the company with which the information is to be shared is bound by equivalent obligations of confidentiality as those set forth in the Rulebook.

##### Clarification of "Backup Clearing Member"

The definition of "Backup Clearing Member" has been amended to clarify that only a CDS Clearing Member (or CCM) may act as a Backup Clearing Member of a CCM Client.

##### Additional Options for the Transfer of Collateral

In the near future, the Clearing Member will be given the possibility to notify LCH.Clearnet SA of any transfer of collateral not only by fax and email but also by using a web portal. In order to anticipate that change, Section 3 of the Procedures has been amended to provide that the transfer of collateral may be notified "*by any other means as specified in a Clearing Notice.*"

#### Reporting to Swap Data Repository

Conforming changes have been made to paragraph 5.17(b) of Section 5 of the Procedures to clarify that LCH.Clearnet is reporting swap data to DDR (DTCC's Swap Data Repository).

Other minor conforming changes have also been made throughout the rulebook.

#### **Part II: Description of rule changes**

The following rules have been amended:

Rulebook: Definitions; Section 1.2.12, 1.2.17, 1.3.1, 2.2.0.1, 2.4.2.9, 3.1.11, 3.2.3, and 5.2.4.

Procedures Section 3 – 3.7, 3.8, 3.9, 3.10, and 3.15-3.18.

Procedures Section 5 – 5.17.

#### **Part III: Core Principle Compliance**

The introduction of these changes will ensure continued compliance with the Core Principles, in particular Core Principle F (Treatment of Funds), and G (Default Rules).

#### **Part IV: Public Information**

LCH.Clearnet has posted a notice of pending certification with the CFTC and a copy of the submission on LCH.Clearnet's website at:

[http://www.lchclearnet.com/rules\\_and\\_regulations/sa/proposed\\_cds\\_clearing\\_rules.asp](http://www.lchclearnet.com/rules_and_regulations/sa/proposed_cds_clearing_rules.asp).

#### **Part V: Opposing Views**

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

#### **Certification**

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

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

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Laurian Cristea', enclosed within a blue oval scribble.

Laurian Cristea  
Senior Vice President, Compliance & Regulation  
US Contact: +1 212.513.5610

**Appendix I**

**Submission Cover Sheet**

# SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) LCHSA

Date: 03 Mar 2014

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

**ORGANIZATION** LCH.Clearnet SA

**FILING AS A:**  DCM  SEF  DCO  SDR  ECM/SPDC

## TYPE OF FILING

### • Rules and Rule Amendments

- Certification under § 40.6 (a) or § 41.24 (a)
- “Non-Material Agricultural Rule Change” under § 40.4 (b)(5)
- Notification under § 40.6 (d)
- Request for Approval under § 40.4 (a) or § 40.5 (a)
- Advance Notice of SIDCO Rule Change under § 40.10 (a)

### • Products

- Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)
- Swap Class Certification under § 40.2 (d)
- Request for Approval under § 40.3 (a)
- Novel Derivative Product Notification under § 40.12 (a)

## RULE NUMBERS

Rulebook: Definitions; Section 1.2.12, 1.2.17, 1.3.1, 2.2.0.1, 2.4.2.9, 3.1.11, 3.2.3, and 5.2.4.  
Procedures Section 3 – 3.7, 3.8, 3.9, 3.10, and 3.15 – 3.18.  
Procedures Section 5 – 5.17.

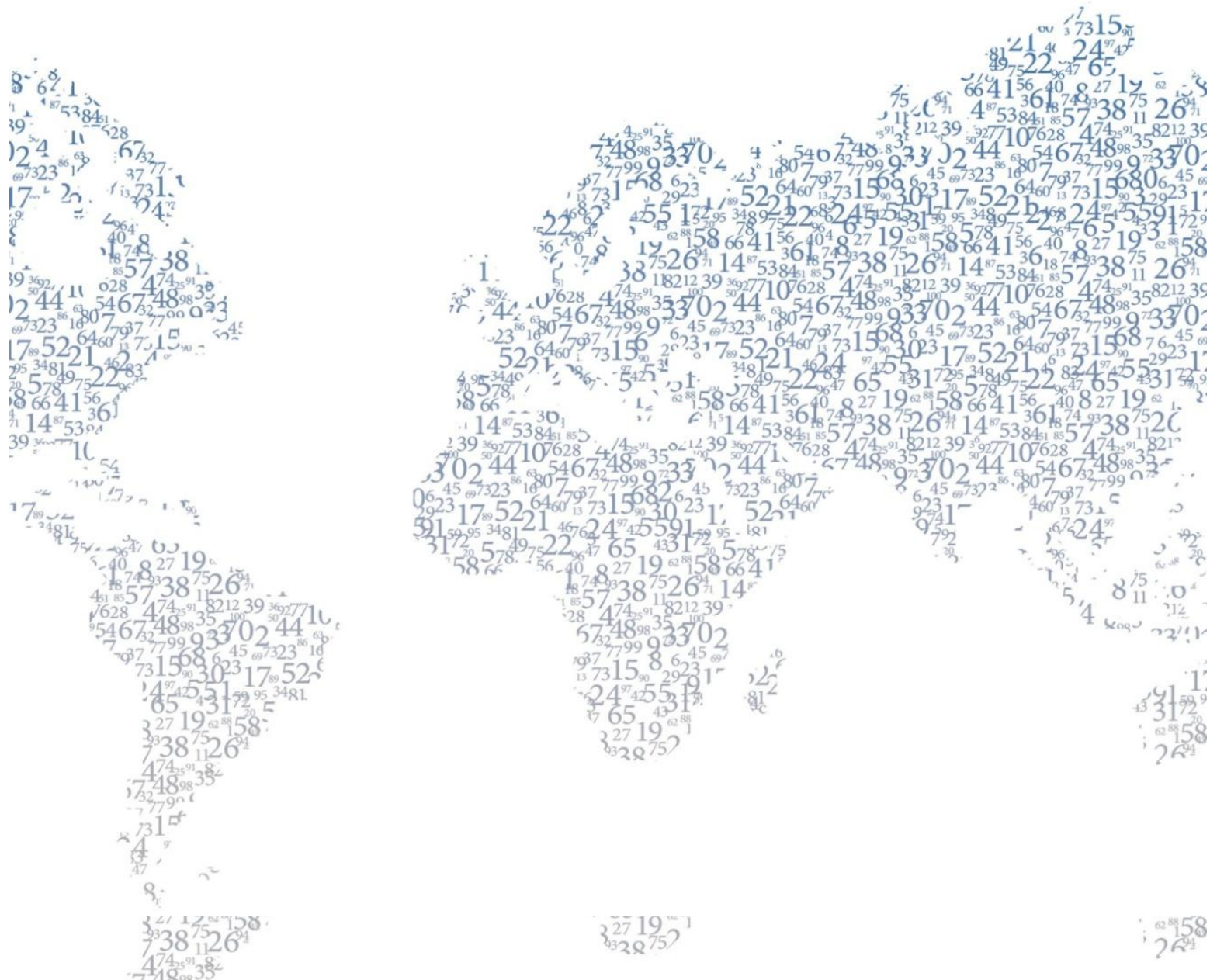
## DESCRIPTION

LCH.Clearnet SA is submitting for self-certification various changes to its rulebook, including (1) changes to the global netting of House Termination Amounts; (2) changes to the disclosure of confidential information; (3) clarification of certain definitions; (4) changes to the allowable methods for the transfer of collateral; (5) conforming changes regarding reporting flow for Swap Data Repositories, and (6) other minor conforming changes.

**Appendix II**  
**Rulebook Changes**

CDS Clear

LCH.Clearnet SA  
CDS Clearing Rule Book  
~~23.12.2013~~



- (ii) AMP Participants have entered into a participant agreement in respect of matching and confirming the terms of CDS transactions and designating such CDS transactions for clearing by LCH.Clearnet SA.

**Auction Settlement Amount:** In respect of any Cleared Transaction, as defined under the terms of such Cleared Transaction incorporating the ISDA Credit Derivatives Definitions.

**Automatic Early Termination Event Stipulation:** A stipulation by LCH.Clearnet SA that Cleared Transactions of a Clearing Member are subject to automatic termination.

**Available Client Collateral Buffer:** The CCM Available Client Collateral Buffer or the FCM Available Client Collateral Buffer, as the context requires.

**Backloading Failure:** With respect to a Clearing Member due to have a Cleared Transaction, arising from a Backloading Transaction, registered in any of its Trade Accounts, the failure by such Clearing Member to transfer the Required Collateral Amount to LCH.Clearnet SA at the relevant Morning Call.

**Backloading Failure Notice:** A notice in writing setting out details of the occurrence of a Backloading Failure (which, for the avoidance of doubt, shall not identify, directly or indirectly, the relevant Clearing Member(s) subject to such Backloading Failure).

**Backloading Transaction:** A Weekly Backloading Transaction or a Daily Backloading Transaction.

**Backloading Transaction Reports:** This term shall have the meaning set out in Section 5 of the Procedures.

**Backup Clearing Member:** In relation to Client Cleared Transactions, the Clearing Member indicated by the relevant Client as acting as such and notified to LCH.Clearnet SA from time to time, provided that:-

(i) only an FCM Clearing Member may serve as Backup Clearing Member ~~for another of an~~ FCM Client; and

(ii) only a CCM may serve as Backup Clearing Member of a CCM Client.

**Backup Client:** In relation to Client Cleared Transactions registered in a CCM Indirect Client Segregated Account Structure, the CCM Individual Segregated Account Client indicated by the relevant CCM as acting as such and notified to LCH.Clearnet SA from time to time.

**Banking Consolidation Directive:** Directive 2006/48/EC.

**Bilateral Trades Report:** This term shall have the meaning set out in Section 5 of the Procedures.

**Buffer Collateral Account:** With respect to each CCM, the house account opened in the books of LCH.Clearnet SA to record its CCM Client Collateral Buffer, and with respect to each FCM Clearing Member, the FCM Buffer Financial Account opened in the books of LCH.Clearnet SA within the FCM Clearing Member's Client Account Structure.

**Business Day:** Any day that is not a holiday in the TARGET2 calendar.

**Capital Requirements Directive:** Banking Consolidation Directive and Directive 2006/49/EC.

**Carrying Clearing Member:** The Clearing Member in whose Client Trade Account(s) and CCM Client Collateral Account(s) (with respect to a CCM) or FCM Client Financial Account(s) (with respect to an FCM Clearing Member) Client Cleared Transactions and associated Client Assets, which are to be transferred (in whole or in part) to a Receiving Clearing Member in accordance with TITLE V, Chapter 3 or TITLE VI, Chapter 3 (as applicable), are registered.

**Cash Collateral:** Any cash provided in an Eligible Currency which is transferred to LCH.Clearnet SA by way of full title transfer in accordance with Section 3 of the Procedures for the purpose of satisfying a Clearing Member's Margin Requirements and/or its Contribution Requirement and/or novating Original Transactions, as the case may be.

**Cash Payment:** Any payment due by a Clearing Member to LCH.Clearnet SA, or due to be received by a Clearing Member from LCH.Clearnet SA, of:

- (i) cash amounts due upon the occurrence of Credit Events;
- (ii) Price Alignment Interest;
- (iii) Fixed Amounts;
- (iv) Variation Margin;
- (v) Initial Payment Amount;
- (vi) any fees due to LCH.Clearnet SA;
- (vii) cash amounts due in connection with an MTM Change; or
- (viii) any other cash amounts (other than Cash Collateral).

Such payments shall be made in Euro, except as otherwise provided for in the Procedures.

**CCM:** Any legal entity admitted as a clearing member in accordance with the CDS Clearing Rules and party to the CDS Admission Agreement and which, if such entity is an FCM, has satisfied LCH.Clearnet SA that it is able to provide the CCM CDS Client Clearing Services described in TITLE V.

**CCM Allocated Client Collateral Buffer:** The portion of the CCM Client Collateral Buffer which, at the relevant time, is allocated to a CCM Client Margin Account in accordance with Article 4.2.2.4 and Section 2 of the Procedures.

**CCM Available Client Collateral Buffer:** The portion of the CCM Client Collateral Buffer which, at the relevant time, is not allocated to any CCM Client Margin Account.

**CCM Cleared Transaction:** A CDS between LCH.Clearnet SA and a CCM acting either in its own name and for its own account (in respect of a House Cleared Transaction) or as *commissionnaire* in its own name and for the account of a Client (in respect of a Client Cleared Transaction), registered in any Trade Account of such CCM and resulting from:

- (i) the novation of an Original Transaction;
- (ii) the creation of a Spin-off Single Name Cleared Transaction, a Restructuring Cleared Transaction, a Resulting Single Name Cleared Transaction or a Physically Settled Cleared Transaction (where applicable) pursuant to the CDS Clearing Supplement;



- (ii) a CCM Client Margin Account of a CCM, the aggregate value of Collateral transferred to LCH.Clearnet SA recorded in the CCM Client Collateral Account attached to such CCM Client Margin Account.

CCM Omnibus Client Set: All the CCM Omnibus Segregated Account Clients belonging to the same CCM Omnibus Segregated Account Structure.

**CCM Omnibus Segregated Account Client:** A client of a CCM (including, for the avoidance of doubt, an Affiliate) to which the CCM provides CDS Client Clearing Services and which has opted for a CCM Omnibus Segregated Account Structure.

**CCM Omnibus Segregated Account Structure:** With respect to a CCM, the Account Structure consisting of:

- (i) a CCM Client Trade Account per CCM Omnibus Segregated Account Client;
- (ii) a CCM Omnibus Segregated Client Margin Account for a number of CCM Omnibus Segregated Account Clients; and
- (iii) a single CCM Client Collateral Account attached to such CCM Omnibus Segregated Client Margin Account.

**CCM Omnibus Segregated Client Margin Account:** An account opened by LCH.Clearnet SA in the name of a CCM for the benefit of a number of CCM Omnibus Segregated Account Clients in the CDS Clearing System for risk management purposes, in which the Cleared Transactions of all such CCM Omnibus Segregated Account Clients are netted and corresponding Open Positions are registered, and such CCM Omnibus Segregated Account Clients related positions corresponding to Eligible Intraday Transactions and Irrevocable Backloading Transactions pre-registered in the Account Structure of such CCM (if so applicable pursuant to Section 3.1.7) are recorded, in order to calculate the CCM Client Margin Requirement and Client Variation Margin Requirement of the relevant CCM in respect of such CCM Omnibus Segregated Account Clients.

~~CCM Omnibus Client Set: All the CCM Omnibus Segregated Account Clients belonging to the same CCM Omnibus Segregated Account Structure.~~

**CCM Required Collateral Amount:** For each CCM, the sum of:

- (i) the CCM House Margin Shortfall;
- (ii) the CCM House Excess Collateral Shortfall;
- (iii) the CCM Client Buffer Collateral Shortfall; and
- (iv) the Total Client Margin Shortfall.

**CCM Unallocated Client Collateral:** Cash Collateral provided by a CCM to LCH.Clearnet SA in accordance with Article 4.2.2.3 and Section 3 of the Procedures which is identified as being for the account of one or more CCM Clients but where such CCM has not specified the CCM Client Collateral Account(s) in which such Cash Collateral should be recorded.

**CCM Unallocated Client Collateral Account:** With respect to each CCM, the client account opened in the books of LCH.Clearnet SA to record any CCM Unallocated Client Collateral.

**CDS:** A credit default swap transaction.

- (ii) a suspension to trading on markets of CDS or other financial instruments relevant to the price or value of CDS or any other form of market disruption which makes the proper determination of the End of Day Contributed Price impossible or impractical; and/or
- (iii) any occurrence or circumstance that would negatively impact any financial market relevant to the CDS Clearing Service by introducing an unacceptable level of uncertainty, volatility or risk in respect of any or all Cleared Transactions or to the CDS Clearing Service;

and, in each case, the result of which makes it impractical for LCH.Clearnet SA to continue to operate the CDS Clearing Service in accordance with the CDS Clearing Documentation while satisfactorily managing its risks. For the avoidance of doubt, an event may constitute an Extreme Market Development even if it affects only one Clearing Member or a group of Clearing Members.

**Failed Backloading Clearing Member:** Any Clearing Member that is subject to a Backloading Failure.

**Fallback Settlement Method:** This term shall have the meaning set out in the CDS Clearing Supplement.

**FCM:** A legal entity that is a futures commission merchant, as defined under CFTC Regulation 1.3(p) (or any successor or replacement regulation), and is registered in such capacity with the CFTC and a member in good standing of the NFA.

**FCM Allocated Client Collateral Buffer:** The portion of the FCM Client Collateral Buffer which, at the relevant time, is allocated to an FCM Client Margin Account in accordance with Article 4.2.2.4 and Section 2 of the Procedures.

**FCM Available Client Collateral Buffer:** The portion of the FCM Client Collateral Buffer which, at the relevant time, is not allocated to any FCM Client Margin Account and is available to be used to enable the novation of Client Trade Legs.

**FCM Buffer Financial Account:** A segregated account opened in the books of LCH.Clearnet SA to record the value of an FCM Clearing Member's FCM Client Collateral Buffer.

**FCM CDS Clearing Regulations:** The document issued by LCH.Clearnet SA and entitled "*FCM CDS Clearing Regulations*," as amended from time to time.

**FCM Cleared Transaction:** A CDS between LCH.Clearnet SA and an FCM Clearing Member as agent<sup>1</sup> for the account of an FCM Client (as described in FCM CDS Clearing Regulation 1(c)), registered in the relevant FCM Client Trade Account of such FCM Clearing Member, or as principal for its own account, registered in the FCM House Trade Account of such FCM Clearing Member, and resulting from:

- (i) the novation of an FCM Original Transaction;
- (ii) the creation of a Spin-off Single Name Cleared Transaction, a Restructuring Cleared Transaction, a Resulting Single Name Cleared Transaction or a Physically Settled Cleared Transaction (where applicable) pursuant to the [FCM-CDS Clearing Supplement](#);

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<sup>1</sup> Note to reader: the use of the term "agent" is required by the CFTC Regulations. For this reason, we will not use a French legal concept such as "*Mandataire*" or "*Commissionnaire*" in the translation into French of such term. We rather intend to use the term "*intermédiaire*" which does not refer to any specific legal category under French law.

**Fixed Amount:** This term shall have the meaning given to it pursuant to the relevant Index Cleared Transaction Confirmation or Single Name Cleared Transaction Confirmation, as applicable.

**Fixed Rate Payer:** This term shall have the meaning given to it pursuant to the relevant Index Cleared Transaction Confirmation or Single Name Cleared Transaction Confirmation, as applicable.

**Floating Rate Payer:** This term shall have the meaning given to it pursuant to the relevant Index Cleared Transaction Confirmation or Single Name Cleared Transaction Confirmation, as applicable.

**Force Majeure Event:** Any extraordinary event that cannot be foreseen or avoided, which is outside the control of LCH.Clearnet SA or the relevant Clearing Member, as applicable, and which hinders or prevents the performance in whole or in part of any of their obligations under the CDS Clearing Documentation and, in relation to any obligation under the CDS Clearing Supplement that is part of the terms and conditions of a Cleared Transaction and where such obligation has not yet fallen due, such an occurrence that would hinder or prevent performance in whole or in part of any of their obligations thereunder were the occurrence or effects of the occurrence to continue until the date of performance of the relevant obligations, including but not limited to: fire, flood, storm, hurricanes, earthquakes, explosions, strokes of lightning, international conflicts, hostilities, terrorist action, civil unrest, war, embargoes, the unavailability or impairment of computer or data processing facilities, the failure of any external systems, including but not limited to any Approved Matching Provider, (and in respect of DTCC, after giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, the CDS Clearing Supplement), TARGET2 and Illegality.

**Former Clearing Member:** A Person who was a Clearing Member prior to Membership Termination.

**Global House Termination Amount:** For the purpose of TITLE I, Chapter 3, the single, net positive or negative amount, denominated in Euro and determined pursuant to and in accordance with Article 1.3.1.9.

**Gold Record:** The Transaction Data in respect of a trade leg of a CDS which references an Eligible Index Version or an Eligible Reference Entity, as the case may be.

**Gold Records File:** The file received by LCH.Clearnet SA from DTCC which contains the Gold Records.

**Governmental Authority:** Any de facto or de jure government or any agency, instrumentality, ministry or department thereof.

**House Account Structure:** The House Trade Account, House Margin Account and House Collateral Account registered in the CDS Clearing System in the name of a Clearing Member as described in TITLE III, CHAPTER 2.

**House Cleared Transaction:** Any Cleared Transaction registered in the House Trade Account of a Clearing Member.

**House Collateral Account:** A CCM House Collateral Account or an FCM House Collateral Account, as the context requires.

- (v) the resources which are available to LCH.Clearnet SA following the occurrence of an Event of Default and the order in which they are available to be used, as set out in Article 4.3.3.1;
- (vi) the provisions set out in Article 4.4.1.2 and Article 4.4.1.3, the definition of Additional Contribution Amount and the provisions set out in Section 6 of the Procedures, which govern the size of the CDS Default Fund; and
- (vii) the rights of the Clearing Members pursuant to Article 1.2.2.7 in relation to Specific Matters.

**Spin-off Single Name Cleared Transaction:** This term shall have the meaning set out in the CDS Clearing Supplement.

**Start of Real Time (SoRT):** On each Clearing Day, the earlier of: (i) the time when all relevant Clearing Members have satisfied the Morning Call; and (ii) 09.05.

**Systems and Operations:** All parts and components of the technical system of a Clearing Member, including hardware and software that is operated and maintained by or on behalf of a Clearing Member to clear Original Transactions together with the procedures that are in place to operate such system, including risk management provisions.

**TARGET2:** The system known as Trans-European Automated Real-time Gross Settlement Express Transfer 2.

**TARGET2 Account:** An account held by a TARGET2 participant in TARGET2 payment module with a Eurosystem Central Bank which is necessary for such TARGET2 participant to:

- (i) submit payment orders or receive payments via TARGET2; and
- (ii) settle such payments with such Eurosystem Central Bank.

**TARGET2 Payment Agent:** A third party which holds a cash account with a central bank and/or a Credit Institution designated by LCH.Clearnet SA, and which a Clearing Member can use to fulfil some or all of its payment or Margin obligations towards LCH.Clearnet SA in accordance with the CDS Clearing Documentation.

[Termination Amounts: The House Termination Amount, or the Global House Termination Amount as applicable, and the Client Termination Amount\(s\) as the case may be.](#)

**Termination Date:** For the purpose of TITLE I, Chapter 3, the date (being a Clearing Day not earlier than the Clearing Day on which the relevant notice is effective) upon which the Cleared Transactions in each Trade Account of a Clearing Member will be terminated and liquidated in accordance with Article 1.3.1.3 to Article 1.3.1.12.

**TIW:** The Trade Information Warehouse operated by DTCC.

**TIW Participant:** Any Person that is a direct participant in the TIW.

**Total Client Margin Requirement:** The sum of all Client Margin Requirements of a Clearing Member.

**Total Client Margin Shortfall:** With respect to a Clearing Member, an amount equal to the aggregate of the Client Margin Shortfalls of such Clearing Member.

- (iii) all Clearing Members shall comply with any reasonable directions issued by LCH.Clearnet SA in respect of such Cleared Transactions affected by the Force Majeure Event and as are specified by LCH.Clearnet SA provided that such directions may not have the effect of amending, introducing, overriding, contravening or revoking any of the rights of Clearing Members in respect of any Specific Matter (unless, for the avoidance of doubt, LCH.Clearnet SA complies with the procedures set out in Article 1.2.2.7 as applicable) save where LCH.Clearnet SA is required to do so in order to implement a binding direction issued to it by a Regulatory Body, and provided that no such direction shall be given in the circumstances contemplated by Article 1.2.2.4(ii)(c) without LCH.Clearnet SA having complied with the requirements of that Article;
- (iv) each of the Clearing Members and LCH.Clearnet SA who are, and continue to be, affected by the Force Majeure Event shall use all reasonable endeavours to mitigate the effect of the same upon each of their respective ability to perform their obligations under the CDS Clearing Documentation;
- (v) each Clearing Member affected by the Force Majeure Event shall promptly notify LCH.Clearnet SA as soon as its ability to perform is no longer affected by the Force Majeure Event; and
- (vi) if LCH.Clearnet SA was obliged to issue a Clearing Notice pursuant to Article 1.2.11.2(ii) above, it shall issue a further Clearing Notice to all Clearing Members as soon as its ability to perform is no longer affected by the Force Majeure Event.

## **Section 1.2.12 Confidentiality**

### **Article 1.2.12.1**

LCH.Clearnet SA shall hold all information concerning past or current activities of a Clearing Member (including, but not limited to, information concerning:

- (i) the Cleared Transactions registered in its Trade Account(s);
- (ii) the Open Positions registered in its Margin Account(s);
- (iii) the positions pre-registered in its Account Structure;
- (iv) its Margin Requirement;
- (v) the level of Excess Collateral maintained by such Clearing Member in respect of any of its Margin Accounts;
- (vi) the level of Collateral maintained by such Clearing Member in its Buffer Collateral Account;
- (vii) the Collateral transferred to LCH.Clearnet SA by such Clearing Member;
- (viii) deliveries and payments made by or to such Clearing Member; and
- (ix) any financial statements and other documents filed with LCH.Clearnet SA by such Clearing Member,

in a confidential manner and shall not make such confidential information known to any other person, save to the extent permitted by Article 1.2.12.2 to Article 1.2.12.5 below.

#### **Article 1.2.12.2**

LCH.Clearnet SA may, in accordance with the provisions of Article L. 632-17 of the French Monetary and Financial Code, when applicable, disclose any information referred to in Article 1.2.12.1 above:

- (i) with the written consent of the relevant Clearing Member;
- (ii) to any person to whom, at such times and in such manner as, LCH.Clearnet SA is required or formally requested to disclose information pursuant to an order of a competent court, or by or on behalf of any relevant Regulatory Body with respect to LCH.Clearnet SA and/or the relevant Clearing Member, Client or Affiliate;
- (iii) to an Approved Matching Provider or the TIW, to the extent that such disclosure is necessary for the proper performance by LCH.Clearnet SA or the relevant Clearing Member of its obligations under the CDS Clearing Documentation;
- (iv) as expressly permitted by the CDS Clearing Documentation, including, without limitation, to one or several Clearing Members, to the extent that such disclosure is necessary for the proper management of an Event of Default or of an LCH Default and the implementation by LCH.Clearnet SA and Clearing Members of physical settlement of the Cleared Transactions, and the information thus disclosed by LCH.Clearnet SA shall be treated as confidential information by the receiving Clearing Members and shall not be made known to any other person nor used for any purpose other than that for which it has been disclosed by LCH.Clearnet SA;
- (v) to other clearing houses, to which the relevant Clearing Member is admitted as a member for the purpose of clearing CDS, in connection with the occurrence of an Event or an Event of Default in respect of such Clearing Member; or
- (vi) to any other person (with the exception of ratings agencies including but not limited to Moody's, Standard and Poor's and Fitch) to whom LCH.Clearnet SA is authorised to disclose such information pursuant to and in accordance with the provisions of Articles L. 511-33 and L. 511-34 of the French Monetary and Financial Code.

#### **Article 1.2.12.3**

LCH.Clearnet SA shall disclose to a Clearing Member, on request, details of the Regulatory Body(ies) to whom it may disclose information, referred to in Article 1.2.12.1, pursuant to Article 1.2.12.2(ii).

#### **Article 1.2.12.4**

Where LCH.Clearnet SA is required or requested to disclose information referred to in Article 1.2.12.1 above in the circumstance described in Article 1.2.12.2(ii)~~(ii)~~<sub>1</sub>, the relevant Competent Authorities will also be promptly informed of such disclosure.

#### **Article 1.2.12.5**

LCH.Clearnet SA may disclose any information referred to in Article 1.2.12.1 above to LCH.Clearnet Group Limited, LCH.Clearnet Limited or LCH.Clearnet LLC, provided such recipient is bound by equivalent obligations of confidentiality regarding this information as those set out in this Section 1.2.12. Any such disclosure permitted under this Article 1.2.12.5 is limited to

disclosure which allows LCH.Clearnet SA to perform its obligations under the CDS Clearing Documentation or for risk management purposes and no information is to be released for the commercial benefit of LCH.Clearnet Group Limited, LCH.Clearnet Limited, LCH.Clearnet LLC or any other Person.

**Article 1.2.12.5**~~Article 1.2.12.6~~

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For the avoidance of doubt, nothing in this Section 1.2.12 shall prevent a Clearing Member from disclosing any information provided to LCH.Clearnet SA to Regulatory Body(ies) or other third parties where required by Applicable Law.

**Article 1.2.12.6**~~Article 1.2.12.7~~

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Where a Clearing Member owes a duty of confidentiality to LCH.Clearnet SA under the CDS Clearing Documentation, that Clearing Member is released from that duty to the extent that such disclosure is required under Applicable Law or by the Clearing Member's Competent Authority.

**Section 1.2.13 Data protection**

**Article 1.2.13.1**

For the purposes of its general administration, client and risk management and for the proper performance by LCH.Clearnet SA of its obligations under the CDS Clearing Documentation and Applicable Law and regulation, LCH.Clearnet SA, acting as data controller, processes personal data concerning representatives, managers, employees or any other individuals acting on behalf of the Clearing Members, in accordance with the Data Protection Law.

**Article 1.2.13.2**

LCH.Clearnet SA may disclose such personal data to such Persons and for such purposes as are set out in Section 1.2.12 in accordance with the Data Protection Law.

**Article 1.2.13.3**

In accordance with the Data Protection Law, the individuals, in relation to whom personal data is processed by LCH.Clearnet SA have the right (subject to payment of such fee to LCH.Clearnet SA as is published on the Website, where LCH.Clearnet SA is lawfully entitled to levy such a fee) to receive a copy of personal data held by LCH.Clearnet SA and to rectify any errors or inaccuracies in such personal data or delete them, in accordance with the provisions of the Data Protection Law, by contacting the membership department by email (Lchclearnetsa\_Membership@lchclearnet.com). Without prejudice to any other rights that individuals may have under the Data Protection Law, they may oppose the use of their personal data by LCH.Clearnet SA for marketing operations.

**Article 1.2.13.4**

The Clearing Members declare that each of their Representatives in relation to whom personal data is processed by LCH.Clearnet SA have been notified of the disclosure of their personal data to LCH.Clearnet SA for the purposes set out in Article 1.2.13.3.

**Article 1.2.13.5**

LCH.Clearnet SA and each Clearing Member consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties in

**Article 1.2.17.2**

In the event that any payment made by a Clearing Member to LCH.Clearnet SA under the CDS Clearing Documentation or any Cleared Transaction is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax (other than a Tax that would not have been imposed in respect of such payment but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and LCH.Clearnet SA), then the Clearing Member shall pay to LCH.Clearnet SA an amount (such amount, together with any additional amount paid pursuant to Article 1.2.17.7, the "**Additional Amount**"), in addition to the payment to which LCH.Clearnet SA is otherwise entitled under the CDS Clearing Documentation or any Cleared Transaction, necessary to ensure that the net amount actually received by LCH.Clearnet SA (free and clear of any such deduction or withholding for or on account of any such Tax, whether assessed against the Clearing Member or LCH.Clearnet SA), will equal the full amount LCH.Clearnet SA would have received in the absence of any such deduction or withholding.

However, a Clearing Member will not be required to pay any Additional Amount to LCH.Clearnet SA under this Article 1.2.17.2 to the extent that it would not be required to be paid but for (i) the failure by LCH.Clearnet SA to provide to the Clearing Member such forms and documents as required under Article 1.2.17.5 or the CDS Admission Agreement, provided that this clause (i) shall apply only if (A) the relevant Clearing Member has notified LCH.Clearnet SA in writing of such failure and (B) LCH.Clearnet SA has failed to provide such forms or documents within five Business Days after the receipt of such notice; or (ii) the failure of a tax representation made by LCH.Clearnet SA pursuant to ~~Section 10 of~~ the CDS Admission Agreement between LCH.Clearnet SA and the Clearing Member to be accurate and true (unless the failure under this clause (ii) would not have occurred but for (A) any action taken by a taxing authority, or brought in a court of competent jurisdiction (regardless of whether such action is taken or brought with respect to a party to the relevant CDS Admission Agreement) or (B) a Change in Tax Law, that in each case occurs after LCH.Clearnet SA and the Clearing Member enter into the relevant CDS Admission Agreement (or, if applicable, the date that LCH.Clearnet SA and the Clearing Member amend such CDS Admission Agreement to account for such Change in Tax Law)) or a failure by LCH.Clearnet SA to provide the representations that it is obligated to provide pursuant to Article 1.2.17.10 below.

In the event that the failure under clause (ii) of the preceding paragraph would not have occurred but for the reasons described under sub-clause (A) or (B) thereof, LCH.Clearnet SA shall use commercially reasonable efforts to provide to the Clearing Member a new tax representation (to the extent that it is appropriate) for the purpose ~~of Section 10~~ of the relevant CDS Admission Agreement between LCH.Clearnet SA and the Clearing Member, promptly after the learning of such failure (so long as the provision of such representation would not materially prejudice the legal or commercial position of LCH.Clearnet SA).

A Clearing Member will also not be required to pay any Additional Amount to LCH.Clearnet SA under this Article 1.2.17.2 for any tax (a "**FATCA Withholding Tax**") imposed under U.S. Internal Revenue Code Sections 1471, 1472, 1473 or 1474 (or any successor sections that are substantially similar) and any regulation or authoritative guidance promulgated thereunder (collectively, the "**FATCA Rules**") provided that such FATCA Withholding Tax would not have been imposed but for LCH.Clearnet SA's failure to comply with the FATCA Rules.



For the purpose of this Article 1.2.17.2, "**Change in Tax Law**" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law).

**Article 1.2.17.3**

If: (i) a Clearing Member is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from any payment made to LCH.Clearnet SA under the CDS Clearing Documentation or any Cleared Transaction for or on account of any Tax, in respect of which the Clearing Member would be required to pay an Additional Amount to LCH.Clearnet SA under Article 1.2.17.2; (ii) the Clearing Member does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against LCH.Clearnet SA, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to LCH.Clearnet SA the amount of such liability (including any related liability for interest, penalties and costs).

**Article 1.2.17.4**

If: (i) LCH.Clearnet SA is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from any payment made to a Clearing Member under the CDS Clearing Documentation or any Cleared Transaction for or on account of any Tax; (ii) LCH.Clearnet SA does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against LCH.Clearnet SA, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to LCH.Clearnet SA the amount of such liability (excluding any related liability for interest, penalties and costs).

**Article 1.2.17.5**

LCH.Clearnet SA shall provide to each Clearing Member (i) the tax forms and documents specified in ~~Section 10 of~~ the CDS Admission Agreement between LCH.Clearnet SA and the Clearing Member and (ii) any other form or document reasonably requested in writing by the Clearing Member in order to allow the Clearing Member to make a payment under the CDS Clearing Documentation or any Cleared Transaction without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document as described in this clause (ii) would not materially prejudice the legal or commercial position of LCH.Clearnet SA).

**Article 1.2.17.6**

LCH.Clearnet SA shall request from each Clearing Member: (i) the tax forms and documents specified in ~~Section 10 of~~ the CDS Admission Agreement between LCH.Clearnet SA and the Clearing Member and (ii) any other form or document reasonably requested in order to allow LCH.Clearnet SA to make a payment under the CDS Clearing Documentation or any Cleared Transaction without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate. For the avoidance of doubt, in the event that any payment made by LCH.Clearnet SA to a Clearing Member under the CDS Clearing Documentation or any Cleared Transaction is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax, LCH.Clearnet SA is not required to pay any additional amount in respect of such deduction or withholding. LCH.Clearnet SA will, at the Clearing Member's expense, use commercially reasonable efforts to cooperate with a Clearing Member to seek any

## CHAPTER 3 - LCH DEFAULT

### Section 1.3.1

#### Article 1.3.1.1

Any of the following events shall, on the service of notice in accordance with Article 1.3.1.2, constitute an LCH Default:

- (i) LCH.Clearnet SA has failed to make a payment, or to redeliver Eligible Collateral when such payment or redelivery is due and payable in accordance with the CDS Clearing Documentation, to a Clearing Member (other than to a Defaulting Clearing Member or in accordance with the first paragraph of Article 1.2.9.2) under any Cleared Transaction and such failure has not been cured by 17.00 on the third Business Day after the date on which notice of such failure is given by the Clearing Member to LCH.Clearnet SA;
- (ii) LCH.Clearnet SA notifies the Clearing Members stating that it is unable to pay the aggregate amount of the Margin Repayment Amounts or redeliver all relevant Pledged Eligible Collateral pursuant to Clause 8.6 of the CDS Default Management Process or fails to pay an LCH Repayment Amount when due by LCH.Clearnet SA to a Clearing Member in full pursuant to Clause 8.7 of the CDS Default Management Process (other than by operation of Clause 7.8 of the CDS Default Management Process); or
- (iii) LCH.Clearnet SA becomes subject to LCH Insolvency Proceedings.

In the event LCH.Clearnet SA becomes subject to LCH Insolvency Proceedings, LCH.Clearnet SA shall as soon as reasonably practicable, and no later than 23.59 on the Business Day on which the LCH Insolvency Proceedings commence (or, if such day is not a Business Day, no later than 23.59 on the first Business Day following the day on which the LCH Insolvency Proceedings commence), post a notice on the Website informing all Clearing Members of such circumstance. A failure to provide such notice shall not prohibit an Affected Clearing Member from posting the notice specified in Article 1.3.1.2.

Copies of any notices provided under Article 1.3.1.1(i) or (ii) shall be provided by LCH.Clearnet SA to the *Autorité de Contrôle Prudentiel et de Résolution*.

#### Article 1.3.1.2

In the event of any of the circumstances ~~set~~set out in Article 1.3.1.1 occurring, the Affected Clearing Member may provide LCH.Clearnet SA in writing with a notice, specifying the occurrence of an LCH Default. In the circumstance set out in Article 1.3.1.1(i) and (ii), such notice shall only be valid if given within 10 Clearing Days of the occurrence of the relevant event and the failure to pay or redeliver is continuing at the time the notice is delivered. In the circumstance set out in Article 1.3.1.1(iii), such notice shall only be valid if given within 10 Clearing Days of the day on which LCH Insolvency Proceedings have been published in the *Bulletin officiel des annonces civiles et commerciales (Bodacc)* in accordance with the provisions of the French Commercial Code. Any such notice provided in accordance with this Article 1.3.1.2 must be provided in accordance with, and subject to, the requirements of Section 1.2.5.

An Affected Clearing Member shall not be permitted to serve a notice pursuant to this Article 1.3.1.2 in the case of the circumstances set out in Article 1.3.1.1(i) and (ii) where:

- (i) the failure to make the required payment, or to redeliver the required Eligible Collateral, and the failure to cure such failure within the grace period specified in Article 1.3.1.1, is solely as a consequence of a Force Majeure Event or such other technical or administrative reason outside of the reasonable control of LCH.Clearnet SA, provided that: (a) LCH.Clearnet SA is able to, and does, confirm that it would have had sufficient available resources to pay or redeliver but for the applicable Force Majeure Event, technical or administrative event; and (b) LCH.Clearnet SA makes such payment or delivery no later than one Clearing Day after the consequences of the Force Majeure Event or the other technical or administrative reason for its failure to pay or redeliver have ceased. For the avoidance of doubt, the limitation on an Affected Clearing Member serving a notice pursuant to this paragraph shall continue for as long as the consequence of a Force Majeure Event or such other technical or administrative reason mentioned above continues;
- (ii) the failure to pay or redeliver is permitted by the CDS Default Management Process.

For the purposes of Article 1.3.1.3 to Article 1.3.1.12, a notice duly provided by an Affected Clearing Member in accordance with this Article 1.3.1.2 shall bind LCH.Clearnet SA and all other Clearing Members (regardless of whether they are Affected Clearing Members or not) as if all other Clearing Members were Affected Clearing Members and had served such notice.

### **Article 1.3.1.3**

In the event that it is subject to an LCH Default, LCH.Clearnet SA shall promptly post a Clearing Notice on its Website specifying the Termination Date and the LCH Default Time applicable to all Clearing Members. The Termination Date shall be the first Clearing Day after the LCH Default Date. Any failure of LCH.Clearnet SA to post a Clearing Notice on its Website shall not invalidate or otherwise delay the Termination Date.

As from the LCH Default Time:

- (i) LCH.Clearnet SA shall not accept any Original Transactions submitted to it for clearing and registration as Cleared Transactions and shall not otherwise register any new Cleared Transactions;
- (ii) neither LCH.Clearnet SA nor any Clearing Member shall be obliged to make any further payments or deliveries under any Cleared Transaction between them which would, but for this TITLE I, Chapter 3, have fallen due for performance on or after the LCH Default Time other than by settlement of the House Termination Amount and Client Termination Amount; and any obligations to make further payments or deliveries which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set off or otherwise) of the House Termination Amount and Client Termination Amount;
- (iii) any Power of Attorney or other authority for LCH.Clearnet SA to debit any payment or securities account of a Clearing Member, including a Clearing Member's TARGET2 Account shall be revoked and LCH.Clearnet SA shall not use, rely on or seek to use or rely on any such Power of Attorney or other authority;

- (iv) in circumstances where Client Collateral Buffer has been allocated to a CCM Client Margin Account in accordance with Article 4.2.2.4 and Section 2 of the Procedures, LCH.Clearnet SA shall transfer an amount of Collateral which is equal to the CCM Allocated Client Collateral Buffer for the relevant CCM Client Margin Account from the Buffer Collateral Account to the relevant CCM Client Collateral Account as soon as reasonably practicable;
- (v) where a CCM has CCM Unallocated Client Collateral, such CCM shall use its reasonable endeavours to notify LCH.Clearnet SA of the CCM Client Collateral Account(s) to which such Collateral should be recorded and, where LCH.Clearnet SA receives such notification, it shall update its books and records accordingly; and
- (vi) all other payment and delivery obligations (other than as set out in (ii) above) in relation to any Cleared Transactions and any other obligations pursuant to the CDS Clearing Documentation (including the repayment or redelivery, as applicable, of a Clearing Member's Margin Balance, Excess Collateral, CCM Unallocated Client Collateral, the Client Collateral Buffer, FCM Unallocated Client Excess Collateral, and other Collateral representing a Clearing Member's Contribution Requirement) shall be payable or deliverable on the Termination Date and in accordance with the provisions of this Chapter 3.

LCH.Clearnet SA shall, to the extent possible, return or redeliver all amounts received, or debited contrary to the revocation of its authority pursuant to sub-paragraph (iii), after the LCH Default Time.

#### **Article 1.3.1.4**

Each Clearing Member shall, on, or as soon as reasonably practicable after, the Termination Date, and in no event later than 25 Clearing Days after the Termination Date, determine as of the Termination Date:

- (i) the value of each Cleared Transaction; and
- (ii) the value of all other amounts which it owes to LCH.Clearnet SA and which LCH.Clearnet SA owes to it, in each case whether future, liquidated or unliquidated, actual or contingent, pursuant to the CDS Clearing Documentation.

Such calculations shall be undertaken separately in respect of the [Client](#) Cleared Transactions registered in, and all other amounts owed in relation to, each [Client](#) Trade Account, [Client](#) Margin Account and [CCM Client](#) Collateral Account or [FCM Client](#) Financial Account (as applicable) for each Client Account Structure of the Clearing Member.

#### **Article 1.3.1.5**

For the purpose of Article 1.3.1.4(i) and where the LCH Default arises because of the circumstance set out in Article 1.3.1.1(i) or Article 1.3.1.1(ii), the determination by a Clearing Member of the value of each Cleared Transaction shall be determined, assuming satisfaction of each applicable condition precedent, without reference to the receipt or payment of Variation Margin in relation to any Cleared Transaction (or, for the avoidance of doubt, any part of the Margin Balance and Client Collateral Buffer) and without application of the Loss Distribution Process (if applicable) subject that each Clearing Member may take into account, in addition, any loss of bargain, any cost of funding, and/or without duplication, any loss or, as the case may be,

gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position.

**Article 1.3.1.6**

For the purpose of Article 1.3.1.4, and in relation to Client Cleared Transactions recorded in and amounts owed in relation to each Client Account Structure, the Clearing Member shall calculate the value of:

- (i) the repayment by the Clearing Member or LCH.Clearnet SA of Variation Margin in respect of Open Positions registered in the corresponding Client Margin Account;
- (ii) the repayment or redelivery by LCH.Clearnet SA of all Collateral recorded in the relevant Client Collateral Account (including, in the case of a CCM, any Collateral transferred (or due to be transferred) to the relevant CCM Client Collateral Account by LCH.Clearnet SA pursuant to Article 1.3.1.3(iv) and further, in the case of an FCM Clearing Member, the Legally Segregated Value ascribed to the FCM Client Financial Account) in respect of such Client Cleared Transactions, as the case may be, in each case without applying any haircuts to the valuation of the Collateral. In determining such amounts, the Clearing Member shall not take into account (a) Client Pledged Eligible Collateral returned to a CCM in accordance with the CDS Clearing Rules; (b) any CDS Client Clearing Entitlement calculated in accordance with Clause 4.4 of the CDS Default Management Process; or (c) any Collateral applied by LCH.Clearnet SA in order to reduce its loss in accordance with Article 4.3.3.1 or the CDS Default Management Process;
- (iii) in the case of an FCM Clearing Member, the repayment or redelivery by LCH.Clearnet SA of all Collateral recorded as Available Client Collateral Buffer in its FCM Buffer Financial Account (if any) in each case without applying any haircuts to the valuation of the Collateral;
- (iv) in the case of an FCM Clearing Member, the repayment or redelivery by LCH.Clearnet SA of all Collateral recorded as Allocated Client Collateral Buffer in its FCM Buffer Financial Account (if any) in each case without applying any haircuts to the valuation of the Collateral;
- (v) in the event that the relevant Client Margin Account of the Clearing Member is a Cash Gainer as at the last successful payment of Margin prior to the LCH Default Date, the repayment by LCH.Clearnet SA of any net Cash Gainer Adjustments made pursuant to the CDS Default Management Process; and
- (vi) any other amounts that may be due to or from either the Clearing Member or LCH.Clearnet SA to or from the other in relation to the relevant Client Cleared Transactions, pursuant to the CDS Clearing Documentation.

For the purpose of Article 1.3.1.4, and in relation to House Cleared Transactions recorded in and amounts owed in relation to its House Account Structure, the Clearing Member shall calculate the value of:

- (i) the repayment by the Clearing Member or LCH.Clearnet SA of Variation Margin in respect of Open Positions registered in its House Margin Account;

- (ii) the repayment or redelivery by LCH.Clearnet SA of all Collateral recorded in its House Collateral Account in respect of such House Cleared Transactions, without applying any haircuts to the valuation of the Collateral. In determining such amounts, the Clearing Member shall not take into account (a) Pledged Eligible Collateral returned to the Clearing Member in accordance with the CDS Clearing Rules; or (b) any Collateral applied by LCH.Clearnet SA in order to reduce its loss in accordance with Article 4.3.3.1 or the CDS Default Management Process;
- (iii) in the case of a CCM, the repayment or redelivery by LCH.Clearnet SA of all Collateral recorded as CCM Available Client Collateral Buffer in its Buffer Collateral Account (if any) in each case without applying any haircuts to the valuation of the Collateral;
- (iv) in the event that the House Margin Account of the Clearing Member is a Cash Gainer as at the last successful payment of Margin prior to the LCH Default Date, the repayment by LCH.Clearnet SA of any net Cash Gainer Adjustments made pursuant to the CDS Default Management Process; and
- (v) any other amounts that may be due to or from either the Clearing Member or LCH.Clearnet SA to or from the other in relation to the relevant House Cleared Transactions, pursuant to the CDS Clearing Documentation.

Where the LCH Default arises because of the circumstance set out in Article 1.3.1.1(ii), each Clearing Member shall use such amounts calculated by LCH.Clearnet SA pursuant to Clause 8.2(i) of the CDS Default Management Process (and without, for the avoidance of doubt, applying Clause 8.3) for the purposes of its valuation pursuant to Article 1.3.1.4(ii).

#### **Article 1.3.1.7**

For the purposes of any calculation required to be made under this Chapter 3, any sums calculated other than in Euro shall be converted into Euro at the relevant exchange rate as at 17.00 on the Termination Date. The relevant exchange rate shall be determined by the European Central Bank and taken from Reuters or, where not available for the relevant currency, such other provider as is notified in a Clearing Notice.

#### **Article 1.3.1.8**

Pursuant to the determination made under Article 1.3.1.4:

- (i) each gain by the Clearing Member and each other amount which LCH.Clearnet SA owes to it, shall be treated as a positive amount; and
- (ii) each loss suffered by the Clearing Member and each other amount which it owes to LCH.Clearnet SA shall be treated as a negative amount.

#### **Article 1.3.1.9**

A Clearing Member shall, as applicable:

- (i) \_\_\_\_\_ with respect to its House ~~Trade~~ Account Structure, aggregate all positive and negative amounts related to House Cleared Transactions calculated in accordance with Article 1.3.1.4 to Article 1.3.1.6 above in order to produce one net termination amount (the "**House Termination Amount**"); and

- (ii) (a) in the case of a CCM, with respect to each of its CCM Client ~~Trade Accounts~~Account Structures, aggregate: (I) all positive and negative amounts related to Client Cleared Transactions registered in the CCM Client Trade Account(s) of a CCM Individual Segregated Account Structure, calculated in accordance with Article 1.3.1.4 to Article 1.3.1.6 above, in order to produce one net termination amount for such CCM Individual Segregated Account Structure; and (II) all positive and negative amounts related to Client Cleared Transactions registered in the CCM Client Trade Accounts of CCM Omnibus Segregated Account Clients in a single CCM Omnibus Client Set, calculated in accordance with Article 1.3.1.4 to Article 1.3.1.6 above, in order to produce one net termination amount for such CCM Omnibus Client Set (each a "**CCM Client Termination Amount**"); or
- (b) in the case of an FCM Clearing Member, with respect to its FCM Client Trade Accounts Account Structure, aggregate: (I) all positive and negative amounts related to Client Cleared Transactions registered in each FCM Client Trade Account, calculated in accordance with Article 1.3.1.4 to Article 1.3.1.6 above, in order to produce one net termination amount for each such FCM Client Trade Account; and (II) all positive and negative amounts calculated pursuant to the foregoing clause (I), in order to produce one net termination amount for all FCM Client Trade Accounts of the FCM Clearing Member (such amount calculated pursuant to this clause (II), an "**FCM Client Termination Amount**").

For the avoidance of doubt, when calculating:

- (i) the House Termination Amount in accordance with this Article 1.3.1.9, a Clearing Member's obligations to LCH.Clearnet SA may never be set off: (x) with amounts attributable to any Client Collateral Account; (y) in the case of a CCM, with amounts attributable to the CCM Unallocated Client Collateral Account; or (z) in the case of an FCM Clearing Member, with amounts attributable to the FCM Buffer Financial Account or the FCM Unallocated Client Collateral Financial Account; and
- (ii) a Client Termination Amount in accordance with this Article 1.3.1.9, a Clearing Member's obligations to LCH.Clearnet SA may never be set off: (x) with amounts attributable to the House Collateral Account; (y) in the case of a CCM, with amounts attributable to the CCM Unallocated Client Collateral Account; or (z) in the case of a CCM, with amounts attributable to another Client Account Structure.

To the extent a Clearing Member is a member of another clearing service(s) provided by LCH.Clearnet SA, such Clearing Member shall aggregate the House Termination Amount and the house termination amount calculated in respect of a house account structure held in connection with such other clearing service(s) where LCH.Clearnet SA is subject to an LCH Default in accordance with the CDS Clearing Rules and a default in accordance with rules applicable to such other clearing service(s), in order to produce one net termination amount owed in relation to the CDS Clearing Service and such other clearing service(s) provided by LCH.Clearnet SA (the "**Global House Termination Amount**").

The Global House Termination Amount shall be notified and paid in accordance with Article 1.3.1.9 to Article 1.3.1.11.

The Clearing Member shall notify LCH.Clearnet SA of the ~~House Termination Amount and the Client Termination Amount(s), Amounts~~, by which party each such ~~amount~~ Termination Amount is payable, and showing in reasonable detail how they have been calculated, immediately after the calculation thereof.

If for any reason one or more Clearing Member(s) fail(s) to determine and notify the ~~House Termination Amount and each Client Termination Amount~~ Amounts to LCH.Clearnet SA on or before the day falling 25 Clearing Days after the Termination Date (such day being the "Notification Limit Date"), LCH.Clearnet SA shall post a notice on the Website and make its own determination of the respective ~~House Termination Amount or Client Termination Amount(s), as applicable~~ Amounts, in respect of each such Clearing Member(s) within the 25 Clearing Days following the Notification Limit Date, and shall notify the relevant Clearing Member(s) of the respective ~~House Termination Amount and Client Termination Amount(s)~~ Amounts it has determined immediately after the calculation thereof. In such case, the LCH Default Payment Date for all Clearing Members shall be the second Clearing Day after the date on which the ~~House Termination Amount and Client Termination Amount(s) have~~ Amounts have been notified by LCH.Clearnet SA; if, however, LCH.Clearnet SA fails to make such determination and notification, the LCH Default Payment Date in respect of all Clearing Members having duly determined and notified their ~~House Termination Amount and each Client Termination Amount~~ Amounts to LCH.Clearnet SA shall be the 27<sup>th</sup> Clearing Day following the Notification Limit Date.

If any of the ~~House Termination Amount or Client Termination Amount(s) calculated pursuant to this Chapter 3~~ Amounts is a positive amount, LCH.Clearnet SA shall pay it to the Clearing Member and, if any of the ~~House Termination Amount or Client Termination Amount(s)~~ Amounts is a negative amount, the Clearing Member shall pay it to LCH.Clearnet SA, in each case in accordance with Article 1.3.1.10 below.

#### **Article 1.3.1.10**

The ~~House Termination Amount and Client Termination Amount(s)~~ Amounts in respect of each Clearing Member shall be paid by LCH.Clearnet SA or a Clearing Member, as the case may be, in Euro by 17:00 on the LCH Default Payment Date. Neither LCH.Clearnet SA nor a Clearing Member, as the case may be, shall be permitted to effect payment netting between the House Termination Amount, ~~or the Global House Termination Amount as applicable~~, on the one hand and the Client Termination Amounts on the other hand.

In addition, to the extent a CCM has any CCM Unallocated Client Collateral or an FCM Clearing Member has any FCM Unallocated Client Excess Collateral as at the Notification Limit Date, LCH.Clearnet SA shall repay such Collateral to the Clearing Member for the account of its Clients by 17:00 on the LCH Default Payment Date.

#### **Article 1.3.1.11**

If LCH.Clearnet SA has received notices pursuant to Article 1.3.1.9 from all Clearing Members setting out their respective ~~House Termination Amount and Client Termination~~ Amounts, LCH.Clearnet SA may by no less than 2 Clearing Days' notice on the Website specify an earlier date as the LCH Default Payment Date.

In addition, LCH.Clearnet SA shall redeliver all Pledged Eligible Collateral (other than Pledged Eligible Collateral which LCH.Clearnet SA has applied in order to reduce its loss in accordance with Article 4.3.3.1 or the CDS Default Management Process) on the LCH Default Payment Date.



**Article 1.3.1.12**

The Clearing Member's rights under this Chapter 3 shall be in addition to, and not in limitation or exclusion of, any other rights which the Clearing Member may have.

This Chapter 3 shall be without prejudice to the rights that LCH.Clearnet SA may have pursuant to the CDS Clearing Rules against any Clearing Member prior to the occurrence of the LCH Default.

## CHAPTER 2 - LEGAL OBLIGATIONS

### Article 2.2.0.1

An Applicant shall be required to evidence its ability to comply with the obligations set out in this Chapter 2. LCH.Clearnet SA may refuse to admit an Applicant as a Clearing Member if the conditions set out in Article 2.2.1.1 have not been satisfied, or if it considers that admission of such Applicant as a Clearing Member may adversely affect the operation of the CDS Clearing System or the provision of the CDS Clearing Service.

LCH.Clearnet SA shall be entitled, in consultation with the Risk Committee, at any time to impose, amend or withdraw additional requirements in relation to the membership requirements set out in this Chapter 2.

Further information in respect of the application procedure can be obtained from LCH.Clearnet SA's membership department by email at [Lchclearnetsa\\_membership@lchclearnet.com](mailto:Lchclearnetsa_membership@lchclearnet.com) or on +33 (0)1 70 37 67 60 SA's CDS Clear on-boarding and client services department whose contact details are set out in Section 1 of the Procedures.

### Article 2.2.0.2

Application for Clearing Member status in LCH.Clearnet SA shall be made in accordance with Section 1 of the Procedures. A Clearing Member's status in LCH.Clearnet SA and all Clearing Services shall be governed by the CDS Clearing Rules. Additionally, a Clearing Member's status in LCH.Clearnet SA shall be governed by any CDS Admission Agreement to which it is for the time being party. Clearing Member status does not provide or entitle a Clearing Member to any other clearing member status with LCH.Clearnet SA, or to any shareholding membership of LCH.Clearnet Limited or any shareholding or other membership of any other member of the LCH.Clearnet Group or any entitlement to membership of or participation in LCH.Clearnet SA, each of which has separate and distinct membership requirements.

## Section 2.2.1 Membership requirements

### Article 2.2.1.1

Any Applicant wishing to be admitted as a Clearing Member by LCH.Clearnet SA should satisfy the following conditions:

- (i) be validly incorporated and existing under the laws of its jurisdiction of incorporation and (if relevant in such jurisdiction) be in good standing;
- (ii) be the subject of supervision by its Competent Authorities;
- (iii) undertake to accept and comply with the CDS Clearing Documentation by executing the CDS Admission Agreement;
- (iv) have a CDS Client Clearing Agreement, meeting the requirements Article 5.1.1.2 (i) (in the case of a CCM) or Article 6.1.1.2 (in the case of an FCM Clearing Member), in place with each of its Clients;
- (v) provide LCH.Clearnet SA with updated documentation and information required pursuant to Section 1 of the Procedures, in respect of each of its Clients;

**Article 2.4.2.7**

Where LCH.Clearnet SA issues a Default Notice prior to Membership Termination, the Collateral transferred to LCH.Clearnet SA as a Contribution or Additional Contribution Amount by a Clearing Member may be applied in accordance with Article 4.3.3.1.

**Article 2.4.2.8**

Subject to the application of TITLE I, Chapter 3 during any Membership Termination Notice Period, the relevant Clearing Member shall remain liable to:

- (i) provide Collateral to satisfy its Margin Requirements;
- (ii) satisfy its Variation Margin Requirement when due to LCH.Clearnet SA;
- (iii) provide Collateral to satisfy its Contribution Requirement, including any increase to the level of its Contribution in the event that LCH.Clearnet SA recalculates the required CDS Default Fund in accordance with Article 4.4.1.5 during the Membership Termination Notice Period;
- (iv) make all other required Cash Payments;
- (v) transfer, liquidate and make settlement/delivery (as applicable) in respect of all Cleared Transactions to which it is party in accordance with this CDS Clearing Rule Book, the CDS Clearing Supplement and the terms of the relevant Cleared Transactions;
- (vi) participate in the CDS Default Management Process;
- (vii) co-operate fully with LCH.Clearnet SA and to deal with any requests from it in a prompt and orderly fashion; and
- (viii) continue to satisfy conditions to its membership as set out in TITLE II and the CDS Admission Agreement.

For the avoidance of doubt, if an LCH Default occurs during the Membership Termination Notice Period other than where the Clearing Member is itself subject to an Event of Default, the provisions of TITLE I, Chapter 3 shall take precedence with respect to the Cleared Transactions registered in the Account Structure of the relevant Clearing Member and for which the relevant Clearing Member has not concluded a Non-Default Unwind on or prior to the LCH Default Time.

**Article 2.4.2.9**

Following Membership Termination, LCH.Clearnet SA and any Former Clearing Member shall remain:

- (i) subject to Article 1.2.14.1, Section 1.2.15 and any proceedings under the CDS Dispute Resolution Protocol and any provisions of the CDS Clearing Documentation which relate in whole or in part to any acts or omissions of LCH.Clearnet SA or the Former Clearing Member while it was a Clearing Member;
- (ii) in the event of an LCH Default, subject to the rights and obligations set out in TITLE I, Chapter 3; and
- (iii) liable in respect of all fees, fines, charges and payments under Cleared Transactions, amounts due to LCH.Clearnet SA or the Former Clearing Member as a result of its

Cleared Transactions and any other liabilities accrued prior to Membership Termination, including in particular, the payment of any ~~House Termination Amount~~ or ~~Client Termination Amount(s)~~ pursuant to Article 1.3.1.10, any amounts due pursuant to Article 4.3.3.4 or the payment of the LCH Repayment Amount pursuant to Clause 8.7 of the CDS Default Management Process.

**Article 2.4.2.10**

Promptly following Membership Termination, pursuant to Non-Default Termination, LCH.Clearnet SA shall issue a Clearing Notice specifying the name of the Former Clearing Member and, where appropriate, that they have opted to voluntarily terminate their membership pursuant to Article 2.4.2.2(ii).

**Article 2.4.2.11**

In relation to a Former Clearing Member's House Account Structure, following Membership Termination, LCH.Clearnet SA shall, if not already repaid, redelivered or accounted for pursuant to the CDS Clearing Rules, repay to a Former Clearing Member an amount equal to the sum of:

- (i) the Margin Balance for its House Margin Account; plus
- (ii) in the case of a CCM, any CCM Client Collateral Buffer; plus
- (iii) in the case of a CCM, any CCM Unallocated Client Collateral (to be held on account for its Clients); plus
- (iv) any Collateral that has been transferred to LCH.Clearnet SA to satisfy its Contribution Requirement to the extent it has not been used by LCH.Clearnet SA in accordance with, or as permitted by, the CDS Clearing Rules; less
- (v) any amounts owing by the Former Clearing Member to LCH.Clearnet SA in respect of House Cleared Transactions recorded in its House Trade Account;

and redeliver to the Former Clearing Member any Pledged Eligible Collateral (other than Pledged Eligible Collateral which LCH.Clearnet SA has applied in order to reduce its loss in accordance with Article 4.3.3.1 or the CDS Default Management Process) which the Former Clearing Member has transferred to LCH.Clearnet SA to be recorded in its House Collateral Account.

In relation to each Client Account Structure of a Former Clearing Member, following Membership Termination, LCH.Clearnet SA shall, if not already repaid, redelivered or accounted for pursuant to the CDS Clearing Rules, repay to a Former Clearing Member an amount equal to the sum of:

- (i) the Margin Balance (if any) for each Client Margin Account; plus
- (ii) in the case of an FCM Clearing Member, any FCM Client Collateral Buffer and FCM Unallocated Client Collateral (save that LCH.Clearnet SA shall be entitled to retain any FCM Client Collateral Buffer in accordance with the FCM CDS Clearing Regulations to the extent a default has occurred in respect of an FCM Client);

and, in the case of a CCM, redeliver to the Former Clearing Member any Client Pledged Eligible Collateral (other than Client Pledged Eligible Collateral which LCH.Clearnet SA has applied in order to reduce its loss in accordance with Article 4.3.3.1 or the CDS Default Management Process) which the Former Clearing Member has transferred to LCH.Clearnet SA to be recorded in the relevant Client Collateral Account.

## **Section 3.1.11 Reporting requirements**

### **Article 3.1.11.1**

LCH.Clearnet SA and the Clearing Member shall comply with their obligations to report the details of a Cleared Transaction and any modification or termination of such Cleared Transaction without duplication to a trade repository duly registered or recognised in accordance with EMIR, or if such a trade repository is not available, to the European Securities and Markets Authority, in accordance with the requirements of EMIR and at the times and in the manner set out in Section 5 of the Procedures.

### **Article 3.1.11.2**

LCH.Clearnet SA shall submit ~~to the TIW, in accordance with Section 5 of the Procedures,~~ any report required under Part 45 of the CFTC Regulations in respect of any Cleared Transactions, in accordance with Section 5 of the Procedures.

## CHAPTER 2 – HOUSE ACCOUNT STRUCTURE

### Section 3.2.1 House Trade Account

#### Article 3.2.1.1

LCH.Clearnet SA shall open one House Trade Account for each Clearing Member.

#### Article 3.2.1.2

Registration of Cleared Transactions in a House Trade Account shall initially be made by LCH.Clearnet SA on the basis of the Transaction Data with respect to the relevant Original Transaction and amended to reflect any compression of Cleared Transactions pursuant TITLE III, Chapter 3.

### Section 3.2.2 House Margin Account

#### Article 3.2.2.1

LCH.Clearnet SA shall open one House Margin Account for each Clearing Member for the purposes of risk calculation, as described in Title IV.

#### Article 3.2.2.2

House Cleared Transactions of a Clearing Member will be allocated to the House Margin Account of the Clearing Member, for the purposes of the determination of Open Positions registered in such House Margin Account.

#### Article 3.2.2.3

LCH.Clearnet SA shall calculate a Clearing Member's Open Positions registered in its House Margin Account by netting the Cleared Transactions which are allocated to the House Margin Account and which are of the same CDS Type.

### Section 3.2.3 House Collateral Account

#### Article 3.2.3.1

Cash Collateral provided by Clearing Members to satisfy its House Margin Requirement ~~and its or to create~~ House Excess Collateral, ~~if any~~, will be provided by way of full title transfer and will be held by LCH.Clearnet SA in accordance with Section 3 of the Procedures.

#### Article 3.2.3.2

At the option of each Clearing Member, and in accordance with Section 3 of the Procedures, Eligible Collateral may be transferred by the relevant Clearing Member to LCH.Clearnet SA to satisfy its House Margin Requirement or to create House Excess Collateral, either on a full title transfer basis pursuant to Article L. 440-7 of the French Monetary and Financial Code, or by way of a Belgian law security interest with no title transfer pursuant to the applicable provisions of Belgian law.

#### Article 3.2.3.3

LCH.Clearnet SA shall open one House Collateral Account for each Clearing Member for the purposes of identifying Collateral such Clearing Member has provided ~~(i) in the case of a CCM:~~ to

## Section 5.2.4 CCM Client Collateral Accounts

### Article 5.2.4.1

Cash Collateral provided by CCMs [to satisfy its CCM Client Margin Requirements or to create CCM Client Excess Collateral](#), will be provided by way of full title transfer and will be held by LCH.Clearnet SA in accordance with Section 3 of the Procedures.

### Article 5.2.4.2

At the option of each CCM, and in accordance with Section 3 of the Procedures, Eligible Collateral may be transferred by the relevant CCM to LCH.Clearnet SA [to satisfy its CCM Client Margin Requirements or to create CCM Client Excess Collateral](#), either on a full title transfer basis pursuant to Article L. 440-7 of the French Monetary and Financial Code, or by way of a Belgian law security interest with no title transfer pursuant to the applicable provisions of Belgian law.

### Article 5.2.4.3

LCH.Clearnet SA shall open:

- (i) one CCM Client Collateral Account in the CCM Direct Client Segregated Account Structure of each CCM Individual Segregated Account Client for the purposes of identifying Collateral provided by the relevant CCM for the benefit of such CCM Individual Segregated Account Client and [CCM](#) Client Excess Collateral if any;
- (ii) one CCM Client Collateral Account in the CCM Indirect Client Segregated Account Structure of each CCM Individual Segregated Account Client providing clearing services to CCM Indirect Clients for the purposes of identifying Collateral provided by the relevant CCM for the benefit of such CCM Individual Segregated Account Client in respect of its CCM Indirect Clients, and [CCM](#) Client Excess Collateral in respect of its CCM Indirect Clients, if any; and
- (iii) one CCM Client Collateral Account for each CCM Omnibus Client Set for the purposes of identifying Collateral provided by the relevant CCM for the benefit of such CCM Omnibus Segregated Account Clients and [CCM](#) Client Excess Collateral if any.

CDS Clear

# LCH.Clearnet SA CDS Clearing Procedures Section 3 – Collateral and Cash Payment [Effective date] [•].2014

~~This CDS Clearing Document will not enter into force until the Clearing Day specified in a Rules Notice that will be issued upon LCH.Clearnet SA's registration as a Derivatives Clearing Organization with the U.S. Commodity Futures Trading Commission.~~



Account Structure, in accordance with Section 3.1.7 of the CDS Clearing Rule Book), by determining:

- i) the value of all Collateral recorded in the relevant Collateral Account on the basis of the Applicable Price; or
- ii) in respect of the FCM Margin Balance for each FCM Client Margin Account of an FCM Clearing Member, the Legally Segregated Value recorded in the relevant FCM Client Financial Account on the basis of the Applicable Price, in accordance with Section 2.2 (f) of the Procedures.

LCH.Clearnet SA will recalculate the: (i) Margin Balance for each Margin Account of a Clearing Member; and (ii) Client Collateral Buffer, following each Collateral Call.

Where Pledged Eligible Collateral is recorded in a Clearing Member's Collateral Account, LCH.Clearnet SA shall use the most recent Collateral Holding Report received from Euroclear Bank, in accordance with Paragraph 5.13(f) of Section 5 of the Procedures, to determine what Pledged Eligible Collateral should be taken into account for the purposes of calculating the Margin Balance in respect of a particular Margin Account in accordance with this Paragraph 3.2.

Where Eligible Collateral consisting of U.S. Treasury Bills (the "**US T-Bills**") is recorded in a FCM Clearing Member's FCM Client Collateral Account, LCH.Clearnet SA shall use the most recent collateral holding report received from Bank of New York Mellon ("**BNYM US**"), in accordance with Paragraph 5.13(f) of Section 5 of the Procedures, to determine what US T-Bills should be taken into account for the purposes of calculating the FCM Client Margin Balance in respect of each of its FCM Client Margin Account(s) in accordance with this Paragraph 3.2.

### 3.3 **ACCOUNT STRUCTURE**

- (a) Collateral Accounts in respect of a CCM

In the books of LCH.Clearnet SA, each CCM has:

- i) one CCM House Collateral Account in which (x) Collateral provided to cover its CCM House Margin Requirement and (y) CCM House Excess Collateral which can be used to novate House Trade Legs of Eligible Intraday Transactions, is recorded;
- ii) a CCM Client Collateral Account in respect of each CCM Client Account Structure and in which (x) Collateral provided to cover the relevant CCM Client Margin Requirement and (y) CCM Client Excess Collateral which can be used to novate the relevant Client Trade Legs of Eligible Intraday Transactions, is recorded;
- iii) a Buffer Collateral Account in which the CCM Client Collateral Buffer is recorded; and
- iv) a CCM Unallocated Client Collateral Account in which CCM Unallocated Client Collateral is recorded.

In accordance with Article 5.2.3.1 of the CDS Clearing Rule Book, CCMs are permitted to offer a CCM Individual Segregated Account Structure and/or a CCM Omnibus Segregated Account Structure to CCM Clients.

Where:

- i) a CCM Individual Segregated Account Structure is offered, the relevant CCM Client Collateral Account will record (x) the value and denomination of Cash Collateral and (y) the precise Eligible Collateral provided by the CCM in respect of that CCM Individual Segregated Account Client; and
- ii) a CCM Omnibus Segregated Account Structure is offered, the relevant CCM Client Collateral Account will record (x) the value and denomination of Cash Collateral and (y) the precise Eligible Collateral

provided by the CCM in respect of each CCM Omnibus Segregated Account Client in that CCM Omnibus Client Set.

To the extent a CCM transfers additional Euro-denominated Cash Collateral, non-Euro denominated Cash Collateral or Eligible Collateral to LCH.Clearnet SA, such CCM must identify which CCM Client Collateral Account Collateral is provided for in accordance with Paragraphs 3.7 to 3.10 below.

(b) Collateral Accounts in respect of an FCM Clearing Member

In the books of LCH.Clearnet SA, each FCM Clearing Member has:

- i) one FCM House Collateral Account in which (x) Collateral provided to cover its FCM House Margin Requirement and (y) FCM House Excess Collateral which can be used to novate House Trade Legs of Eligible Intraday Transactions, is recorded; and
- ii) one FCM Client Collateral Account to record the Collateral held by LCH.Clearnet SA for the benefit of such FCM Clearing Member's FCM Clients, the aggregate value of such Collateral being divided amongst, and recorded in:

(x) the FCM Client Financial Account(s);

(y) the FCM Buffer Financial Account; and

(z) the FCM Unallocated Client Collateral Financial Account,

(c) Segregation of Contribution Balance

The Cash Collateral transferred by a Clearing Member to satisfy its Contribution Requirement is not recorded in any of the Collateral Accounts.

The Contribution Balance is segregated from (x) the Margin Balance for each Margin Account; (y) the Client Collateral Buffer; and (z) the CCM Unallocated Client Collateral, by crediting the Cash Collateral comprising the Contribution Balance to a dedicated LCH.Clearnet SA TARGET2 Account.

### 3.7 **EURO DENOMINATED CASH COLLATERAL**

(a) LCH.Clearnet SA TARGET2 Accounts

LCH.Clearnet SA performs its Collateral Calls by using the following three TARGET2 Accounts opened in its name:

- i) a TARGET2 Account used to make Collateral Calls in relation to the House Margin Requirement, the House Excess Collateral Threshold and in respect of a CCM only, the CCM Client Collateral Buffer Threshold (the “**LCH House TARGET2 Account**”); and
- ii) with respect to Clients of a Clearing Member:
  - (x) a TARGET2 Account used to make Collateral Calls in relation to the Total Client Margin Requirement of each CCM (the “**LCH CCM Client TARGET2 Account**”); or
  - (y) a TARGET2 Account used to make Collateral Calls in relation to the Total Client Margin Requirement and FCM Client Collateral Buffer Threshold of each FCM Clearing Member (the “**LCH FCM Client TARGET2 Account**”), which for the avoidance of doubt forms part of the LCH Cleared Swaps Client Segregated Depository Account for purposes of the FCM CDS Clearing Regulations,

together referred to as the “**LCH Client TARGET2 Accounts**” and individually as a “**LCH Client TARGET2 Account**”.

The LCH House TARGET2 Account and the LCH Client TARGET2 Accounts shall be together referred to as the “**LCH TARGET2 Accounts**”.

(b) Clearing Member TARGET2 Accounts

A CCM has no obligation to hold two TARGET2 Accounts (or arrange its TARGET2 Payment Agent to hold two cash account(s)) for the purposes of the Collateral Calls in respect of (i) its CCM House Margin Requirement, CCM House Excess Collateral Threshold and CCM Client Collateral Buffer Threshold and (ii) its Total Client Margin Requirement. It may either:

- i) hold one TARGET2 Account (or one cash account of its TARGET2 Payment Agent), in which case such TARGET2 Account will be used for the debits and credits made out of both the LCH Client TARGET2 Account and the LCH House TARGET2 Account; or
- ii) hold two TARGET2 Accounts (or two cash accounts of its TARGET2 Payment Agent), in which case one TARGET2 account will be used for the debits and credits made out of the LCH Client TARGET2 Account and the other will be used for the debits and credits made out of the LCH House TARGET2 Account.

An FCM Clearing Member has an obligation to hold two TARGET2 Accounts (or arrange its TARGET2 Payment Agent to hold two cash account(s)) for the purposes of the Collateral Calls in respect of (i) its FCM House Margin Requirement and FCM House Excess Collateral Threshold and (ii) its Total Client Margin Requirement and FCM Client Collateral Buffer Threshold (which for the avoidance of doubt forms part of the FCM Cleared Swaps Client Segregated Depository Accounts for purposes of the FCM CDS Clearing Regulations). Therefore, an FCM Clearing Member will hold two TARGET2 Accounts (or two cash accounts of its TARGET2 Payment Agent), in which case one TARGET2 account will be used for the debits and credits made out of the LCH FCM Client TARGET2 Account and the other will be used for the debits and credits made out of the LCH House TARGET2 Account.

If a Clearing Member wishes to add a new TARGET2 Account or replace an existing TARGET2 Account with another for the purposes of the Collateral Calls, it may do so by providing LCH.Clearnet SA with the details of the relevant TARGET2 Account with at least 15 days' prior notice.

(c) Timing of Collateral Calls

Where a Clearing Member is required to transfer Euro denominated Cash Collateral at a Collateral Call, LCH.Clearnet SA will automatically debit such Clearing Member's relevant TARGET2 Account(s) (or the relevant cash account(s) of its TARGET2 Payment Agent) on the basis of its Power of Attorney and credit the relevant LCH TARGET2 Account with the corresponding amounts.

Where a Clearing Member is due to receive Euro denominated Cash Collateral, LCH.Clearnet SA will automatically credit such Clearing Member's TARGET2 Account(s) (or the relevant cash account(s) of its TARGET2 Payment Agent) with the relevant amounts.

The debits or credits on each Clearing Member's TARGET2 Account(s) (or the relevant cash account(s) of its TARGET2 Payment Agent) will occur in accordance with the following time slots:

- i) initial slot: 08:00-08:55 CET (used for the purposes of the Morning Call) (the "**Initial Slot**");
- ii) first intraday slot: 11:25-11:50 CET (used for the purposes of the First Intraday Call) (the "**First Intraday Slot**");
- iii) additional specific collateral slot: 12:25-12:55 CET (used for the purposes of Collateral substitution upon a Clearing Member's request) (the "**Additional Specific Collateral Slot**");
- iv) second intraday slot: 15:25-15:55 CET (used for the purposes of the Second Intraday Call) (the "**Second Intraday Slot**"); or
- v) any other slot available to LCH.Clearnet SA in exceptional circumstances (the "**Exceptional Slot**");

Once the Euro denominated Cash Collateral has been debited by LCH.Clearnet SA it will immediately form part of the Margin Balance for the relevant Margin Account and/or the Client Collateral Buffer or the Contribution Balance, as applicable.

(d) Netting of payments made through TARGET2

i) Aggregation of payments made in respect of a CCM

At the times set out in Paragraph 3.7(c) above LCH.Clearnet SA will aggregate:

(x) in respect of the CCM House Margin Account:

(A) the Cash Payments (being the House Variation Margin Requirement plus any other Cash Payments due in respect of the House Account Structure) and Euro denominated Cash Collateral transfers (being the CCM House Margin Shortfall, the CCM House Excess Collateral Shortfall, the CCM Client Collateral Buffer Shortfall and the Contribution Shortfall) which are due to be made by a CCM to LCH.Clearnet SA through TARGET2; and

(B) the Cash Payments due to be made, and Euro denominated Cash Collateral due to be returned, by LCH.Clearnet SA to a CCM through TARGET2,

and

(y) in respect of the CCM Client Margin Accounts:

(A) the Cash Payments (being the Total Client Variation Margin Requirement plus any other Cash Payments due in respect of the CCM Client Account Structure) and Euro denominated Cash Collateral transfers (being the Total Client Margin Shortfall) which are due to be made by a CCM to LCH.Clearnet SA through TARGET2; and

(B) the Cash Payments due to be made, and Euro denominated Cash Collateral due to be returned, by LCH.Clearnet SA to a CCM through TARGET2.

ii) Aggregation of payments made in respect of an FCM Clearing Member

At the times set out in Paragraph 3.7(c) above LCH.Clearnet SA will aggregate:

(x) in respect of the FCM House Margin Account:

(A) the Cash Payments (being the House Variation Margin Requirement plus any other Cash Payments due in respect of the House Account Structure) and Euro denominated

Cash Collateral transfers (being the FCM House Margin Shortfall, the FCM House Excess Collateral Shortfall and the Contribution Shortfall) which are due to be made by an FCM Clearing Member to LCH.Clearnet SA through TARGET2; and

- (B) the Cash Payments due to be made, and Euro denominated Cash Collateral due to be returned, by LCH.Clearnet SA to an FCM Clearing Member through TARGET2,

and

- (y) in respect of the FCM Client Margin Accounts:

- (A) the Cash Payments due in respect of the FCM Client Account Structure (other than the Total Client Variation Margin Requirement due in respect of the FCM Client Account Structure) and Euro denominated Cash Collateral transfers (being the Total Client Margin Shortfall and the FCM Client Buffer Collateral Shortfall) which are due to be made by an FCM Clearing Member to LCH.Clearnet SA through TARGET2; and

- (B) the Cash Payments due to be made (other than the Total Client Variation Margin Requirement due in respect of the FCM Client Account Structure), and Euro denominated Cash Collateral due to be returned, by LCH.Clearnet SA to an FCM Clearing Member through TARGET2.

With the exception of the Total Client Variation Margin Requirement of an FCM Clearing Member (as set out in Paragraph 3.7(e)(ii)(y) above) which shall never be netted with other amounts for the purposes of making a payment through TARGET2, if the aggregate amount that would be payable by one party (in respect either of the House Margin Account, the CCM Client Margin Accounts or the FCM Client Margin Accounts of a Clearing Member) exceeds the amount that would otherwise have been payable by the other party (in respect of such House Margin Account, CCM Client Margin Accounts or FCM Client Margin Accounts), then the obligations of each party pursuant to this Paragraph 3.7 and Paragraph 3.18 below shall be automatically satisfied and discharged on payment by the party by whom the larger aggregate amount would have been payable to the other party of the excess of the larger aggregate amount over the smaller aggregate amount.

Notwithstanding the payment netting contemplated by this Paragraph 3.7(e), LCH.Clearnet SA shall ensure that its books and records properly reflect the transfer of Euro-denominated Cash Collateral and payment of Cash Payments, made in respect of each Margin Account, on a gross basis.

- (e) Interest

LCH.Clearnet SA pays interest on Euro denominated Cash Collateral.

The applicable interest rate is published by LCH.Clearnet SA on the Website.

(f) Transfer of Euro denominated Cash Collateral

On Day (before 10:45 CET)

If:

- (i) a Clearing Member wishes to transfer Euro denominated Cash Collateral to be recorded in its House Collateral Account and in the case of a CCM, in any of its CCM Client Collateral Accounts (other than in the case that a Clearing Member is called to transfer Euro denominated Cash Collateral to LCH.Clearnet SA to satisfy the Required Collateral Amount pursuant to a Collateral Call, in accordance with Article 4.2.3.2 of the CDS Clearing Rule Book); or
- (ii) a Clearing Member wishes to transfer Euro denominated Cash Collateral to be recorded in any of its Collateral Accounts for the purpose of substituting such Euro denominated Cash Collateral for any Collateral recorded in its Collateral Accounts,

it shall notify LCH.Clearnet SA by (i) submitting the relevant form (which is available on the Website) by fax or by email to LCH.Clearnet SA at (+33) (0)1 70 37 65 06 or [treasury.ops.fr@lchclearnet.com](mailto:treasury.ops.fr@lchclearnet.com) (ii) any other means as specified in a Clearing Notice. The Clearing Member must specify to which Collateral Account(s) such Euro denominated Cash Collateral should be recorded. The process that a Clearing Member and LCH.Clearnet SA must follow to process the return of substituted Collateral to the Clearing Member is set out in paragraph 3.8(h) (for non-Euro denominated Cash Collateral), 3.8(i) (for USD denominated Cash Collateral), 3.10(c) (for Eligible Collateral transferred with full title), 3.15(b) (for Pledged Eligible Collateral) and 3.17(b) (for US T-Bills), as applicable.

In respect of a CCM only, if ~~the form submitted~~ such CCM notifies to LCH.Clearnet SA ~~indicates~~ that Euro denominated Cash Collateral will be transferred to the LCH CCM Client TARGET2 Account but the CCM does not specify to which CCM Client Collateral Account(s) some or all of such amounts should be recorded, LCH.Clearnet will proceed with the debit of the CCM's relevant TARGET2 Account (or the relevant cash account of its TARGET2 Payment Agent) but will treat any amounts which have not been specifically identified as being for a particular CCM Client Collateral Account as CCM Unallocated Client Collateral and record such amounts in the CCM Unallocated Client Collateral Account.

~~The form~~ A Clearing Member must ~~be received by~~ notify LCH.Clearnet SA as set out above by no later than 10:45 CET in order for a Clearing Member's request to be processed and the Euro denominated Cash Collateral called at the First Intraday Slot on the same day. It is the Clearing Member's responsibility to ensure the due receipt by LCH.Clearnet SA of the relevant ~~form~~ notification. Accordingly, the Clearing Member should confirm its request no later than 10:45 CET by a phone call to LCH.Clearnet SA's collateral management team on (+33) (0)1 70 37 66 86/66 37/65 35, although a failure

to do so shall not invalidate any request actually received by LCH.Clearnet SA.

On Day at the First Intraday Slot

LCH.Clearnet SA will debit the Clearing Member's relevant TARGET2 Account(s) (or the relevant cash account(s) of its TARGET2 Payment Agent) with the amount of Euro denominated Cash Collateral notified by the Clearing Member during the First Intraday Slot on Day.

In respect of each Clearing Member, following performance of the First Intraday Call:

- i) the Cash Collateral will be recorded in its House Collateral Account, its Buffer Collateral Account, the relevant Client Collateral Account(s) and/or its CCM Unallocated Client Collateral Account, as applicable; and
  - ii) to the extent Cash Collateral has been credited to its CCM Unallocated Client Collateral Account, such CCM must inform LCH.Clearnet SA by no later than the End of Real Time on Day how the CCM Unallocated Client Collateral should be recorded within its CCM Client Collateral Account(s). Where the CCM does not provide LCH.Clearnet SA with this information within this timeframe, the CCM Unallocated Client Collateral shall be returned to the CCM's relevant TARGET2 Account (or the relevant cash account(s) of its TARGET2 Payment Agent).
- (g) Return of Euro denominated Cash Collateral
- i) In respect of a Clearing Member's House Collateral Account
    - 1- A Clearing Member may request LCH.Clearnet SA to automatically credit Euro denominated Cash Collateral recorded in its House Collateral Account which is in an amount above the House Excess Collateral Threshold to the Clearing Member's TARGET2 Account (or the relevant cash account of its TARGET2 Payment Agent) provided the amount to be credited would not result in the relevant House Margin Requirement exceeding the Margin Balance for the House Margin Account and the amount does not exceed the amount of Euro denominated Cash Collateral previously provided to LCH.Clearnet SA through a Collateral Call. LCH.Clearnet SA will credit the relevant amount of Euro denominated Cash Collateral at the next TARGET2 time slot (as set out at Paragraphs 3.7(b) and 3.7(c) above).

A Clearing Member must notify LCH.Clearnet SA of its request to have Euro denominated Cash Collateral automatically credited to the Clearing Member's TARGET2 Account (or the relevant cash account of its TARGET2 Payment Agent) by [\(i\) submitting the relevant form \(which is available on the Website\) by fax or by email to LCH.Clearnet SA at +33 1 70 37 65 06 or \[treasury.ops.fr@lchclearnet.com\]\(mailto:treasury.ops.fr@lchclearnet.com\) or \(ii\) any other means as](#)



[specified in a Clearing Notice](#) by no later than 16:00 CET on a Business Day in order for the Clearing Member's request to be processed on the next following Business Day.

Once a Clearing Member has notified LCH.Clearnet SA of its request to have Euro denominated Cash Collateral automatically credited, LCH.Clearnet SA will apply it, until such time as LCH.Clearnet SA has been otherwise instructed by the relevant Clearing Member.

- 2- A Clearing Member may request, on an ad hoc basis, LCH.Clearnet SA to return Euro denominated Cash Collateral recorded in its House Collateral Account provided the amount to be returned would not result in the relevant House Margin Requirement exceeding the Margin Balance for the House Margin Account, as determined at the time when the request is received and processed by LCH.Clearnet SA, and the amount does not exceed the amount of Euro denominated Cash Collateral previously provided to LCH.Clearnet SA through a Collateral Call. Where this would be the case, the Clearing Member's request will be rejected.

Following receipt of a request in accordance with this Paragraph 3.7(g) i), 2, LCH.Clearnet SA will credit the relevant amount of Euro denominated Cash Collateral to the relevant TARGET2 Account of the Clearing Member (or the relevant cash account of its TARGET2 Payment Agent) at the next TARGET2 time slot (as set out at Paragraphs 3.7(b) and 3.7(c) above).

- ii) In respect of a CCM's Client Collateral Account(s)

A CCM may request LCH.Clearnet SA to return Euro denominated Cash Collateral recorded in any of its CCM Client Collateral Accounts provided the amount to be returned would not result in:

- (x) the relevant CCM Client Margin Requirement, plus
- (y) the CCM Allocated Client Collateral Buffer, if any,

exceeding the Margin Balance for the relevant CCM Client Margin Account, as determined at the time when the request is received and processed by LCH.Clearnet SA, and the amount does not exceed the amount of Euro denominated Cash Collateral previously provided to LCH.Clearnet SA through a Collateral Call. Where this would be the case, the Clearing Member's request will be rejected.

Following receipt of a request in accordance with this Paragraph 3.7(g) ii), LCH.Clearnet SA will credit the relevant amount of Euro denominated Cash Collateral to the relevant TARGET2 Account of the Clearing Member (or the relevant cash account of its TARGET2 Payment Agent) at the next TARGET2 time slot (as set out at Paragraphs 3.7(b) and 3.7(c) above).

iii) In respect of a CCM's Buffer Collateral Account

- 1- A CCM may request LCH.Clearnet SA to automatically credit Euro denominated Cash Collateral recorded in its Buffer Collateral Account which is in an amount above the CCM Client Collateral Buffer Threshold to the CCM's TARGET2 Account (or the relevant cash account of its TARGET2 Payment Agent) provided the amount does not exceed the CCM Available Client Collateral Buffer and the amount does not exceed the amount of Euro denominated Cash Collateral previously provided to LCH.Clearnet SA through a Collateral Call. LCH.Clearnet SA will credit the relevant amount of Euro denominated Cash Collateral at the next TARGET2 time slot (as set out at Paragraphs 3.7(b) and 3.7(c) above).

A CCM must notify LCH.Clearnet SA of its request to have Euro denominated Cash Collateral automatically credited to the CCM's TARGET2 Account (or the relevant cash account of its TARGET2 Payment Agent) by [\(i\) submitting the relevant form \(which is available on the Website\) by fax or by email to LCH.Clearnet SA at +33 1 70 37 65 06 or \[treasury.ops.fr@lchclearnet.com\]\(mailto:treasury.ops.fr@lchclearnet.com\) or \(ii\) any other means as specified in a Clearing Notice](#) by no later than 16:00 CET on a Business Day in order for the CCM's request to be processed on the next following Business Day.

Once a CCM has notified LCH.Clearnet SA of its request to have Euro denominated Cash Collateral automatically credited, LCH.Clearnet SA will apply it, until such time as LCH.Clearnet SA has been otherwise instructed by the relevant CCM.

- 2- A CCM may request, on an ad hoc basis, LCH.Clearnet SA to return Euro denominated Cash Collateral recorded in its Buffer Collateral Account provided the amount does not exceed the CCM Available Client Collateral Buffer, as determined at the time when the request is received and processed by LCH.Clearnet SA, and the amount does not exceed the amount of Euro denominated Cash Collateral previously provided to LCH.Clearnet SA through a Collateral Call. Where this would be the case, the CCM's request will be rejected.

Following receipt of a request in accordance with this Paragraph 3.7(g) iii), 2, LCH.Clearnet SA will credit the relevant amount of Euro denominated Cash Collateral to the relevant TARGET2 Account of the CCM (or the relevant cash account of its TARGET2 Payment Agent) at the next TARGET2 time slot (as set out at Paragraphs 3.7(b) and 3.7(c) above).

iv) In respect of an FCM Unallocated Client Collateral Financial Account

The FCM Clearing Member may also request LCH.Clearnet SA to return some or all FCM Unallocated Client Excess Collateral in the form of Euro denominated Cash Collateral provided that the requested

amount does not exceed the FCM Unallocated Client Excess Collateral recorded in its FCM Client Collateral Account. Where this would be the case, the FCM Clearing Member's request will be rejected.

LCH.Clearnet SA will credit the relevant amount of Euro denominated Cash Collateral to the relevant TARGET2 Account of the FCM Clearing Member (or the relevant cash account of its TARGET2 Payment Agent) at the next TARGET2 time slot (as set out at Paragraphs 3.7(b) and 3.7(c) above).

(i)(h) Transfer of Euro denominated Cash Collateral to satisfy a Contribution Shortfall

Where a Clearing Member is required to transfer Euro denominated Cash Collateral to LCH.Clearnet SA to satisfy a Contribution Shortfall, in accordance with Article 4.4.1.7 of the CDS Clearing Rule Book, it shall make arrangements to credit the LCH House TARGET2 Account with the required amount of Euro denominated Cash Collateral.

### 3.8 NON-EURO DENOMINATED CASH COLLATERAL

(a) Multi-currency accounts held by LCH.Clearnet SA

LCH.Clearnet SA holds non-Euro Cash Collateral provided by Clearing Members in the following three multi-currency accounts opened in the books of an eligible commercial bank selected in accordance with Paragraph 3.8(c) below:

- i) a multi-currency account used to credit non-Euro Cash Collateral which is transferred by a Clearing Member to be recorded in its House Collateral Account (the "**LCH House Non-Euro Account**"); and
- ii) with respect to Clients of a Clearing Member:
  - (x) a multi-currency account used to credit non-Euro Cash Collateral which is transferred by a CCM to be recorded in its CCM Client Collateral Account(s) (the "**LCH CCM Client Non-Euro Account**"); or
  - (y) a multi-currency account used to credit non-Euro, non-USD Cash Collateral which is transferred by an FCM Clearing Member to be recorded in its FCM Client Collateral Account (the "**LCH FCM Client Non-Euro Account**"), which for the avoidance of doubt forms part of the LCH Cleared Swaps Client Segregated Depository Account for purposes of the FCM CDS Clearing Regulations,

together referred to as the "**LCH Client Non-Euro Accounts**" and individually as a "**LCH Client Non-Euro Account**".

The LCH House Non-Euro Account and the LCH Client Non-Euro Accounts shall be together referred to as the “**LCH Non-Euro Accounts**”.

LCH.Clearnet SA may invest non-Euro Cash Collateral in accordance with Paragraph 3.11(b).

- (b) USD cash account held by LCH.Clearnet SA

LCH.Clearnet SA holds USD Cash Collateral provided by FCM Clearing Members on behalf of their FCM Clients in an USD cash account:

- i) opened in the books of BNYM US; and
- ii) used to credit USD Cash Collateral which is transferred by FCM Clearing Members to be recorded in their FCM Client Collateral Account (the “**LCH FCM Client USD Account**”), which for the avoidance of doubt forms part of the LCH Cleared Swaps Client Segregated Depository Account for purposes of the FCM CDS Clearing Regulations.

LCH.Clearnet SA may invest USD Cash Collateral in accordance with Paragraph 3.11(b) and the FCM CDS Clearing Regulations.

- (c) Eligible commercial banks

LCH.Clearnet SA will hold:

- i) non-Euro Cash Collateral, where LCH.Clearnet SA does not invest it in accordance with Paragraph 3.11(a), in the LCH Non-Euro Accounts; and
- ii) USD Cash Collateral provided by FCM Clearing Members on behalf of their FCM Clients, where LCH.Clearnet SA does not invest it in accordance with Paragraph 3.11(b) and the FCM CDS Clearing Regulations, in the LCH FCM Client USD Account.

opened in the books of any commercial bank which has been selected in accordance with the LCH.Clearnet Group Limited risk collateral policy (the “**LCH Group Risk Collateral Policy**”).

The LCH Group Risk Collateral Policy sets out, amongst other things, the principles that LCH.Clearnet SA must adhere to when arranging for the custody of Cash Collateral and is kept under review by the Risk Committee. One of those principles is that LCH.Clearnet SA may select a commercial bank to act as custodian for Cash Collateral, subject to it meeting the following criteria:

- an average credit rating of at least A-, or a guarantee from a sovereign government or parent company with an average credit rating of at least A-. Where there is a subsequent downgrade of the bank's credit rating, reference will be made to the LCH Group Risk Collateral Policy and the Risk Committee's policy; and

- has demonstrable operational suitability (confirmed by LCH.Clearnet SA's own due diligence).

On the basis of these criteria, LCH.Clearnet SA has selected:

- i) Euroclear Bank to act as depository of non-Euro denominated Cash Collateral provided by Clearing Members; and
- ii) BNYM US to act as depository of USD Cash Collateral provided by FCM Clearing Members on behalf of their FCM Clients,

together referred to as the “**Eligible Commercial Banks**” and individually as an “**Eligible Commercial Bank**”.

- (d) FX conversion and discounts

Whenever LCH.Clearnet SA is required to convert non-Euro denominated Cash Collateral, transferred by a Clearing Member, to Euros such conversion shall be effected on the basis of the Applicable Price. LCH.Clearnet SA shall additionally be entitled to apply discounts to such non-Euro denominated Cash Collateral, at its discretion, as published on the Website.

- (e) Interest

LCH.Clearnet SA pays interest on non-Euro denominated Cash Collateral and USD Cash Collateral deposited in the Eligible Commercial Banks.

The applicable interest rate is published by LCH.Clearnet SA on the Website.

- (f) Transfer of non-Euro denominated Cash Collateral (other than USD denominated Cash Collateral to be recorded in the LCH FCM Client USD Account)

On Day minus one

If:

- (i) a Clearing Member wishes to transfer additional non-Euro denominated Cash Collateral to be recorded in its House Collateral Account and, in the case of a CCM, in any of its CCM Client Collateral Accounts; or
- (ii) a Clearing Member wishes to transfer non-Euro denominated Cash Collateral to be recorded in any of its Collateral Accounts for the purpose of substituting such non-Euro denominated Cash Collateral for any Collateral recorded in its Collateral Accounts,

it shall notify LCH.Clearnet SA by [\(i\)](#) submitting the relevant form (which is available on the Website) by fax or by email to LCH.Clearnet SA at (+33) (0)1 70 37 65 06 or [treasury.ops.fr@lchclearnet.com](mailto:treasury.ops.fr@lchclearnet.com); or [\(ii\) any other means as specified in a Clearing Notice](#). The Clearing Member must specify in such form to which Collateral Account(s) the non-Euro denominated Collateral should be recorded. The process that a Clearing Member and LCH.Clearnet

SA must follow to process the return of substituted Collateral to the Clearing Member is set out in paragraph 3.7(~~hg~~) (for Euro denominated Cash Collateral), 3.8(i) (for USD denominated Cash Collateral), 3.10(c) (for Eligible Collateral transferred with full title), 3.15(b) (for Pledged Eligible Collateral) or 3.17(b) (for US T-Bills), as applicable.

In respect of a CCM only, if ~~the form submitted~~ such CCM notifies to LCH.Clearnet SA ~~indicates~~ that non-Euro denominated Cash Collateral will be transferred to the LCH Client Non-Euro Account but the CCM does not specify to which CCM Client Collateral Account(s) some or all of such amounts should be recorded, LCH.Clearnet SA will treat such amounts which have not been specifically identified as being for a particular CCM Client Collateral Account as CCM Unallocated Client Collateral and record such amounts in the CCM Unallocated Client Collateral Account when they are received.

The ~~form~~ Clearing Member must ~~be received by~~ notify LCH.Clearnet SA as set out above by no later than 16:45 CET on a Business Day ("Day minus one") in order for the Clearing Member's request to be processed on the next following Business Day ("Day") and to enable the transfer of non-Euro denominated Cash Collateral to occur on Day. It is the Clearing Member's responsibility to ensure the due receipt by LCH.Clearnet SA of the relevant ~~form~~ notification. Accordingly, the Clearing Member should confirm its request no later than 16:45 CET by a phone call to LCH.Clearnet SA's collateral management team on (+33) (0)1 70 37 66 86/66 37/65 35, although a failure to do so shall not invalidate any request actually received by LCH.Clearnet SA.

#### On Day

The Clearing Member transfers the amount of the non-Euro denominated Cash Collateral notified to LCH.Clearnet SA on Day minus one to the relevant LCH Non-Euro Account opened with the Eligible Commercial Bank.

If non-Euro denominated Cash Collateral is received:

- i) before 10:30 CET on Day, such non-Euro denominated Cash Collateral (other than CCM Unallocated Client Collateral) will form part of the Margin Balance and be taken into account for the purposes of the First Intraday Call on Day<sub>;</sub>
- ii) at or after 10:30 CET but prior to 11:45 CET on Day, such non-Euro denominated Cash Collateral (other than CCM Unallocated Client Collateral) will form part of the relevant Margin Balance and be taken into account for the purposes of calculations in relation to a Collateral substitution request which is to be effected using the Additional Specific Collateral Slot<sub>;</sub>
- iii) at or after 11:45 CET but prior to 14:30 CET on Day, such non-Euro denominated Cash Collateral (other than CCM Unallocated Client Collateral) will form part of the relevant Margin Balance and be taken into account for the purposes of the Second Intraday Call on Day<sub>;</sub>

- iv) at or after 14:30 CET on Day, such non-Euro denominated Cash Collateral (other than CCM Unallocated Client Collateral) will form part of the relevant Margin Balance and be taken into account for the ~~purpose~~purposes of the Morning Call on the next following Business Day.

In respect of a CCM only, to the extent Cash Collateral has been credited to its CCM Unallocated Client Collateral Account, the CCM must inform LCH.Clearnet SA by no later than 16:00 CET on Day how the CCM Unallocated Client Collateral should be recorded within its CCM Client Collateral Account(s). Where the CCM does not provide LCH.Clearnet SA with this information within this timeframe, the CCM Unallocated Client Collateral shall be returned to the relevant account of the CCM.

- (g) Transfer of USD denominated Cash Collateral to be recorded in the LCH FCM Client USD Account

On Day minus one (before 17:00 CET)

If an FCM Clearing Member wishes to transfer USD denominated Cash Collateral to be recorded in its FCM Client Collateral Account for the purpose of substituting such USD denominated Cash Collateral for any Collateral recorded in its FCM Client Collateral Account, it shall notify LCH.Clearnet SA by (i) submitting the relevant form (which is available on the Website) by fax or by email to LCH.Clearnet SA at (+33) (0)1 70 37 65 06 or [treasury.ops.fr@lchclearnet.com](mailto:treasury.ops.fr@lchclearnet.com), or (ii) any other means as specified in a Clearing Notice. The process that an FCM Clearing Member and LCH.Clearnet SA must follow to process the return of substituted Collateral to the FCM Clearing Member is set out in paragraph 3.7(~~h~~) (for Euro denominated Cash Collateral), 3.8(h) (for non-Euro denominated Cash Collateral) or 3.17(b) (for US T-Bills), as applicable.

The form Clearing Member must ~~be received by~~notify LCH.Clearnet SA by no later than 17:00 CET on a Business Day ("Day minus one") in order for the FCM Clearing Member's request to be processed and to enable the transfer to occur no later than 18:00 CET on a Business Day ("Day minus one"). It is the FCM Clearing Member's responsibility to ensure the due receipt by LCH.Clearnet SA of the relevant ~~form~~notification. Accordingly, the FCM Clearing Member should confirm its request no later than 17:00 CET by a phone call to LCH.Clearnet SA's collateral management team on (+33) (0)1 70 37 66 86/66 37/65 35, although a failure to do so shall not invalidate any request actually received by LCH.Clearnet SA.

On Day minus one (before 18:00 CET)

A FCM Clearing Member transfers the amount of the USD denominated Cash Collateral, notified on Day minus one before 17:00 CET, to LCH.Clearnet SA's relevant LCH FCM Client USD Account opened with the Eligible Commercial Bank.

If USD denominated Cash Collateral is received before 18:00 CET on Day minus one, such USD denominated Cash Collateral will be taken into account in the relevant FCM Margin Balance used for the Morning Margin Call on Day.

- (h) Return of non-Euro denominated Cash Collateral (other than USD denominated Cash Collateral to be recorded in the LCH FCM Client USD Account)

On Day minus one

A Clearing Member must notify LCH.Clearnet SA of its request to have non-Euro denominated Cash Collateral returned to it by [sending\(i\) submitting](#) the relevant form (which is available on the Website) by fax or by email to LCH.Clearnet SA at +33 1 70 37 65 06 or [treasury.ops.fr@lchclearnet.com](mailto:treasury.ops.fr@lchclearnet.com)- or [\(ii\) any other means as specified in a Clearing Notice](#). A Clearing Member must specify, on this form, the account to which the non-Euro denominated Cash Collateral should be returned.

The ~~form~~[Clearing Member](#) must ~~be received by~~[notify](#) LCH.Clearnet SA [as set out above](#) by no later than 16:00 CET on a Business Day (“Day minus one”) in order for the Clearing Member’s request to be processed on the next following Business Day (“Day”) and to allow LCH.Clearnet SA to give instructions (in the circumstances described below) to make the transfer on Day during the Additional Specific Collateral Slot. It is the Clearing Member’s responsibility to ensure the due receipt by LCH.Clearnet SA of the relevant ~~form~~[notification](#). Accordingly, the Clearing Member should confirm its request by 16:00 CET by a phone call to LCH.Clearnet SA’s Treasury Operations team on +33 1 70 37 66 86/66 37/65 35, although a failure to do so shall not invalidate any request actually received by LCH.Clearnet SA.

Any request received by LCH.Clearnet SA pursuant to this Paragraph 3.8(h) shall be deemed firm and irrevocable.

On Day

- In respect of a Clearing Member’s House Collateral Account and Client Collateral Account(s)

Following the First Intraday Slot and, in any event, by 12:00 CET at the latest, LCH.Clearnet SA will re-calculate the value of the non-Euro denominated Cash Collateral to be returned to the Clearing Member (the “**Non-Euro Cash Collateral Value**”) and:

- 1- provided LCH.Clearnet SA holds sufficient Collateral (other than that which is to be returned) to cover the Margin Requirement for the relevant Margin Account and the Non-Euro Cash Collateral Value does not exceed the amount of non-Euro denominated Cash Collateral previously provided to LCH.Clearnet SA through a Collateral Call, LCH.Clearnet SA will process the return of the non-Euro denominated Cash Collateral to the Clearing Member in accordance with the remaining provisions of this Paragraph 3.8(h);  
or



2- if LCH.Clearnet SA does not hold sufficient Collateral (other than that which is to be returned) to cover the Margin Requirement for the relevant Margin Account, LCH.Clearnet SA will debit an amount of Euro-denominated Cash Collateral equal to the Non-Euro Cash Collateral Value from the relevant TARGET2 Account of the Clearing Member (or the relevant cash account of its TARGET2 Payment Agent) during the Additional Specific Collateral Slot. Provided an amount of Euro-denominated Cash Collateral equal to the Non-Euro Cash Collateral Value is received by LCH.Clearnet SA, LCH.Clearnet SA will process the return of the non-Euro denominated Cash Collateral to the Clearing Member in accordance with the remaining provisions of this Paragraph 3.8(h).

- In respect of a CCM's Buffer Collateral Account

Following the First Intraday Slot and, in any event, by 12:00 CET at the latest, LCH.Clearnet SA will re-calculate the Non-Euro Cash Collateral Value and:

1- provided LCH.Clearnet SA holds Cash Collateral (other than that which is to be returned) in an amount at least equal to the CCM Available Client Collateral Buffer, as determined at the time when the request is received and processed by LCH.Clearnet SA, and the amount does not exceed the amount of non-Euro denominated Cash Collateral previously provided to LCH.Clearnet SA through a Collateral Call, LCH.Clearnet SA will process a return of the Non-Euro Cash Collateral Value in accordance with the remaining provisions of this Paragraph 3.8(h) ; or

2- if LCH.Clearnet SA holds Cash Collateral (other than that which is to be returned) in an amount below the CCM Available Client Collateral Buffer, LCH.Clearnet SA will debit an amount of Euro-denominated Cash Collateral equal to the Non-Euro Cash Collateral Value from the relevant TARGET2 Account of the CCM (or the relevant cash account of its TARGET2 Payment Agent) during the Additional Specific Collateral Slot. Provided an amount of Euro-denominated Cash Collateral equal to the Non-Euro Cash Collateral Value is received by LCH.Clearnet SA, LCH.Clearnet SA will process the return of the non-Euro denominated Cash Collateral to the CCM in accordance with the remaining provisions of this Paragraph 3.8(h).

- In respect of an FCM Unallocated Client Collateral Financial Account

Following the First Intraday Slot and, in any event, by 12:00 CET at the latest, LCH.Clearnet SA will re-calculate the Non-Euro Cash Collateral Value of the requested amount of FCM Unallocated Client Excess Collateral recorded in the FCM Unallocated Client Collateral Financial Account to be returned and will process a return of the Non-Euro Cash Collateral Value in accordance with the remaining provisions of this Paragraph 3.8(h).

- Return of the Non-Euro Cash Collateral Value

In the event that LCH.Clearnet SA is required to, but has not been able to, debit an amount of Euro-denominated Cash Collateral equal to the Non-Euro Cash Collateral Value from the Clearing Member's TARGET2 Account(s) or the relevant cash accounts of its TARGET2 Payment Agent), the Clearing Member's request to have non-Euro denominated Cash Collateral returned to it will be deemed void and LCH.Clearnet SA shall retain the non-Euro denominated Cash Collateral which the Clearing Member requested to be returned. LCH.Clearnet SA's inability to debit Euro-denominated Cash Collateral equal to the Eligible Collateral Value intra-day through TARGET2 shall not constitute a Payment Failure in respect of the Clearing Member.

Save in the circumstances described above, LCH.Clearnet SA will give instructions to the Eligible Commercial Bank to credit the relevant account(s) of the Clearing Member (as notified in the form on Day minus one) with the non-Euro denominated Cash Collateral between 13:00 and 15:00 CET.

- (i) Return of USD denominated Cash Collateral recorded in the LCH FCM Client USD Account

#### On Day

An FCM Clearing Member must notify LCH.Clearnet SA of its request to have USD denominated Cash Collateral recorded in the LCH FCM Client USD Account returned to it by [sending\(i\) submitting](#) the relevant form (which is available on the Website) by fax or by email to LCH.Clearnet SA at +33 1 70 37 65 06 or or [treasury.ops.fr@lchclearnet.com](mailto:treasury.ops.fr@lchclearnet.com) or (ii) [any other means as specified in a Clearing Notice](#). An FCM Clearing Member must specify, on this form, the FCM Cleared Swaps Client Segregated Depository Account to which the USD denominated Cash Collateral should be returned.

The ~~form~~[FCM Clearing Member](#) must ~~be received by~~[notify](#) LCH.Clearnet SA by no later than 17:00 CET on a Business Day ("Day") in order for the FCM Clearing Member's request to be processed on the same Business Day ("Day") and to allow LCH.Clearnet SA to give instructions (in the circumstances described below) to make the transfer on Day. It is the FCM Clearing Member's responsibility to ensure the due receipt by LCH.Clearnet SA of the relevant ~~form~~[notification](#). Accordingly, the FCM Clearing Member should confirm its request by 17:00 CET by a phone call to LCH.Clearnet SA's Treasury Operations team on +33 1 70 37 66 86/66 37/65 35, although a failure to do so shall not invalidate any request actually received by LCH.Clearnet SA.

Any request received by LCH.Clearnet SA pursuant to this Paragraph 3.8(i) shall be deemed firm and irrevocable.

On Day

- In respect of an FCM Clearing Member's FCM Client Collateral Account

By 17:00 CET at the latest, LCH.Clearnet SA will re-calculate the value of the USD denominated Cash Collateral to be returned to the FCM Clearing Member (the "**USD Cash Collateral Value**") and if:

1. LCH.Clearnet SA holds sufficient Collateral (other than that which is to be returned) to cover the FCM Client Margin Requirement for the relevant FCM Client Margin Account, LCH.Clearnet SA will process the return of the USD denominated Cash Collateral to the FCM Clearing Member (up to the amount of USD denominated Cash Collateral provided originally by the FCM Clearing Member) before 18:00 CET; or
2. LCH.Clearnet SA does not hold sufficient Collateral (other than that which is to be returned) to cover the FCM Client Margin Requirement for the relevant FCM Client Margin Account, LCH.Clearnet SA will reject FCM Clearing Member request to have USD denominated cash collateral returned to it.

If FCM Clearing Member's relevant FCM Margin Requirements are covered with sufficient alternative collateral (other than that which is to be returned), LCH.Clearnet SA will give instructions to the Eligible Commercial Bank to credit the FCM Clearing Member's relevant account(s) (as notified in the form on Day) with the USD denominated Cash Collateral immediately.

Such instructions will, in any event, be made on the same Business Day ("Day") at 18:00 CET, i.e. in advance of the relevant commercial bank's currency cut-off time (except in exceptional circumstances, as determined by LCH.Clearnet SA in an objective and commercially reasonable manner).

- In respect of an FCM Unallocated Client Collateral Financial Account Client Collateral Account

By 17:00 CET at the latest, LCH.Clearnet SA will re-calculate the USD Cash Collateral Value of the requested amount of FCM Unallocated Client Excess Collateral recorded in the FCM Unallocated Client Collateral Financial Account and will process a return of the USD Cash Collateral Value in accordance with the remaining provisions of this Paragraph 3.8(i).

### 3.9 **ELIGIBLE COLLATERAL**

A list of the securities that constitute Eligible Collateral, together with applicable haircuts, is set out on the Website at [http://www.lchclearnet.com/risk\\_management/sa/collateral\\_management.asp](http://www.lchclearnet.com/risk_management/sa/collateral_management.asp).

LCH.Clearnet SA may amend this list in accordance with Article 4.2.7.1 of the CDS Clearing Rule Book and this Paragraph 3.9.

For risk management purposes, LCH.Clearnet SA does not permit a Clearing Member to transfer “self-issued securities” as Eligible Collateral (i.e. securities issued by such Clearing Member or by any of its Affiliates).

(a) Withholding tax

Each Clearing Member should ensure that the Eligible Collateral submitted to LCH.Clearnet SA's accounts with custodians or Central Securities Depositories or transferred to LCH.Clearnet SA's pledged account at Euroclear Bank pursuant to a collateral arrangement, or BNYM US pursuant to a security arrangement, is not subject to withholding tax.

If the Eligible Collateral is subject to withholding tax and a Clearing Member does not request the return of Eligible Collateral prior to the relevant record date of the securities to enable the Clearing Member to receive the gross coupon or dividend, any coupon or dividend will be paid to the Clearing Member by LCH.Clearnet SA net of withholding tax.

(b) FX conversion and discounts

A discount shall be applied to the value of Eligible Collateral transferred by a Clearing Member. The amount of the discount shall be notified on the Website. Such discounts may be modified at any time and at the sole discretion of LCH.Clearnet SA.

Whenever LCH.Clearnet SA is required to convert non-Euro denominated Eligible Collateral, transferred by a Clearing Member, to Euros such conversion shall be effected on the basis of the Applicable Price.

(c) Events affecting the eligibility of Eligible Collateral

Where a security which constitutes Eligible Collateral is affected by one of the following events (each, a “**Collateral Event**” and together, the “**Collateral Events**”):

- i) a suspension from trading of such security by an exchange, or
- ii) the public announcement of a take-over bid, public exchange offer, split or reverse split involving the entity issuing such security,

LCH.Clearnet SA will publish a Clearing Notice on the Website notifying Clearing Members that such security will no longer constitute Eligible Collateral. The Clearing Notice will specify the effective date, which shall be no later than 2 Business Days following the date of the Collateral Event, as of which the securities will no longer constitute Eligible Collateral.

Where a Clearing Member has transferred such securities to LCH.Clearnet SA with full title or to LCH.Clearnet SA's pledged account(s) at Euroclear Bank, or to LCH.Clearnet SA's segregated depository account(s) at BNYM US, such Clearing Member should request a return of the securities in

accordance with Paragraph 3.10(c), 3.15 (b) or 3.17 (b), as appropriate, and transfer alternative Collateral to LCH.Clearnet SA in accordance with this Section 3 to satisfy any of its Margin Requirements and its obligation in respect of its House Excess Collateral Threshold.

Where the Clearing Member does not request a return of the securities and/or transfer alternative Collateral to LCH.Clearnet SA prior to the effective date specified in the Clearing Notice published in accordance with this Paragraph 3.9(c), LCH.Clearnet SA will calculate the Margin Balance of the Clearing Member's House Collateral Account and each of its affected Client Collateral Accounts, in accordance with Paragraph 3.2, on the effective date specified in such Clearing Notice, excluding the suspended securities. As a result of this calculation LCH.Clearnet SA shall determine whether or not there is a Margin Shortfall for any Margin Account of the Clearing Member. Where there is a Margin Shortfall this will be detailed in the AC0103E Report which is sent to the Clearing Member in accordance with Paragraph 5.13(b) of Section 5 of the Procedures and LCH.Clearnet SA shall be taken into account for the purposes of calculating the Required Collateral Amount for the purposes of the Morning Call on the next Business Day.

For the avoidance of doubt, LCH.Clearnet SA shall retain the suspended securities until such time as the Clearing Member requests their return in accordance with this Paragraph 3.9(c) but they shall not be taken into account for the ~~purpose~~ purposes of calculating any Margin Balance of the Clearing Member on subsequent Business Days.

- (d) Transfer of Eligible Collateral (other than US T-Bills transferred by an FCM Clearing Member on behalf of FCM Clients)

Subject to the requirement applicable to US T-Bills transferred by an FCM Clearing Member on behalf of FCM Clients as set out in Paragraph 3.9 (e) below, a Clearing Member can transfer Eligible Collateral to LCH.Clearnet SA, either:

- i) with full title, in accordance with Paragraph 3.10 to be recorded in its House Collateral Account and the case of a CCM only, in any of its CCM Client Collateral Accounts; or
  - ii) by way of security interest whereby the Eligible Collateral would be transferred to the relevant LCH.Clearnet SA pledged account at Euroclear Bank and held pursuant to a Belgian law pledge in accordance with Paragraph 3.15 and to be recorded in its House Collateral Account and in the case of a CCM only, in any of its CCM Client Collateral Accounts.
- (e) Transfer of US T-Bills provided by an FCM Clearing Member on behalf of FCM Clients

If an FCM Clearing Member wishes to transfer US T-Bills on behalf of FCM Clients, it shall be transferred by way of security interest and recorded in LCH.Clearnet SA's segregated depository account held at BNYM US in accordance with Paragraph 3.14.

### 3.10 ELIGIBLE COLLATERAL TRANSFERRED WITH FULL TITLE

(a) Securities accounts

LCH.Clearnet SA holds Eligible Collateral transferred to it with full title in the following sets of accounts opened in the books of Euroclear Bank and Euroclear France:

- i) a security account in each of Euroclear Bank and Euroclear France used to credit Eligible Collateral which is transferred by Clearing Members to be recorded in their House Collateral Account (the “**LCH House Securities Account**”); and
- ii) a security account in each of Euroclear Bank and Euroclear France used to credit Eligible Collateral which is transferred by Clearing Members to be recorded in any of their Client Collateral Accounts (the “**LCH Client Securities Account**”).

The LCH House Securities Account and the LCH Client Securities Account shall be together referred to as the “**LCH Securities Accounts**”.

LCH.Clearnet SA may invest Eligible Collateral provided to LCH.Clearnet SA with full title in accordance with Paragraph 3.11(b).

(b) Transfer of Eligible Collateral

On Day minus one

If:

- (i) a Clearing Member wishes to transfer additional Eligible Collateral with full title to be recorded in its House Collateral Account, and in the case of a CCM, in any of its CCM Client Collateral Accounts; or
- (ii) a Clearing Member wishes to transfer Eligible Collateral with full title to be recorded in its House Collateral Account, and in the case of a CCM, in its CCM Client Collateral Account, for the purpose of substituting such Eligible Collateral for any Collateral recorded in its Collateral Accounts,

it shall notify LCH.Clearnet SA of its request to transfer such Eligible Collateral with LCH.Clearnet SA by sending(i) submitting the relevant form (which is available on the Website) by fax or by email to LCH.Clearnet SA at (+33) (0)1 70 37 65 06 or collateral.ops.fr@lchclearnet.com; or (ii) any other means as specified in a Clearing Notice. The process that a Clearing Member and LCH.Clearnet SA must follow to process the return of substituted Collateral to the Clearing Member is set out in paragraph 3.7(hg) (for Euro denominated Cash Collateral), 3.8(h) (for non-Euro denominated Cash Collateral), 3.8(i) (for USD denominated Cash Collateral), 3.15(b) (for Pledged Eligible Collateral) or 3.17(b) (for US T-Bills), as applicable.

In respect of a CCM only, if ~~the form submitted~~such CCM notifies to LCH.Clearnet SA ~~indicates~~ that Eligible Collateral will be transferred to the LCH Client Securities Account but the CCM does not specify to which CCM Client Collateral Account(s) some or all such Eligible Collateral should be recorded, LCH.Clearnet SA will not accept the request to transfer such Eligible Collateral.

The ~~form~~Clearing Member must ~~be received by~~notify LCH.Clearnet SA as set out above by no later than 16:00 CET on a Business Day ("Day minus one") in order for the Clearing Member's request to be processed on the next following Business Day ("Day") and to enable the transfer to occur on Day. It is the Clearing Member's responsibility to ensure the due receipt by LCH.Clearnet SA of the relevant ~~form~~notification. Accordingly, the Clearing Member should confirm the request by 16:00 CET by a phone call to LCH.Clearnet SA's collateral management team on (+33) (0)1 70 37 66 86/66 37/65 35, although a failure to do so shall not invalidate any request actually received by LCH.Clearnet SA.

#### On Day

A Clearing Member must submit instructions (Franco or Sell Free of payment) via Euroclear Bank or ESES (Euroclear France), as applicable, and LCH.Clearnet SA must submit instructions (Buy free of payment) if Clearing Member uses Sell free of payment, for matching through Euroclear Bank or ESES (Euroclear France).

If LCH.Clearnet SA receives the confirmation of settlement from Euroclear Bank or ESES (Euroclear France):

- i) before 10:30 CET on Day, the Eligible Collateral will form part of the relevant Margin Balance and be taken into account for the purposes of the First Intraday Call on Day;
- ii) at or after 10:30 CET but prior to 11:45 CET on Day, the Eligible Collateral will form part of the relevant Margin Balance and be taken into account for the purposes of calculations in relation to a Collateral substitution request which is to be effected using Additional Specific Collateral Slot;
- iii) at or after 11:45 CET but prior to 14:30 CET on Day, the Eligible Collateral will form part of the relevant Margin Balance and be taken into account for the purposes of the Second Intraday Call on Day;
- iv) at or after 14:30 CET on Day, the Eligible Collateral will ~~be~~form part of the relevant Margin Balance and be taken into account for the purposes of the Morning Call on the next following Business Day.

(c) Return of Eligible Collateral

On Day minus one

A Clearing Member must notify LCH.Clearnet SA of a request to have Eligible Collateral returned to it by sending(i) submitting the relevant form (which is available on the Website) by fax or by email to +33 1 70 37 65 06 or collateral.ops.fr@lchclearnet.com or (ii) any other means as specified in a Clearing Notice.

The form Clearing Member must be received by notify LCH.Clearnet SA by no later than 16:00 CET on a Business Day (“Day minus one”) in order for the Clearing Member’s request to be processed on the next following Business Day (“Day”) and to allow LCH.Clearnet SA to give instructions (in the circumstances described below) to make the transfer to occur on Day during the Additional Specific Collateral Slot. It is the Clearing Member’s responsibility to ensure the due receipt by LCH.Clearnet SA of the relevant form notification. Accordingly, the Clearing Member should confirm the request by 16:00 CET by a phone call to LCH.Clearnet SA’s collateral management team on +33 1 70 37 66 86/66 37/65 35, although a failure to do so shall not invalidate any request actually received by LCH.Clearnet SA.

Any request received by LCH.Clearnet SA pursuant to this process shall be deemed firm and irrevocable.

On Day

Following the First Intraday Slot and, in any event, by 12:00 CET at the latest, LCH.Clearnet SA will re-calculate the value of the Eligible Collateral to be returned (the “**Eligible Collateral Value**”) and if:

- 1- LCH.Clearnet SA holds sufficient Collateral (other than that which is to be returned) to cover the Margin Requirement for the relevant Margin Account, LCH.Clearnet SA will process the return of the Eligible Collateral on request of the Clearing Member in accordance with the remaining provisions of this Paragraph 3.10(c); or
- 2- LCH.Clearnet SA does not hold Collateral (other than that which is to be returned) to cover the Margin Requirement for the relevant Margin Account, LCH.Clearnet SA will debit an amount of Euro-denominated Cash Collateral equal to the Eligible Collateral Value from the relevant TARGET2 Account(s) of the Clearing Member (or the relevant cash accounts of its TARGET2 Payment Agent) during the Additional Specific Collateral Slot. Provided an amount of Euro-denominated Cash Collateral equal to the Eligible Collateral Value is received by LCH.Clearnet SA, LCH.Clearnet SA will process the return of the Eligible Collateral to the Clearing Member in accordance with the remaining provisions of this Paragraph 3.10(c).



- ii) -the deadline for the Carrying Clearing Member to reject the transfer of Client Cleared Transactions and Client Assets, by submission of the Carrying Clearing Member Response Form in accordance with Section 5 of the Procedures, has expired,

LCH.Clearnet SA shall be able to instruct Euroclear Bank to transfer the relevant Client Pledged Eligible Collateral from the Carrying Clearing Member's Client Pledged Account to the Receiving Clearing Member's Client Pledged Account in accordance with the conditions and timeline set out in Section 5 of the Procedures.

### 3.14 **US T-BILLS TRANSFERRED TO LCH.CLEARNET SA'S DEPOSITORY ACCOUNT AT BNYM US**

An FCM Clearing Member may provide US T-Bills by way of security interest governed by laws of the State of New York in accordance with this Paragraph 3.14 and the FCM CDS Clearing Regulations.

- (a) Segregated depository account opened with BNYM US

To permit an FCM Clearing Member to transfer US T-Bills on behalf of its FCM Clients, LCH.Clearnet SA has opened a segregated depository account in BNYM US' books which shall be used to register US T-Bills in connection with FCM Cleared Transactions cleared for its FCM Clients (the "**LCH Client Depository Account**").

The LCH Client Depository Account forms part of the LCH Cleared Swaps Client Segregated Depository Account for purposes of the FCM CDS Clearing Regulations.

- (b) Transfer of FCM Client Cleared Transactions and related Account Assets

Provided that LCH.Clearnet SA provides BNYM US with a copy of the Client Full Transfer Form transmitted by the Receiving Clearing Member to LCH.Clearnet SA in accordance with Section 5 of the Procedures, LCH.Clearnet SA shall be able to transfer the relevant Eligible Collateral from the Carrying Clearing Member's LCH Client Depository Account to the Receiving Clearing Member's LCH Client Depository Account in accordance with the conditions and timeline set out in Section 5 of the Procedures.

### 3.15 **ELIGIBLE COLLATERAL TRANSFER PURSUANT TO THE PLEDGE AGREEMENT**

- (a) Transfer of Pledged Eligible Collateral

On Day minus one

If:

- (i) a Clearing Member wishes to transfer additional Pledged Eligible Collateral to be recorded in its House Collateral Account and, in the case of a CCM, in any of its CCM Client Collateral Accounts; or

- (ii) a Clearing Member wishes to transfer Pledged Eligible Collateral to be recorded in any of its Collateral Accounts for the purpose of substituting such Pledged Eligible Collateral for any Collateral recorded in its Collateral Accounts,

it shall notify LCH.Clearnet SA of its request to transfer Pledged Eligible Collateral to the relevant Pledged Account by sending(i) submitting the relevant form (which is available on the Website) by fax or by email to LCH.Clearnet SA at +33 1 70 37 65 06 or collateral.ops.fr@lchclearnet.com- or (ii) any other means as specified in a Clearing Notice. The process that a Clearing Member and LCH.Clearnet SA must follow to process the return of substituted Collateral to the Clearing Member is set out in paragraph 3.7(hg) (for Euro denominated Cash Collateral), 3.8(h) (for non-Euro denominated Cash Collateral), 3.8(i) (for USD denominated Cash Collateral), 3.10(c) (for Eligible Collateral transferred with full title) or 3.17(b) (for US T-Bills), as applicable.

In respect of a CCM only, if the form submitted such CCM notifies to LCH.Clearnet SA indicates that Pledged Eligible Collateral will be transferred to the Client Pledged Account but the CCM does not specify to which CCM Client Collateral Account(s) some or all such Pledged Eligible Collateral should be recorded, LCH.Clearnet SA will not accept the request to transfer such Pledged Eligible Collateral.

The form Clearing Member must be received by notify LCH.Clearnet SA as set out above by no later than 16:00 CET on a Business Day ("Day minus one") in order for the Clearing Member's request to be processed on the next following Business Day ("Day") and to enable the transfer to occur on Day. It is the Clearing Member's responsibility to ensure the due receipt by LCH.Clearnet SA of the relevant form notification. Accordingly, the Clearing Member should confirm the request by 16:00 CET by a phone call to LCH.Clearnet SA's collateral management team on + 33 1 70 37 66 86/66 37/65 35, although a failure to do so shall not invalidate any request actually received by LCH.Clearnet SA.

#### On Day

A Clearing Member must submit instructions (Franco or Sell Free of payment) via Euroclear Bank and LCH.Clearnet SA must submit instructions (Buy free of payment) if Clearing Member uses Sell free of payment, for matching through Euroclear Bank.

If LCH.Clearnet SA receives the confirmation of settlement from Euroclear Bank:

- i) before 10:30 CET on Day, the Pledged Eligible Collateral ~~will~~ form part of the relevant Margin Balance and be taken into account for the purposes of the First Intraday Call on Day;
- ii) at or after 10:30 CET and prior to 11:45 CET on Day, the Pledged Eligible Collateral will form part of the relevant Margin Balance and ~~will~~ be taken into account for the purposes of calculations in relation to a

Collateral substitution request which is to be effected using the Additional Specific Collateral Slot:

- iii) before at or after 11:45 CET and prior to 14:30 CET on Day, the Pledged Eligible Collateral will form part of the relevant Margin Balance and ~~will~~ be taken into account for the purposes of the Second Intraday Call on Day;
- iv) ~~if~~ LCH.Clearnet SA receives the confirmation of settlement from Euroclear Bank at or after 14:30 CET on Day, the Pledged Eligible Collateral will form part of the relevant Margin Balance and ~~will~~ be taken into account for the purposes of the Morning ~~Margin~~ Call on the next following Business Day.

(b) Release of Pledged Eligible Collateral

On Day minus one

A Clearing Member must notify LCH.Clearnet SA of a request to have Pledged Eligible Collateral released by ~~submitting~~ sending(i) submitting the relevant form (which is available on the Website) by fax or by email to +33 1 70 37 65 06 or collateral.ops.fr@lchclearnet.com or (ii) any other means as specified in a Clearing Notice.

The ~~form~~ Clearing Member must ~~be received by~~ notify LCH.Clearnet SA by no later than 16:00 CET on a Business Day ("Day minus one") in order for the Clearing Member's request to be processed on the next following Business Day ("Day") and to allow LCH.Clearnet SA to give instructions (in the circumstances described below) to make the transfer to occur on Day. It is the Clearing Member's responsibility to ensure the due receipt by LCH.Clearnet SA of the relevant ~~form~~ notification. Accordingly, the Clearing Member should confirm the request by 16:00 CET by a phone call to LCH.Clearnet SA's collateral management team on +33 1 70 37 66 86/66 37/65 35, although a failure to do so shall not invalidate any request actually received by LCH.Clearnet SA. Any request received by LCH pursuant to this process shall be deemed firm and irrevocable

On Day

Following the first intraday TARGET2 payment window (11:25-11:50 CET) and, in any event, by 12:00 CET latest, LCH.Clearnet SA will re-calculate the value of the Pledged Eligible Collateral to be released (the "**Pledged Eligible Collateral Value**") and if:

- 1- LCH.Clearnet SA holds Collateral (other than that which is to be released) to cover the Margin Requirement for the relevant Margin Account, LCH.Clearnet SA will process the release of the Pledged Eligible Collateral on request of the Clearing Member in accordance with the remaining provisions of this Paragraph 3.15(b); or

- 2- LCH.Clearnet SA does not hold sufficient Collateral (other than that which is to be released) to cover the Margin Requirement for the relevant Margin Account, LCH.Clearnet SA will notify the Clearing Member by 12:20 CET and debit an amount of Euro denominated Cash Collateral equal to the Pledged Eligible Collateral Value from the relevant TARGET2 Account(s) of the Clearing Member (or the relevant cash account(s) of its TARGET2 Payment Agent) during the Additional Specific Collateral Slot. Provided an amount of Euro-denominated Cash Collateral equal to the Pledged Eligible Collateral Value is received by LCH.Clearnet SA, LCH.Clearnet SA will process the return of the Pledged Eligible Collateral to the Clearing Member in accordance with the remaining provisions of this Paragraph 3.15(b).

In the event that LCH.Clearnet SA is required to, but has not been able to, debit an amount of Euro-denominated Cash Collateral equal to the Pledged Eligible Collateral Value from the Clearing Member's TARGET2 Accounts or the relevant cash accounts of its TARGET2 Payment Agent), the Clearing Member's request to have Pledged Eligible Collateral released to it will be deemed void and LCH.Clearnet SA shall not release Pledged Eligible Collateral to the Clearing Member. LCH.Clearnet SA's inability to debit Euro-denominated Cash Collateral equal to the Pledged Eligible Collateral Value intra-day through TARGET2 shall not constitute a Payment Failure in respect of the Clearing Member.

Save in the circumstances described above, LCH.Clearnet SA will send instructions (Sell Free of Payment) submitted via Euroclear Bank and the Clearing Member shall submit instructions (Buy Free of Payment), for matching through Euroclear Bank between 13:00 and 15:00.

LCH.Clearnet SA's instructions via Euroclear Bank shall constitute the release of the relevant Pledged Eligible Collateral.

Such instructions will, in any event, be sent on the same Business Day in advance of the relevant International Central Securities Depository cut-off time (except in exceptional circumstances, as judged in an objective and commercially reasonable manner).

### **3.16 TRANSFER OF CLIENT PLEDGED ELIGIBLE COLLATERAL FOLLOWING AN EVENT OF DEFAULT**

In the event that a Defaulting Clearing Member or a Backup Clearing Member is a CCM, any transfer of Client Pledged Eligible Collateral shall be undertaken in accordance with this Paragraph 3.16 and the CDS Clearing Documentation.

- (a) Transfer of Client Pledged Eligible Collateral to LCH.Clearnet SA

In order to transfer Client Pledged Eligible Collateral to LCH.Clearnet SA, in order to satisfy a request made in accordance with Article 4.3.2.1(i) of the CDS Clearing Rule Book, the Defaulting Clearing Member must provide LCH.Clearnet SA with its consent to the debit of Client Pledged Eligible Collateral from its Client Pledged Account by Euroclear, pursuant to an

instruction of LCH.Clearnet SA, and credit of the Client Pledged Eligible Collateral to be credited to the LCH Client Securities Account. ~~To evidence its consent the~~ The Defaulting Clearing Member must ~~send evidence its consent by (i) submitting~~ the relevant form (which is available on the Website) by fax or by email to LCH.Clearnet SA at +33 1 70 37 65 06 or [collateral.ops.fr@lchclearnet.com](mailto:collateral.ops.fr@lchclearnet.com) or (ii) by any other means as specified in a [Clearing Notice](#).

Following the receipt of the consent of the Defaulting Clearing Member, LCH.Clearnet SA will submit instructions via Euroclear Bank. When LCH.Clearnet SA receives the confirmation of settlement from Euroclear Bank or Euroclear France, as applicable, LCH.Clearnet SA shall update the relevant CCM Client Collateral Account(s) of the Defaulting Clearing Member to reflect that such Eligible Collateral has been transferred with full title to LCH.Clearnet SA.

Provided the Defaulting Clearing Member has sent its consent in accordance with this Paragraph 3.16(a), within the timeframe specified by LCH.Clearnet SA pursuant to Article 4.3.2.1(i), the Defaulting Clearing Member shall be treated as having satisfied its obligation to transfer ownership in the Client Pledged Eligible Collateral to LCH.Clearnet SA as required by the CDS Admission Agreement. If, however, the Defaulting Clearing Member has not sent its consent within the timeframe specified by LCH.Clearnet SA pursuant to Article 4.3.2.1(i), LCH.Clearnet SA shall be entitled to enforce the security interest granted to it under, and in accordance with, the Pledge Agreement and, in accordance with the CDS Clearing Rule Book by appropriation of the Defaulting Clearing Member's Client Pledged Eligible Collateral.

(b) Transfer of Eligible Collateral to the Backup Clearing Member

On the day prior to the registration of the Relevant Client Cleared Transactions and the Ported Collateral in the CCM Client Account Structure of the Backup Clearing Member, in accordance with the CDS Client Clearing DMP, LCH.Clearnet SA will update its books and records so that the Eligible Collateral recorded in the LCH Client Securities Account is recorded as Eligible Collateral which has been transferred with full title by the Backup Clearing Member to be recorded in the relevant CCM Client Collateral Account(s) of the Backup Clearing Member.

Once the books and records update has been processed, the relevant Eligible Collateral will form part of the CCM Margin Balance for the relevant CCM Client Margin Account of the Backup Clearing Member to be taken into account for the purposes of the Morning Call on the next following Business Day. If the Backup Clearing Member wishes that such Eligible Collateral be transferred to its relevant Client Pledged Account, it shall follow the process to substitute the Eligible Collateral for Pledged Eligible Collateral as set out in Paragraph 3.10(c) and 3.15(a) of this Section 3.

### 3.17 TRANSFER OF US T-BILLS ON BEHALF OF FCM CLIENTS

- (a) Transfer of Eligible Collateral consisting of US T-Bills on behalf of FCM Clients

On Day minus one

If an FCM Clearing Member wishes to transfer Eligible Collateral consisting of US T-Bills to be recorded in its FCM Client Collateral Account for the purpose of substituting such Eligible Collateral for any Collateral recorded in its FCM Client Collateral Account, it shall notify LCH.Clearnet SA of its request to transfer such Eligible Collateral to the LCH Client Depository Account by [sending\(i\) submitting](#) the relevant form (which is available on the Website) by fax or by email to LCH.Clearnet SA at +33 1 70 37 65 06 or ~~or~~ [collateral.ops.fr@lchclearnet.com](mailto:collateral.ops.fr@lchclearnet.com), or (ii) [any other means as specified in a Clearing Notice](#). The process that an FCM Clearing Member and LCH.Clearnet SA must follow to process the return of substituted Collateral to the FCM Clearing Member is set out in paragraph 3.7(~~hg~~) (for Euro denominated Cash Collateral), 3.8(h) (for non-Euro denominated Cash Collateral) or 3.8(i) (for USD denominated Cash Collateral), as applicable.

The ~~form~~[FCM Clearing Member](#) must ~~be received by~~[notify](#) LCH.Clearnet SA [as set out above](#) by no later than 17:00 CET on a Business Day (“Day minus one”) in order for the FCM Clearing Member’s request to be processed and to enable the transfer to occur on the Business Day (“Day minus one”) before 18:00 CET. It is the FCM Clearing Member’s responsibility to ensure the due receipt by LCH.Clearnet SA of the relevant ~~form~~[notification](#). Accordingly, the FCM Clearing Member should confirm the request by 17:00 CET by a phone call to LCH.Clearnet SA’s collateral management team on + 33 1 70 37 66 86/66 37/65 35, although a failure to do so shall not invalidate any request actually received by LCH.Clearnet SA.

On Day minus one

[AA](#)n FCM Clearing Member must submit instructions (Franco or Sell Free of payment) via BNYM US and LCH.Clearnet SA must submit instructions (Buy free of payment) if an FCM Clearing Member uses Sell free of payment, for matching through BNYM US.

If LCH.Clearnet SA receives the confirmation of settlement from BNYM US before 18:00 CET on Day minus one, US T-Bills will be taken into account in the relevant Margin Balance used for the Morning Margin Call on the following Business Day.

- (b) Release of Eligible Collateral consisting of US T-Bills on behalf of FCM Clients

On Day

[AA](#)n FCM Clearing Member must notify LCH.Clearnet SA of a request to have US T-Bills released by [sending\(i\) submitting](#) the relevant form (which is available on the Website) by fax or by email to +33 1 70 37 65 06 or ~~or~~

[collateral.ops.fr@lchclearnet.com](mailto:collateral.ops.fr@lchclearnet.com), or (ii) any other means as specified in a Clearing Notice.

The ~~form~~ FCM Clearing Member must ~~be received by~~ notify LCH.Clearnet SA as set out above by no later than 17:00 CET on a Business Day (“Day”) in order for the FCM Clearing Member’s request to be processed and to allow LCH.Clearnet SA to give instructions (in the circumstances described below) to make the transfer to occur on the Business Day (“Day”) before 18:00 CET. It is the FCM Clearing Member’s responsibility to ensure the due receipt by LCH.Clearnet SA of the relevant ~~form~~ notification. Accordingly, the FCM Clearing Member should confirm the request by 17:00 CET by a phone call to LCH.Clearnet SA’s collateral management team on +33 1 70 37 66 86/66 37/65 35, although a failure to do so shall not invalidate any request actually received by LCH.Clearnet SA. Any request received by LCH pursuant to this process shall be deemed firm and irrevocable.

#### On Day

By 17:00 CET at the latest, LCH.Clearnet SA will re-calculate the value of US T-Bills to be released (the “**Eligible Collateral Value**”) and if:

- 1- LCH.Clearnet SA holds Collateral (other than that which is to be released) to cover the FCM Client Margin Requirement for the relevant FCM Client Margin Account, LCH.Clearnet SA will process the release of the Eligible Collateral consisting of US T-Bills on request of the FCM Clearing Member; or
- 2- LCH.Clearnet SA does not hold sufficient Collateral (other than that which is to be released) to cover the FCM Client Margin Requirement for the relevant FCM Client Margin Account, LCH.Clearnet SA will reject the FCM Clearing Member’s request.

LCH.Clearnet SA will send instructions (Sell Free of Payment) submitted via BNYM US and the FCM Clearing Member shall submit instructions (Buy Free of Payment), for matching through BNYM US between 17:00 and 18:00.

LCH.Clearnet SA’s instructions via BNYM US shall constitute the release of the relevant US T-Bills.

Such instructions will, in any event, be made on the same Business Day (“Day-”) at 18:00 CET, i.e. in advance of the BNYM US’s cut-off time (except in exceptional circumstances, as determined by LCH.Clearnet SA in an objective and commercially reasonable manner).

CDS Clear

LCH.Clearnet SA  
CDS Clearing Procedures  
Section 5 - CDS Clearing Operations  
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such Collateral Holding Report via Euclid PC between 05.00 CET and 20.00 CET on each Business Day.

(f) **Compression Results File**

"**Compression Results File**" means the report described in this paragraph.

Description: A Compression Results File will contain confirmation of the details of the resultant compressed trades that have been created following the submission of an ad-hoc compression request by a Clearing Member.

Timing: Shortly after a Clearing Member submits an ad-hoc compression request in accordance with Section 5.5(a) above, LCH.Clearnet SA will publish a Compression Results File in respect of such request.

## 5.17 REGULATORY REPORTING

(a) **Reporting obligation under EMIR**

Pursuant to EMIR, LCH.Clearnet SA will report the details of any Cleared Transaction subject to the reporting obligation in accordance with EMIR Article 9.1 to a trade repository duly registered or recognised in accordance with EMIR. For this purpose, LCH.Clearnet SA will be using UnaVista Ltd as a trade repository ("**UnaVista**").

LCH.Clearnet SA will not report the details of any Cleared Transaction on behalf of the relevant Clearing Member and/or its Clients.

The details of any Cleared Transaction and any modification (including any correction of errors or inconsistencies contained in a report) or termination of such Cleared Transaction shall be reported to UnaVista no later than the Business Day following the day of occurrence of the event triggering the obligation to report pursuant to EMIR.

For the purpose of the above reporting, LCH.Clearnet SA will generate a Unique Trade ID ("**UTI**") to identify a Cleared Transaction and will communicate such UTI to the relevant Clearing Members in due time. Such UTI will be used from the creation of the Cleared Transaction until its termination.

(b) **Reporting obligation under CFTC Regulations Part 45**

Pursuant to CFTC Regulations Part 45, LCH.Clearnet SA will send reports to a Swap Data Repository ("**SDR**"). For this purpose LCH.Clearnet SA will be using ~~the DTCC Global Trade Data~~ Repository ("~~GTR(U.S.) LLC~~ ("**DDR**") as an SDR.

The reporting to ~~the GTR~~**DDR** will include creation data, continuation data and valuation data on any relevant Cleared Transaction as described below and according to the below timing:

1. Creation data: any creation of a Cleared Transaction as a result of the novation process will be reported by ~~the TIW to the GTR on behalf of~~ LCH.Clearnet SA ~~to DDR~~, upon occurrence of registration of the Cleared Transaction in accordance with ~~ArticleSection~~ 3.1.10-4 of the CDS Clearing Rule Book ~~and Section 5.8 above~~;

2. Continuation data: information on lifecycle events of the Cleared Transaction, including any termination, compression, credit events will be reported by ~~the TIW to the GTR on behalf of~~ LCH.Clearnet SA to DDR, upon occurrence of the relevant registration of such event ~~in accordance with Section 5.8 above~~;
3. Valuation data: the value of each relevant Cleared Transaction will be reported on a daily basis by LCH.Clearnet SA to ~~the GTR~~DDR.

For the purpose of the above reporting, LCH.Clearnet SA will use:

- (i) a Unique Swap Identifier (“**USI**”) to identify a Cleared Transaction and such USI will be used from the creation of the Transaction until its termination;
- (ii) the CFTC Interim Compliant Identifier (“**CICI**”) of each Party to the Transaction.

## 5.18 END OF DAY PRICE CONTRIBUTION

References to times and deadlines in this paragraph 5.18 are to London local time (being Greenwich Mean Time (GMT) or British Summer Time (BST) as applicable).

### 5.18.1 Market Data submission obligation

LCH.Clearnet SA has appointed the Index Publisher to be a Third Party Data Aggregator for the purposes of the CDS Admission Agreement. On each Clearing Day, LCH.Clearnet SA will request the Index Publisher to obtain Market Data from each Clearing Member for CDS in respect of which they have Open Positions.

Clearing Members are required to submit Market Data between 16.30 and 16.35 on each Clearing Day.

### 5.18.2 Calculation of End of Day Contributed Prices

The following diagram illustrates the procedures and flows for the calculation of the End of Day Contributed Prices.