



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

20 August 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 Limited ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), hereby submits changes to its Rulebook to allow for clearing of a new currency pair by the ForexClear service. The changes will be implemented on or after September 5, 2014.

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

The ForexClear service proposes to introduce clearing of USD/PEN (US dollar/Peruvian Nuevo Sol) Non-Deliverable Forwards ("NDF"s), thereby expanding its offering from eleven to twelve currency pairs. PEN is a free-floating currency, for which deliverable and non-deliverable forwards are available both onshore and offshore.

ForexClear has carried out rigorous analysis to determine the feasibility of adding PEN to its currency pair offering. The analysis concludes that while PEN is a new currency for the ForexClear service portfolio, it does not introduce any new or novel risk elements not already incorporated in the current ForexClear risk model, nor is there any impact to the operating model. Further, the introduction of this new currency pair is not expected to materially impact on the ForexClear default fund size.

As with the existing set of cleared contracts, Forexclear will accept eligible NDF trades in USD/PEN with a remaining maturity between 3 business days and 2 years and they will be cash settled at maturity in USD.

The terms of these contracts will replicate those defined by the Emerging Markets Trade Association ("EMTA") with respect to OTC FX NDF contracts.

The daily Final Settlement Price shall be equal to the "PEN INTERBANK AVE (PEN05)," which is the average exchange rate published by the Banco Central de Reserva del Peru (BCRP) as the "Tipo de Cambio Interbancario Promedio" at approximately 2:00 p.m. Lima time (Reuters "PEBCR05" page).

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## Part II: Description of Rule changes

The introduction of this new currency pair requires minor amendments be made to sections of Rulebook as described in the tables below:

Procedures Section 2I reference	FCM Procedures reference	Explanation
1.3.3(a)(ii)(G)	2.2.8(a)(vii)	Addition of PEN to Valuation Date and Settlement Date table
1.3.6(b)	2.2.8(h)(ii)	Addition of PEN to the Settlement Rate Options source codes table.
1.4.3	2.2.9(c)	Addition of PEN to Settlement Rate Publication Time table.

  

Product Specific Contract Terms and Eligibility Criteria Manual reference	FCM Product Specific Contract Terms and Eligibility Criteria Manual reference	Explanation
Schedule 3 Part A - 3.2	Schedule 3 Part A - 3.2	Inclusion of PEN-USD to Economic Terms section list of Currency Pairs
Schedule 3 Part B - 2	Schedule 3 Part B - 2	Inclusion of PEN to Reference Currency List

Black-line versions of the amended sections of the LCH.Clearnet Rulebook can be found in the appendix as follows:

Appendix A – Procedures Section 2I

Appendix B – FCM Procedures

Appendix C – Product Specific Contract Terms and Eligibility Criteria Manual

Appendix D – FCM Product Specific Contract Terms and Eligibility Criteria Manual

## Part III: Public Information

LCH.Clearnet certifies that, upon the submission of this material, in compliance with §39.21 of the Commission's regulations, LCH.Clearnet will post 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/ltd/proposed\\_rules.asp](http://www.lchclearnet.com/rules_and_regulations/ltd/proposed_rules.asp)

## Part IV: Compliance with Core Principles

LCH.Clearnet will continue to comply with all Core Principles following the introduction of these proposed changes to the Rulebook. LCH.Clearnet has concluded that its compliance with the Core Principles would not be adversely affected by these changes. The changes reflected herein will ensure continued compliance with the Core Principles and in particular principle C.



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

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

### **Certification**

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

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

Yours sincerely,

A handwritten signature in blue ink that reads "Julian Oliver".

Julian Oliver, Director Compliance and Public Affairs  
LCH.Clearnet Ltd

Cc: Jay Iyer, LCH.Clearnet  
Shawn Durrani, CFTC  
Kenji Takaki, CFTC

**LCH.Clearnet Rule Submission**

**Exhibit A**

**LCH.Clearnet Limited – Procedures Section 2I**



**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 2I**

**FOREXCLEAR CLEARING SERVICE**

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### 1.3.3 Trade Validation and Registration

#### (a) Process Flow Description

- (i) The Clearing House performs a validation check on each trade submitted by FXPs to ensure that each such trade meets the ForexClear Eligibility Criteria and the Counterparty Technical Validation Check (as defined below) and Incremental Risk Checks (as defined at paragraph (b) of this Section 1.3.3 (*Trade Validation and Registration*) required for ForexClear Transactions (together the "**Validation Checks**").
- (ii) The fields checked are as follows:
  - (A) *Counterparties*: (a) are both parties submitting trade particulars FXPs and (b) has each FXCCM in whose name the ForexClear Contract is to be registered not been declared a Defaulter by the Clearing House? (together, the "**Counterparty Technical Validation Check**");
  - (B) *Trade type*: is the instrument type an NDF?
  - (C) *Economic Terms*: does the trade include all the Economic Terms?
  - (D) *Currency Pairs*: are the Reference Currency and the Settlement Currency a Currency Pair (as defined in the Product Specific Contract Terms and Eligibility Criteria Manual).
  - (E) *Settlement Currency*: is the Settlement Currency USD?
  - (F) *Trade tenor eligibility*: does the scheduled Settlement Date fall on a date: (a) not earlier than three business days immediately following the date on which the trade is submitted to the Clearing House for registration (the "**Submission Date**") and (b) not later than the date falling two calendar years plus two business days immediately following the Submission Date? If the ForexClear Transaction arrives after the ForexClear date roll (00.00 local London time), the Submission Date is defined as the next good business day.
  - (G) *Valuation Date and Settlement Date*: do the Valuation Date and Settlement Date for the ForexClear Transaction fall on a valid Business Day for the Currency Pair to which the ForexClear Transaction relates? Does the Settlement Date fall on a Business Day after the Valuation Date? The table below shows

the relevant Business Days for determining the Valuation Date and the Settlement Date:<sup>1</sup>

Currency Pair	Business Days for Valuation Date	Relevant City/Cities for Business Day for Valuation Date	Business Days for Settlement Date	Relevant City for Business Day for Settlement Date
USD-BRL	BRL & USD	Any of Rio de Janeiro, Brasilia or São Paulo and New York City	USD	New York City
USD-CLP	USD & CLP	New York and Santiago	USD	New York City
USD-CNY	CNY	Beijing	USD	New York City
USD-COP	USD & COP	New York and Bogota	USD	New York City
USD-IDR	IDR	Jakarta	USD	New York City
USD-INR	INR	Mumbai	USD	New York City
USD-KRW	KRW	Seoul	USD	New York City
USD-MYR	MYR	Kuala Lumpur	USD	New York City
<u>USD-PEN</u>	<u>USD &amp; PEN</u>	<u>New York and Lima</u>	<u>USD</u>	<u>New York City</u>
USD-PHP	PHP	Manila	USD	New York City
USD-RUB	USD & RUB	New York and Moscow	USD	New York City
USD-TWD	TWD	Taipei	USD	New York City

- (iii) Trades that pass the Validation Checks are accepted and two trade records are created for the ForexClear Transaction: one for the ForexClear Contract between the Clearing House and the first FXCCM to the ForexClear Transaction and the other

<sup>1</sup>As amended from time to time as per relevant EMTA Template.



- (c) A successful cancellation message results in a "CANCELLED" status message if the ForexClear Transaction or the ForexClear Contract (as the case may be) is cancelled during the Opening Hours. The status messages are sent from the Clearing House to the FXCCM via the ForexClear Approved Trade Source System.
- (d) There is no ForexClear Contract or ForexClear Transaction amendment functionality.
- (e) *Process Flow Description*
  - (i) The Clearing House accepts trade cancellation instructions from the ForexClear Approved Trade Source System for ForexClear Transactions or ForexClear Contracts (as the case may be) that have previously been submitted to the ForexClear Service. Cancellation instructions must include the ForexClear ID.
  - (ii) The Clearing House checks that the cancellation instruction contains a valid ForexClear ID which relates to: (a) a ForexClear Transaction or ForexClear Contract (as the case may be) that has not been previously cancelled; and (b) in the case of a ForexClear Contract only, a ForexClear Contract with respect to which the relevant Valuation Date has not yet occurred.
  - (iii) Where a trade has already been rejected (as a result of having failed a Counterparty Technical Validation Check), the ForexClear Service sends a "CANCEL REJECTED" message to the ForexClear Approved Trade Source System for the relevant FXPs.
  - (iv) All trade cancellation instructions must pass the Incremental Risk Check. If any FXCCM has not transferred sufficient Collateral in respect of its Liabilities or estimated Liabilities to the Clearing House (taking into account any MER Buffer and MCE provided by the Clearing House, if any) at the time of the relevant Incremental Risk Check, then any ForexClear trade cancellation instruction to which it is a party will be rejected immediately. However, any ForexClear trade cancellation instruction that is risk reducing (i.e. results in a reduction of that FXCCM's Liabilities) will always pass the Incremental Risk Check, even if the FXCCM has not transferred sufficient Collateral in respect of its Liabilities to the Clearing House.

1.3.6 *Valuation Date Event Management:* The Clearing House is the Calculation Agent and will store and apply the Settlement Rate Option and the Valuation Date for each ForexClear Contract.

On the Valuation Date with respect to each ForexClear Contract, the Settlement Rate will be retrieved from the Settlement Rate Option per

Currency Pair in accordance with the relevant EMTA Templates (as referenced in the Product Specific Contract Terms and Eligibility Criteria Manual). The Market Data provider for Settlement Rates is Reuters.

ForexClear applies the relevant Settlement Rate to ForexClear Contracts using the following criteria:

- (a) Settlement Rate Option source code (as below);
- (b) Valuation Date.

The table below gives the source codes of the Settlement Rate Options to be used as per the relevant EMTA Template:

<b>Currency Pair</b>	<b>Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)</b>
USD-BRL	BRL PTAX (BRL09)
USD-CLP	CLP DÓLAR OBS (CLP10)
USD-CNY	CNY SAEC (CNY01)
USD-COP	COP TRM (COP2)
USD-IDR	IDR JISDOR (IDR04)
USD-INR	INR RBIB (INR01)
USD-KRW	KRW KFTC18 (KRW02)
USD-MYR	MYR PPKM (MYR03)
<u>USD-PEN</u>	<u>PEN INTERBANK AVE (PEN05)</u>
USD-PHP	PHP PDSPEO (PHP06)
USD-RUB	RUB CME-EMTA (RUB03)
USD-TWD	TWD TAIFX1 (TWD03)

The Clearing House applies the Settlement Rate to all relevant ForexClear Contracts at a predefined time (see Section 1.4.3 (*Market Data*) below) following its publication.

The Clearing House calculates the Settlement Currency Amount in the Settlement Currency per ForexClear Contract. FXCCMs can retrieve the

- (ii) Frequency - every time updated by contributing FXCCMs up to a maximum rate of once every five minutes.
- (iii) Tenors – as shown in the table below.

<b>Tenor</b>
S/N
1 week
1 month
2 months
3 months
6 months
12 months
24 months

- (c) Settlement Rate Options:
  - (i) Source - Reuters.
  - (ii) Frequency - when published (at the times shown in the table at Section 1.4.3 (*Market Data*) below).
- (d) Interest Rate Curves:
  - (i) Source - internal Clearing House.
  - (ii) Frequency - at each SwapClear margin run.
- (e) Country Credit Spreads:
  - (i) Source - Bloomberg.
  - (ii) Frequency - when published.
- (f) USD LIBOR Curve:
  - (i) Source - SwapClear.
  - (ii) Frequency - at each SwapClear margin run.
- (g) PAI rates:
  - (i) Source - LCH Treasury.
  - (ii) Frequency - daily.

#### 1.4.3 *Market Data*

<b>Reference Currency</b>	<b>Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)</b>	<b>Settlement Rate Publication Local Time (or as per the relevant EMTA Template as amended from time to time)</b>
BRL	BRL PTAX (BRL09)	13:15 (São Paolo)
CLP	CLP DÓLAR OBS (CLP10)	10:30 (Santiago)
CNY	CNY SAEC (CNY01)	09:15 (Beijing)
COP	COP TRM (COP02)	10.30 (Bogota)
IDR	IDR JISDOR (IDR04)	10:00 (Jakarta)
INR	INR RBIB (INR01)	12:30 (Mumbai)
KRW	KRW KFTC18 (KRW02)	15:30 (Seoul)
MYR	MYR PPKM (MYR03)	11:10 (Kuala Lumpur)
<u>PEN</u>	<u>PEN INTERBANK AVE (PEN05)</u>	<u>14:00 (Lima)</u>
PHP	PHP PDSPEO (PHP06)	11:30 (Manila)
RUB	RUB CME-EMTA (RUB03)	13:30 (Moscow)
TWD	TWD TAIFX1 (TWD03)	11:00 – 12:00 (Taipei)

1.4.4 *Market Data Provision to FXCCMs*: Market Data used in a Margin Run is made available to FXCCMs via ForexClear Reporting (as defined in Section 1.7 (*ForexClear Reporting*)).

1.4.5 *Curve Building in ForexClear*

- (a) *FX Curve (Zero Coupon/Market Rate Curve)*: The Clearing House builds for each Currency Pair an FX curve (zero coupon/market rate curve) using the FX Spot Rates, FX Swap Points and the USD LIBOR Curve based on interpolation techniques agreed through the ForexClear Risk & Trading Working Group (a group comprising the Clearing House and FXCCM's risk and trading representatives) ("**RTWG**"). The USD LIBOR Curve is used for discounting; the FX curve is used for capitalisation of forward cash flows.
- (b) *Interest Rate Curve*: The Clearing House applies the linear interpolation method to build the Interest Rate Curve. Linear interpolation is applied on zero coupon curves.

**LCH.Clearnet Rule Submission**

**Appendix B**

**LCH.Clearnet Limited – FCM Procedures**



**FCM PROCEDURES OF  
THE CLEARING HOUSE**

**LCH.CLEARNET LIMITED**

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to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM ForexClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM ForexClear Contract, unless the FCM ForexClear Contract is subsequently cancelled in accordance with FCM Regulation 49 (*Cancellation of FCM ForexClear Contracts*).

FCM Clearing Members shall ensure that transaction details accepted for registration are accepted by appropriately authorized personnel. Apart from the foregoing acceptance, the Clearing House is not able to, and will not, verify the authorization of the source of any details of any transaction reported to it for registration by any FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorized acceptance of an FCM Notification.

## 2.2.8 *Trade Validation and Registration*

### (a) *Process flow description*

The Clearing House performs a validation check on each trade submitted by FXPs to ensure that each such trade meets the FCM ForexClear Eligibility Criteria and the Counterparty Technical Validation Check (as defined below) and Incremental Risk Checks (as defined in Section 2.2.8(b)) required for FCM ForexClear Transactions (together the “**Validation Checks**”).

The fields checked are as follows:

- (i) **Counterparties:** (a) are both parties submitting trade particulars FXPs and (b) has each FXCCM in whose name the FCM ForexClear Contract is to be registered not been declared a defaulter by the Clearing House? (together, the “**Counterparty Technical Validation Check**”);
- (ii) **Trade type:** is the instrument type an NDF?
- (iii) **Economic Terms:** does the trade include all the Economic Terms (as defined in Part A of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual)?
- (iv) **Currency Pairs:** are the Reference Currency and the Settlement Currency a Currency Pair (as defined in Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual)?
- (v) **Settlement Currency:** is the Settlement Currency USD?

- (vi) **Trade tenor eligibility:** does the scheduled Settlement Date fall on a date: (a) not earlier than three Business Days immediately following the date on which the trade is submitted to the Clearing House for registration (the “**Submission Date**”) and (b) not later than the date falling two calendar years plus two Business Days immediately following the Submission Date? If the FCM ForexClear Transaction arrives after the ForexClear date roll (22.00 hours, London time), the Submission Date is defined as the next good business day.
- (vii) **Valuation Date and Settlement Date:** do the Valuation Date and Settlement Date for the FCM ForexClear Transaction fall on a valid Business Day for the Currency Pair to which the FCM ForexClear Transaction relates? Does the Settlement Date fall on a Business Day after the Valuation Date? The table below shows the relevant Business days for determining the Valuation Date and Settlement Date:<sup>2</sup>

Currency Pair	Business Days for Valuation Date	Relevant City/Cities for Business Day for Valuation Date	Business Days for Settlement Date	Relevant City for Business Day for Settlement Date
USD-BRL	BRS & USD	Any of Rio de Janeiro, Brasilia or São Paulo and New York City	USD	New York City
USD-CLP	USD & CLP	New York and Santiago	USD	New York City
USD-CNY	CNY	Beijing	USD	New York City
USD-COP	USD & COP	New York and Bogata	USD	New York City
USD-IDR	IDR	Jakarta	USD	New York City
USD-INR	INR	Mumbai	USD	New York City
USD-KRW	KRW	Seoul	USD	New York City
USD-MYR	MYR	Kuala Lumpur	USD	New York City

<sup>2</sup> As amended from time to time as per the relevant EMTA Template.

Currency Pair	Business Days for Valuation Date	Relevant City/Cities for Business Day for Valuation Date	Business Days for Settlement Date	Relevant City for Business Day for Settlement Date
<u>USD-PEN</u>	<u>USD &amp; PEN</u>	<u>New York and Lima</u>	<u>USD</u>	<u>New York City</u>
USD-PHP	PHP	Manila	USD	New York City
USD-RUB	USD & RUB	New York and Moscow	USD	New York City
USD-TWD	TWD	Taipei	USD	New York City

Trades that pass the Validation Checks are accepted and two trade records are created for the FCM ForexClear Transaction: one for the FCM ForexClear Contract between the Clearing House and the first FX FCM to the FCM ForexClear Transaction and the other for the FCM ForexClear Contract between the Clearing House and the second FX FCM to the FCM ForexClear Transaction (or the ForexClear Contract between the Clearing House and the ForexClear Clearing Member to the corresponding ForexClear Transaction pursuant to the UK General Regulations).

Provided each FXCCM has sufficient Margin, the Clearing House will send a message via the FCM Approved Trade Source System confirming the registration or, where the trade fails a Validation Check, the trade will be rejected and a status message will be sent to the FCM Approved Trade Source System giving a reason for rejection.

As provided in Section 2.2.7, in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that FCM ForexClear Contract.

The account (H or C) and sub-account (if applicable) into which each trade record is booked is derived from the BIC/unique identifier code within the message from the FCM Approved Trade Source System. The BIC links to the FX FCM reference data.

Both new trade records arising out of the ForexClear Transaction have the same unique ForexClear ID (the “**ForexClear ID**”). Any further events or actions are applied on the basis of this ForexClear ID, to ensure consistency.

Where a trade has already been rejected (as a result of having failed a Counterparty Technical Validation Check), the FCM ForexClear Service sends a “CANCEL REJECTED” message to the FCM Approved Trade Source System for the relevant FXPs.

All trade cancellation instructions must pass the Incremental Risk Check. If any FX FCM does not have sufficient Margin for its Liabilities or estimated Liabilities (taking into account any MER Buffer and MCE provided by the Clearing House, if any) at the time of the relevant Incremental Risk Check, then any ForexClear trade cancellation instruction to which it is a party will be rejected immediately. However, any ForexClear trade cancellation instruction that is risk reducing (i.e. results in a reduction of that FX FCM's Liabilities) will always pass the Incremental Risk Check, even if the FX FCM does not have sufficient Margin for its Liabilities.

(g) *Trade Amendment*

No amendment of the financial terms of an FCM ForexClear Transaction or FCM ForexClear Contract is permitted. FX FCMs who wish to change the FCM Client information on a ForexClear Transaction should contact ForexClear Business Operations at 0207 426 3729 for further information.

(h) *Valuation Date Event Management*

The Clearing House is the Calculation Agent and will store and apply the Settlement Rate Option and the Valuation Date for each FCM ForexClear Contract.

On the Valuation Date with respect to each FCM ForexClear Contract, the Settlement Rate will be retrieved from the Settlement Rate Option per Currency Pair in accordance with the relevant EMTA Templates (as referenced in Schedule 2 to the FCM Product Specific Contract Terms And Eligibility Criteria Manual). The Market Data provider for Settlement Rates is Reuters.

The FCM ForexClear Service applies the relevant Settlement Rate to FCM ForexClear Contracts using the following criteria:

- (i) Settlement Rate Option source code (as below)
- (ii) Valuation Date

The table below gives the source codes of the Settlement Rate Options to be used as per the relevant EMTA Template:

<b>Currency Pair</b>	<b>Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)</b>
USD-BRL	BRL PTAX (BRL09)

<b>Currency Pair</b>	<b>Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)</b>
USD-CLP	CLP DÓLAR OBS (CLP10)
USD-CNY	CNY SAEC (CNY01)
USD-COP	COP TRM (COP2)
USD-IDR	IDR JISDOR (IDR04)
USD-INR	INR RBIB (INR01)
USD-KRW	KRW KFTC18 (KRW02)
USD-MYR	MYR PPKM (MYR03)
<u>USD-PEN</u>	<u>PEN INTERBANK AVE (PEN05)</u>
USD-PHP	PHP PDSPEO (PHP06)
USD-RUB	RUB CME-EMTA (RUB03)
USD-TWD	TWD TAIEX1 (TWD03)

The Clearing House applies the Settlement Rate to all relevant FCM ForexClear Contracts at a predefined time following its publication.

The Clearing House calculates the Settlement Currency Amount in the Settlement Currency per FCM ForexClear Contract. FX FCMs can retrieve the Settlement Rate and Settlement Currency Amount in the Settlement Currency via ForexClear Reporting on the ForexClear Service Portal and on MemWeb, which are internet services onto which information is loaded and can be accessed by FX FCMs.

(i) *Valuation Date Event Management: Process flow description*

After the Registration Time for an FCM ForexClear Contract, the FCM ForexClear Service links a Settlement Rate Option to it in accordance with the relevant EMTA Template for the Currency Pair.

On the Valuation Date, the Clearing House uses the Settlement Rate for the Currency Pair for the FCM ForexClear Contract when it is published by Reuters, and calculates the Settlement Currency Amount for each FCM ForexClear Contract in the Settlement Currency by applying the relevant Settlement Rate Option as published.

If the Settlement Rate Option set out in the relevant EMTA Template is unavailable at the relevant time, Disruption Fallback alternatives for the determination of the Settlement Rate will apply as set out in the relevant EMTA Template.

(j) *Settlement*

With respect to each FCM ForexClear Contract, the Settlement Currency Amount is calculated by the application of the Settlement Rate to the Notional Amount in accordance with the FCM ForexClear

The Clearing House will notify the FX FCMs via file download from the Clearing Member Reporting as to the FCM ForexClear Contracts affected and the date adjustments made.

### 2.2.9 **Market Data**

#### (a) *Sources used by FCM ForexClear Service*

The FCM ForexClear Service collates instrument quotes for the following from multiple market sources (as detailed in Section 2.2.9(b)) in relation to each Currency Pair:

- (i) FX spot rates (“**FX Spot Rates**”);
- (ii) FX swap points (“**FX Swap Points**”);
- (iii) Settlement Rate Option;
- (iv) Interest rate curves (see Section 2.2.9(e) below) (“**Interest Rate Curves**”);
- (v) USD LIBOR Curve;
- (vi) PAI rates (“**PAI Rates**”); and
- (vii) Country credit spreads (see Section 2.2.9(f) below) (“**Country Credit Spreads**”),

together, “**Market Data**”.

FX Spot Rates and FX Swap Points are received by the Clearing House via a live link from all eligible FXCCMs (including FX FCMs) during the Opening Hours (as defined in Section 2.2.4(b)).

#### (b) *Market Data Sources and Frequencies*

The Clearing House receives the following updated raw prices:

FX Spot Rates:

- (i) Source – FXCCMs (including FX FCMs).
- (ii) Frequency - every time updated by FXCCMs (including FX FCMs) up to a maximum rate of once every five minutes.

FX Swap Points:

- (i) Source - all FXCCMs (including FX FCMs).
- (ii) Frequency - every time updated by FXCCMs (including FX FCMs) up to a maximum rate of once every five minutes.
- (iii) Tenors – as shown in the table below.

<b>Tenor</b>
S/N
1 week
1 month
2 months
3 months
6 months
12 months
24 months

## Settlement Rate Options:

- (i) Source - Reuters.
- (ii) Frequency - when published (at the times shown in the table in Section 2.2.9(c) below).

## Interest Rate Curves:

- (i) Source - internal Clearing House
- (ii) Frequency - at each SwapClear margin run.

## Country Credit Spreads:

- (i) Source - Bloomberg.
- (ii) Frequency - when published.

## USD LIBOR Curve:

- (i) Source - SwapClear.
- (ii) Frequency - at each SwapClear margin run.

## PAI rates:

- (i) Source - LCH Treasury.
- (ii) Frequency - Daily.

(c) *Market Data*

<b>Reference Currency</b>	<b>Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)</b>	<b>Settlement Rate Publication Local Time (or as per the relevant EMTA Template as amended from time to time)</b>
BRL	BRL PTAX (BRL09)	13:15 (São Paolo)



CLP	CLP DÓLAR OBS (CLP10)	10:30 (Santiago)
CNY	CNY SAEC (CNY01)	09:15 (Beijing)
COP	COP TRM (COP02)	10:30 (Bogota)
IDR	IDR JISDOR (IDR04)	10:00 (Jakarta)
INR	INR RBIB (INR01)	12:30 (Mumbai)
KRW	KRW KFTC18 (KRW02)	15:30 (Seoul)
MYR	MYR PPKM (MYR03)	11:10 (Kuala Lumpur)
<u>PEN</u>	<u>PEN INTERBANK AVE</u>	<u>14:00 (Lima)</u>
PHP	PHP PDSPEO (PHP06)	11:30 (Manila)
RUB	RUB CME-EMTA (RUB03)	13:30 (Moscow)
TWD	TWD TAIFX1 (TWD03)	11:00 – 12:00 (Taipei)

(d) *Market Data Provision to FX FCMs*

Market Data used in a Margin Run is made available to FX FCMs via ForexClear Reporting (as defined in Section 2.2.21).

(e) *Curve Building in ForexClear*

FX Curve (Zero Coupon/Market Rate Curve):

The Clearing House builds for each Currency Pair an FX curve (zero coupon/market rate curve) using the FX Spot Rates, FX Swap Points and the USD LIBOR Curve based on interpolation techniques agreed through the ForexClear Risk & Trading Working Group (a group comprising the Clearing House's and FXCCM's (including FX FCM) risk and trading representatives) (“**RTWG**”). The USD LIBOR Curve is used for discounting; the FX curve is used for capitalization of forward cash flows.

Interest Rate Curve:

The Clearing House applies the linear interpolation method to build the Interest Rate Curve. Linear interpolation is applied on zero coupon curves.

Curve Use:

End of day is defined as 22.00 hours, London time (“**EOD**”). The following EOD data is used in the calculation of risk analytics for an EOD Margin Run (as defined in Section 2.2.16(b)):

- (i) FX Spot Rates; and
- (ii) FX Swap Points.

(f) *Country Credit Spreads*

**LCH.Clearnet Rule Submission**

**Appendix C**

**Product Specific Contract Terms and Eligibility Criteria Manual**

**PRODUCT SPECIFIC CONTRACT TERMS AND ELIGIBILITY CRITERIA  
MANUAL**

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**SCHEDULE 6  
THE FOREXCLEAR REGULATIONS**

**PART A  
FOREXCLEAR CONTRACT TERMS**

The terms of a registered ForexClear Contract shall include these ForexClear Contract Terms which shall comprise:

- (1) Interpretation;
- (2) Economic Terms; and
- (3) Standard Terms, being both the:
  - A. Specific Standard Terms; and
  - B. General Standard Terms

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.

Subject to the Regulations and the Procedures, the Clearing House will use the ForexClear Contract Terms applicable to a ForexClear Contract to calculate the amounts due under the ForexClear Contract to, or from, the Clearing House in accordance with the Procedures.

**1. Interpretation ("Interpretation")**

- 1.1 **"ISDA Definitions"** means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"), the Emerging Markets Trade Association ("**EMTA**") and The Foreign Exchange Committee ("**FXC**") and the same are incorporated by reference herein.
- 1.2 Words and expressions used in these ForexClear Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the ISDA Definitions shall bear the same meaning herein as in the ISDA Definitions, unless expressly provided otherwise.
- 1.3 In the event of an inconsistency, the Regulations and Procedures will prevail over the ISDA Definitions.
- 1.4 References in the ISDA Definitions to an "FX Transaction" shall be deemed to be references to a "ForexClear Transaction" for the purposes of ForexClear.
- 1.5 Except where expressly stated otherwise, all reference to "Sections" means Sections in the ISDA Definitions.
- 1.6 In relation to any amendment to the ISDA Definitions published from time to time by ISDA, EMTA and FXC, the Clearing House may from time to time, by notice delivered to the ForexClear Clearing Members, give directions as to whether such amendment shall apply to ForexClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine (provided that in any event any such amendment shall only apply in

relation to ForexClear Contracts that have a Trade Date that falls on or after the effective date of such amendment).

- 1.7 Any such notice may provide that despite the application of any such amendment to the ISDA Definitions to ForexClear Contracts going forward, these ForexClear Contracts shall continue, for the purpose of margining, valuation, set-off or otherwise, to be regarded as fully fungible with ForexClear Contracts registered in a ForexClear Clearing Member's name prior to the time such amendment comes into effect.
- 1.8 The accidental omission to give notice under this provision to, or the non-receipt of notice under 1.6 or 1.7 above by, any ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

## 2. **Economic Terms**

- 2.1 The Economic Terms of a ForexClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding ForexClear Transaction.
- 2.2 The particulars of a ForexClear Transaction presented to the Clearing House must include matched information in respect of the following Economic Terms which are not predetermined in the EMTA Templates:
  - (a) Trade Date (Section 1.25)
  - (b) Forward Rate (Section 2.1(a))
  - (c) Reference Currency Notional Amount (Section 1.21) or Notional Amount (Section 1.17(b)) in USD
  - (d) Reference Currency Buyer (Section 1.20)
  - (e) Reference Currency Seller (Section 1.22)
  - (f) scheduled Settlement Date (Section 1.24) (without prejudice to the adjustments set out in the relevant EMTA Template)
  - (g) Scheduled Valuation Date (Section 1.16(f)) (without prejudice to the adjustments set out in the relevant EMTA Template).
- 2.3 However, as set out more particularly in Regulation 90, where the ForexClear Transaction specifies a ForexClear Clearing Member as the Reference Currency Seller, with the other ForexClear Member as the Reference Currency Buyer, the Clearing House, in respect of each ForexClear Contract to which it is party pursuant to the corresponding ForexClear Transaction, shall be (i) the Reference Currency Buyer; and (ii) the Reference Currency Seller under such ForexClear Contract, respectively.

### 3. **Specific Standard Terms ("Specific Standard Terms")**

The following terms are designated as Specific Standard Terms of a registered ForexClear Contract:

3.1 The EMTA template for Non-Deliverable FX Transactions appropriate to the particular Currency Pair (in effect and as posted on the website of EMTA ([www.emta.org](http://www.emta.org) or any successor website on the relevant Trade Date) (each an "EMTA Template")), governs the terms of a ForexClear Contract relating to such Currency Pair, other than the Economic Terms set out in Part 2 above and the Specific Standard Terms and the General Standard Terms set out in this Part 3. For the avoidance of doubt, each EMTA Template shall be deemed to exclude the EMTA Template Terms for Non-Deliverable Cross-Currency FX Transactions published by EMTA on 31 May 2011.

3.2 In the format "Reference Currency – Settlement Currency", the Currency Pairs are

- (a) BRL-USD
- (b) CLP-USD
- (c) CNY-USD
- (d) INR-USD
- (e) KRW-USD
- (f) RUB-USD
- (g) COP-USD
- (h) IDR-USD
- (i) MYR-USD
- (j) PHP-USD

(k) TWD-USD

~~(k)(1)~~ PEN-USD

3.3 Certain Specific Standard Terms of each ForexClear Contract are not provided in the EMTA Templates, but the parties to the corresponding ForexClear Transaction will be required to accept the Specific Standard Terms set out below in each ForexClear Contract:

- (a) Date of Annex A (Section 4.2):

Annex A to the ISDA Definitions is incorporated as amended as at the Trade Date.

- (b) Reference Currency (Section 1.19):

To be determined by using the EMTA Template appropriate to the particular Currency Pair.

- (c) Calculation Agent (Section 1.3):

The Clearing House is the Calculation Agent.

- 3.4 If the terms of an EMTA Template conflict with these ForexClear Contract Terms, these ForexClear Contract Terms shall prevail. If the terms of an EMTA Template conflict with the ISDA Definitions, the terms of the EMTA Template shall prevail.

#### 4. **General Standard Terms ("General Standard Terms")**

The following terms are designated as General Standard Terms of a registered ForexClear Contract:

##### 4.1 ***Business Days***

For the purposes of determining the Settlement Date only, in addition to the Business Days for the Principal Financial Centers for the Currency Pair specified in the relevant Economic Terms, the Business Days specified in the SwapsMonitor Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the Procedures) from time to time, will apply to a ForexClear Contract.

##### 4.2 ***Withholding Tax Provisions***

- (a) All payments due under a ForexClear Contract shall be made by the ForexClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the ForexClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.
- (b) All payments due under a ForexClear Contract shall be made by the Clearing House free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing House, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the ForexClear Clearing Member receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

##### 4.3 ***Payment of Stamp Tax***

Each ForexClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any ForexClear Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located ("**Stamp Tax Jurisdiction**") or by any other jurisdiction, and will indemnify the Clearing House against any Stamp Tax or duty levied or imposed upon the Clearing House by any such Stamp Tax Jurisdiction or by any other jurisdiction in respect of any ForexClear Contract registered by the Clearing House and to which that ForexClear Clearing Member is a party.



## 5. **Discontinuation of a Settlement Rate Option**

### 5.1 If:

- (a) the administrator of a benchmark that is a Settlement Rate Option has publicly announced that it will discontinue publication of the benchmark (“**Discontinued Rate**”); and
- (b) ISDA has published a “Multilateral Amendment Agreement” to amend certain transactions to use an alternative benchmark (“**Substitute Rate**”) in the lieu of the Discontinued Rate on and from a specified date (“**Effective Date**”),

then, in respect of a ForexClear Contract in respect of which a Settlement Rate has not been determined as at the Effective Date and which references the Discontinued Rate (“**Affected ForexClear Contract**”), the Clearing House may, by written notice to all ForexClear Clearing Members, amend the Settlement Rate Option of each Affected ForexClear Contract to reference the Substitute Rate with effect on and from the Effective Date and specify such incidental amendments to the Affected ForexClear Contract as may be required.

The terms “ISDA”, “Settlement Rate Option” and “Valuation Date” have the meanings given to them by the ForexClear Contract Terms.

- 5.2 The accidental omission to give notice under this provision to, or the non-receipt of notice by, any ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

## 6. **Payments under a ForexClear Contract**

Payments under, and in respect of, a ForexClear Contract shall be calculated by the Clearing House and shall be made by, or to, the ForexClear Clearing Member in accordance with the provisions of the Procedures.

## 7. **Regulations**

A ForexClear Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these ForexClear Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

## 8. **Governing Law**

Each ForexClear Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

9. **Third Party Rights**

A person who is not a party to this ForexClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this ForexClear Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

**PART B**  
**REGISTRATION OF A FOREXCLEAR CONTRACT - PRODUCT ELIGIBILITY**  
**CRITERIA**

**1. Registration of a ForexClear Contract**

Without prejudice to the Regulations and the Procedures, the Clearing House will only register a ForexClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the Product Eligibility Criteria set out in paragraph 2 below for a ForexClear Transaction;
- (b) each party to the transaction is either (i) a ForexClear Dealer or (ii) a ForexClear Clearing Member who has not been declared a defaulter by the Clearing House;
- (c) the ForexClear Clearing Member in whose name the ForexClear Contract is to be registered has not been declared a defaulter by the Clearing House.

and the requirements of Paragraph 1(a), (b) and (c) above continue to be satisfied at the Registration Time.

**2. Product Eligibility Criteria for a ForexClear Contract**

<b>Instrument</b>	Non-Deliverable FX Transaction
<b>Economic Terms</b>	The transaction particulars submitted to the Clearing House specify all the Economic Terms.
<b>Reference Currency</b>	One of
	BRL - Brazilian Real,
	RUB - Russian Rouble,
	INR - Indian Rupee,
	CLP - Chilean Peso,
	CNY - Chinese Yuan,
	KRW - South Korean Won,
	COP – Colombian Peso,
	IDR – Indonesian Rupiah,
	MYR – Malaysian Ringgit,
	PHP – Philippine Peso, or

	TWD – Taiwan Dollar.
	<u>PEN – Peruvian Sol</u>
<b>Valuation Date</b>	A valid Business Day for the Currency Pair to which the ForexClear Transaction relates and determined as set out in the relevant EMTA Template for the Currency Pair.
<b>Settlement Date</b>	A date falling:
	not earlier than the date falling three business days immediately following the Submission Date; and
	not later than the date falling two calendar years plus two business days immediately following the Submission Date, provided that in each case such date shall be, with respect to the Currency Pair to which the ForexClear Transaction relates: (i) a valid Business Day, (ii) a date falling the Number of Business Days (as defined in the Procedures) following the Valuation Date and (iii) determined as set out in the relevant EMTA Template
<b>Settlement Type</b>	Non-Deliverable
<b>Settlement Currency</b>	USD
<b>Calculation Agent</b>	The Clearing House

**LCH.Clearnet Rule Submission**

**Appendix D**

**FCM Product Specific Contract Terms and Eligibility Criteria Manual**

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FCM PRODUCT SPECIFIC CONTRACT TERMS AND  
ELIGIBILITY CRITERIA MANUAL

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### **SCHEDULE 3 FCM FOREXCLEAR**

#### **PART A FCM FOREXCLEAR CONTRACT TERMS**

The terms of a registered FCM ForexClear Contract shall include these FCM ForexClear Contract Terms which shall comprise:

Interpretation;

- (1) Economic Terms; and
- (2) Standard Terms, being both the:
  - A. Specific Standard Terms; and
  - B. General Standard Terms

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.

Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the FCM ForexClear Contract Terms applicable to an FCM ForexClear Contract to calculate the amounts due under the FCM ForexClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.

#### **1. Interpretation ("Interpretation")**

- 1.1 **"ISDA Definitions"** means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"), the Emerging Markets Trade Association ("**EMTA**") and The Foreign Exchange Committee ("**FXC**") and the same are incorporated by reference herein.
- 1.2 Words and expressions used in these FCM ForexClear Contract Terms which are not defined in the FCM Regulations and the FCM Procedures but which are defined in the ISDA Definitions shall bear the same meaning herein as in the ISDA Definitions, unless expressly provided otherwise.
- 1.3 In the event of an inconsistency, the FCM Regulations and the FCM Procedures will prevail over the ISDA Definitions.
- 1.4 References in the ISDA Definitions to an "**FX Transaction**" shall be deemed to be references to an "**FCM ForexClear Transaction**" for the purposes of the FCM ForexClear Service.
- 1.5 Except where expressly stated otherwise, all reference to "**Sections**" means Sections in the ISDA Definitions.
- 1.6 In relation to any amendment to the ISDA Definitions published from time to time by ISDA, EMTA and FXC, the Clearing House may from time to time, by notice



### 3. **Specific Standard Terms ("Specific Standard Terms")**

The following terms are designated as Specific Standard Terms of a registered FCM ForexClear Contract:

3.1 The EMTA template for Non-Deliverable FX Transactions appropriate to the particular Currency Pair (in effect and as posted on the website of EMTA ([www.emta.org](http://www.emta.org) or any successor website on the relevant Trade Date) (each an "**EMTA Template**")), governs the terms of an FCM ForexClear Contract relating to such Currency Pair, other than the Economic Terms set out in Clause 2 above and the Specific Standard Terms and the General Standard Terms set out in this Clause 3. For the avoidance of doubt, each EMTA Template shall be deemed to exclude the EMTA Template Terms for Non-Deliverable Cross-Currency FX Transactions published by EMTA on 31 May 2011.

3.2 In the format "Reference Currency – Settlement Currency", the Currency Pairs are

- (1) BRL-USD
- (2) CLP-USD
- (3) CNY-USD
- (4) INR-USD
- (5) KRW-USD
- (6) RUB-USD
- (7) COP-USD
- (8) IDR-USD
- (9) MYR-USD
- (10) PHP-USD
- (11) TWD-USD
- (12) PEN-USD

3.3 Certain Specific Standard Terms of each FCM ForexClear Contract are not provided in the EMTA Templates, but the parties to the corresponding FCM ForexClear Transaction will be required to accept the Specific Standard Terms set out below in each FCM ForexClear Contract:

- (1) Date of Annex A (Section 4.2):

Annex A to the ISDA Definitions is incorporated as amended as at the Trade Date.

**PART B**  
**REGISTRATION OF AN FCM FOREXCLEAR CONTRACT - PRODUCT**  
**ELIGIBILITY CRITERIA**

**1. Registration of an FCM ForexClear Contract**

Without prejudice to the FCM Regulations and the FCM Procedures, the Clearing House will only register an FCM ForexClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the Product Eligibility Criteria set out in paragraph 2 below for an FCM ForexClear Transaction;
- (b) each party to the transaction is an Executing Party; and
- (c) the FCM ForexClear Clearing Member in whose name the FCM ForexClear Contract is to be registered has not been declared a defaulter by the Clearing House.

and the requirements of Paragraph 1(a), (b) and (c) above continue to be satisfied at the Registration Time.

**2. FCM ForexClear Product Eligibility Criteria for an FCM ForexClear Contract**

<b>Instrument</b>	Non-Deliverable FX Transaction
<b>Economic Terms</b>	The transaction particulars submitted to the Clearing House specify all the Economic Terms.
<b>Reference Currency</b>	One of: <ul style="list-style-type: none"> <li>1. BRL – Brazilian Real,</li> <li>2. RUB – Russian Rouble,</li> <li>3. INR – Indian Rupee,</li> <li>4. CLP – Chilean Peso,</li> <li>5. CNY – Chinese Yuan,</li> <li>6. KRW – South Korean Won,</li> <li>7. COP – Colombian Peso,</li> <li>8. IDR – Indonesian Rupiah,</li> <li>9. MYR – Malaysian Ringgit,</li> <li>10. PHP – Philippine Peso, or</li> <li>11. TWD – Taiwan Dollar.</li> </ul>

12. PEN – Peruvian Sol

<b>Valuation Date</b>	A valid Business Day for the Currency Pair to which the FCM ForexClear Transaction relates and determined as set out in the relevant EMTA Template for the Currency Pair.
<b>Settlement Date</b>	A date falling: <ul style="list-style-type: none"> <li>A. not earlier than the date falling three business days immediately following the Submission Date; and</li> <li>B. not later than the date falling two calendar years plus two business days immediately following the Submission Date, <b>provided that</b> in each case such date shall be, with respect to the Currency Pair to which the FCM ForexClear Transaction relates: (i) a valid Business Day, (ii) a date falling the Number of Business Days (as defined in the FCM Procedures) following the Valuation Date and (iii) determined as set out in the relevant EMTA Template</li> </ul>
<b>Settlement Type</b>	Non-Deliverable
<b>Settlement Currency</b>	USD
<b>Calculation Agent</b>	The Clearing House