

VIA CFTC Portal

15 December 2016

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

Dear Mr Kirkpatrick:

LCH.Clearnet Ltd ("LCH"), a derivatives clearing organisation registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification, pursuant to CFTC regulation §40.6(a), Rulebook changes to implement a new type of account, the Custodial Segregated Account ("CSA") under its EMIR client clearing model. These Rulebook changes become effective on or after January 3, 2016.

Part I: Explanation and Analysis

The CSA provides legal and operational segregation of a Client's assets from those of any other Client or Clearing Member, as does an Individual Segregated Account ("ISA"). However, the main feature that distinguishes a CSA from an ISA is that the Client may elect to provide non-cash assets through a tri-party mechanism directly to LCH, to satisfy an initial margin ("IM") liability.

A Clearing member may request that LCH open a CSA in respect of a particular Client. In order to open a CSA, both the Clearing Member and Client enter into a Collateral Management Agreement ("CMA") and deed of charge ("CSA Client Charge") with LCH. The CMA and CSA Client Charge set out the terms of the direct collateralisation arrangements. The CMA gives the Client an optional right to collateralise LCH and for that reason, if the Client does not choose to deliver collateral directly, it cannot be called on to do so by LCH.¹

LCH recognises that a Clearing Member will have a security interest in such collateral posted directly to LCH, and may wish to apply a more limited collateral set that is within their own risk appetite. Consequently, a Clearing Member is able to define and have applied eligibility limits with respect to collateral for a specific Client (and the related CSA) over and above LCH requirements².

For each CSA, a clearing member will be billed in advance, twice a year. The initial fee incurred will be €750, applied on the first billing point³ after account opening. Thereafter, fees will be based on total client clearing fees⁴ (see table below) billed in respect of each underlying client (i.e. each Client Collective⁵ or where relevant, Client Representative⁶) during the prior period.

¹ The Clearing Member must provide any collateral required in respect of the CSA, to the extent the Client chooses not to provide such collateral directly.

² These are standard and apply to Clearing Members generally for collateral provided in respect of either House or Client accounts.

³ "Billing point" is the calculation dates of 30 June and 31 December, as currently defined.

⁴ Client clearing fees include all client clearing, compression and account fees (except custodial segregated account charges) irrespective of account type and clearing member.

⁵ Client Collective means the client(s) for whom a Client Representative (see below) undertakes investment, administrative and/or management activities.

⁶ Client representative means an entity which undertakes investment, administrative and/or management activities.

Annualised Client Clearing Fees Billed in Prior Period €	6 Month Billing Charge	Comparison Annual Cost
0 – 50,000	€20,000	€40,000
50,001 – 200,000	€5,000	€10,000
200,001 – 1,500,000	€1,250	€2,500
> 1,500,000	€750	€1,500

Part II: Description of Rule Changes

In support of this new account changes are being made to the LCH Rulebook as follows:

- General Regulations
- Default Rules
- Procedures Section 2C (SwapClear Clearing Service)
- Procedures Section 2J (Listed Interest Rates Clearing Service)
- Procedures Section 3 (Financial Transactions)
- Procedures Section 4 (Margin and Collateral)

The main amendment to the Default Rules is to Schedule 1 Client Clearing Annex to include language describing the CSA porting window, and to set out the procedures for the transfer of Client Securities Collateral and Redemption Proceeds by LCH to an ISA of a Backup Clearing member.

Black-line versions of the above and a matrix of the changes are included in the appendices of this letter.

Part III: Core Principle Compliance

LCH has reviewed this initiative against the requirements of the Core Principles, in particular Core Principle R and concludes that compliance with the Core Principles is not adversely impacted by these changes.

Part IV: Public Information

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

Part V: Opposing Views

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

Certification

LCH hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in 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 regarding this submission please contact me at julian.oliver@lch.com

Yours sincerely,

Julian Oliver
Chief Compliance Officer

LCH Rule Submission

Appendix A

Matrix of Rule Changes

General Regulations	Explanation
Regulation 1 (Definitions)	<p>Regulation 1 has been amended to include new definitions for:</p> <ul style="list-style-type: none"> (a) “Client Charge”, “Client Collateral”, “Client Securities Collateral”, “Collateral Management Agreement”, “Custodial Segregated Account”, “Custodial Segregated Account Balance”, “Custodial Segregated Client” and “ISA Port”, which are specific to Custodial Segregated Accounts; and (b) “Insufficient Resources Determination Rules”, as such definition is used in Regulation 10(c), 10(d), 11(f)(ii), Procedure 2C (sections 1.2.2, 1.7 and 1.9) and Procedure 2J (sections 1.5.1 and 1.5.2). <p>Further, amendments have been made to the existing definitions of:</p> <ul style="list-style-type: none"> (a) “Account Balance”, “Applied Collateral Excess Proceeds”, “Associated Collateral Balance”, “Carrying Clearing Member”, “Clearing Member Applied Collateral”, “Clearing Member Current Collateral Balance”, “Clearing Member Returned Collateral”, “Client Account”, “Collateral”, “Eligible Transferee”, “Eligible Transferor”, “Portfolio Margining Client”, “Receiving Clearing Member”, “SwapClear Clearing Client”, “SwapClear Client Clearing Services”, “Total Required Margin Amount” and “Transfer Account”, in each case, to extend their application to Custodial Segregated Accounts; and (b) “initial margin”, “margin”, “Portfolio Margined Contracts” and “variation margin”, to clarify their meaning.
Regulation 5 (Resigning and Retiring Members)	<p>Regulation 5(b)(i) and Regulation 5(f)(i), which set out the Clearing House’s obligation to return Collateral to a Resigning Member or a Retiring Member respectively, have been amended to clarify that such provisions apply only to Collateral that that a Member has provided directly to the Clearing House. By contrast, any Collateral that a Custodial Segregated Client has provided directly to the Clearing House is excluded from such provisions and will be returned directly to the relevant Custodial Segregated Client.</p>
Regulation 10 (Accounts)	<p>Regulation 10 has been extended to cover Custodial Segregated Accounts.</p> <p>Regulation 10(c), which relates to the Clearing House’s ability to combine or consolidate balances on a Member’s Client Accounts with any other accounts of such Member, is clarified to reflect that the Clearing House:</p> <ul style="list-style-type: none"> (a) may, in BAU, make a Cross-ISA Client Excess Deduction; (b) may, after a Member Default, apply Margin Cover relating to a Custodial Segregated Account or ISA that the defaulting Member has opened in respect of a particular Client to losses arising on any other Custodial Segregated Account or ISA that such Member has opened in respect of the same Client in accordance with Default Rule 15; and (c) will, after the Clearing House makes an Insufficient Resources Determination, net cash amounts owing between a particular Member and the Clearing House in accordance with the applicable Insufficient Resources Determination Rule. <p>Regulation 10(d), which relates to the Clearing House’s ability to apply Collateral recorded to a Member’s Proprietary Account to liabilities on any Client Account of such Member, is clarified to reflect that the Clearing House will, after it makes an Insufficient Resources Determination, net cash amounts owing between a Member and the Clearing House in accordance with the applicable Insufficient Resources Determination Rule.</p>
Regulation 11 (Client Clearing Business)	<p>Regulation 11 has been extended to cover Custodial Segregated Accounts.</p> <p>Regulation 11(c) has been amended to clarify that Relevant Contracts may be ported from an Exempt Client Clearing Member to a Backup Clearing Member by (i)</p>

	<p>transfer, or (ii) terminating and closing-out such Contracts, and re-establishing new Contracts on equivalent terms with such Backup Clearing Member.</p> <p>Regulation 11(f)(ii) has been amended to clarify that, after the Clearing House makes an Insufficient Resources Determination Rule, the Clearing House will net cash amounts owing between a particular Member and the Clearing House in accordance with the applicable Insufficient Resources Determination Rule.</p> <p>Regulation 11(m) has been amended to clarify that in the case of an ISA, the obligation to provide Collateral in respect of the Total Required Margin Amount may be discharged by the Clearing House making a Cross-ISA Client Excess Deduction.</p>
Regulation 20 (Margin and Collateral)	<p>Minor clarificatory changes have been made to Regulations 20(a), (b), (c), (d) and (k).</p> <p>Regulations 20(p), (r) and (u) have been amended to clarify their application to Custodial Segregated Accounts.</p> <p>Regulation 20(q) has been amended to clarify that references in the Rulebook to Collateral which is “provided”, “transferred” and/or “delivered” by a Member or Custodial Segregated Client includes Collateral which the Clearing House attributes to such Member or Custodial Segregated Client and the related relevant account.</p> <p>Regulation 20(t)(i), which sets out the Clearing House’s obligation to return Collateral to a Member, has been amended to clarify that such provision applies only to Collateral that that Member has provided directly to the Clearing House. By contrast, any Collateral that a Custodial Segregated Client has provided directly to the Clearing House is excluded from such provision and will be returned directly to the relevant Custodial Segregated Client.</p>
Regulation 45 (Netting)	Regulation 45(d)(iii) has been amended to clarify that the netting of cash Collateral only applies to Member and Clearing House cash Collateral (and not to cash Client Collateral).
Regulation 60 (Transfer)	Regulation 60 has been extended to cover Custodial Segregated Accounts.
Default Rules	Explanation
Default Rules	The Default Rules have been extended to cover Custodial Segregated Accounts.
Schedule 1	<p>Schedule 1 has been extended to cover Custodial Segregated Accounts.</p> <p>Paragraph 4.1 has been amended to:</p> <ul style="list-style-type: none"> (a) describe the Porting Window with respect to a Custodial Segregated Account; and (b) clarify, in paragraph 4.1(c), that the Clearing House will not need to publish an extension to the Porting Window for a Custodial Segregated Account. Such an extension is not required because a Custodial Segregated Account Porting Window, in contrast with the Porting Window for other Client Account types, will remain open until it terminates in accordance with paragraph 4.1(b) (i.e. upon the occurrence of (i) a successful port, or (ii) notification by the Clearing House to the relevant Custodial Segregated Client that the Clearing House has determined that the Relevant Contracts and Account Balance will not port). <p>Paragraph 6.3 is amended to specify the mechanism by which Client Collateral is ported from a Custodial Segregated Account to an ISA.</p>
Schedule 2	Schedule 2 has been amended to cover Custodial Segregated Accounts.
Schedule 6	The definition of “Margin Account” in rule CS4(a) of schedule 6 has been amended

	<p>to include a Custodial Segregated Account.</p> <p>Rule CS6(b) of schedule 6 has been amended to clarify that the netting of cash amounts owing between a particular Member and the Clearing House excludes the netting of cash Client Collateral.</p> <p>Rule CS8 of schedule 6, which sets out the order in which, and to whom, the Clearing House must pay any amounts it recovers from a Defaulting Member, has been amended to clarify that such recovered amounts exclude both (a) Client Collateral, and (b) any enforcement proceeds arising from the sale of Client Collateral.</p>
Procedure 2C (SwapClear Clearing Service)	Explanation
Section 1.1, 1.3.3, 1.4.2, 1.7, 1.9 and 2.4.2	These sections have been extended to cover Custodial Segregated Accounts.
Section 1.6.1	Section 1.6.1 has been amended to describe the relationship between each Custodial Segregated Account of a Member and the Member's client position-keeping account and client collateral account.
Sections 1.7 and 1.9	Sections 1.7 and 1.9, in respect of variation margin and initial margin respectively, have been amended to clarify when offsets between the "C" and "H" accounts are permitted and when offsets between Client Accounts are permitted.
Sections 1.13.1 and 1.13.2	Sections 1.13.1 and 1.13.2, which relate to transfers of SwapClear Contracts from a Member's Client Account to its House Account, have been amended to clarify that the Clearing House is entitled to rely solely on instructions and information received from the relevant Member, in relation to the relevant transfer, in accordance with sections 1.13.1 and 1.13.2.
Section 1.14.2	For the same reason as described in the row above, a similar change has been made in relation to transfers under section 1.14.2 (<i>Indirect Clearing</i>).
Section 1.15	Section 1.15, which relates to Permitted Transfers, has been extended to cover Custodial Segregated Accounts.
Section 1.21	A new section 1.21 (<i>Custodial Segregated Accounts</i>) has been inserted to provide a brief explanation of a Custodial Segregated Account.
Procedure 2J (Listed Interest Rates Clearing Service)	Explanation
Sections 1.5.1 and 1.5.2	Sections 1.5.1 and 1.5.2, in respect of initial margin and variation margin respectively, have been amended to clarify when offsets between a Proprietary Account and a Client Account are permitted and when offsets between Client Accounts are permitted.
Procedure 3 (Financial Transactions)	Explanation
Section 1.3.1(f)	Section 1.3.1(f) has been amended to clarify that auto-repay and same-day requests for the repayment of excess cash balances do not apply to a Custodial Segregated Account.
Section 1.4.3	Section 1.5.3 has been amended to clarify the ways in which a Member may obtain details of non-cash Collateral recorded to any of its accounts.
Section 1.5.1	Section 1.6.1, which describes the Clearing House's application of Collateral to any liabilities, has been expanded so that it applies to Collateral provided by a Custodial Segregated Client, as well as to Collateral provided by a Member.
Section 1.5.4	The heading of section 1.6.4 has been expanded so that the section applies to

	Collateral provided by a Custodial Segregated Client, as well as to Collateral provided by a Member.
Procedure 4 (Margin and Collateral)	Explanation
Sections 1.1.1, 1.1.2, 1.1.6 and 1.2.1	The words: <ul style="list-style-type: none"> (a) "Form of Charge", and (b) "the charge prescribed by the Clearing House from time to time and published on the Clearing House's website", have both been changed to "Deed of Charge" in sections 1.1.1, 1.1.2, 1.1.6 and 1.2.1 to conform the wording to the definition of Deed of Charge in Regulation 1.
Section 1.1	Section 1.1 has been amended to clarify that, if the Clearing House attributes a zero value to any Collateral it holds, replacement Collateral will not necessarily be required from the relevant Member. This is because replacement Collateral may, in some instances, be provided by a Custodial Segregated Client.
Section 1.1.1	Section 1.1.1 has been amended to clarify that the Clearing House will accept delivery of Collateral from a Member in accordance with the Procedures.
Section 1.1.2	Section 1.1.2 has been amended to: <ul style="list-style-type: none"> (a) clarify that this section does not apply to excess Collateral provided by a Custodial Segregated Client; (b) provide that, if the Clearing House notifies a Member that it holds excess Collateral with the Clearing House, then the Member must take all reasonable steps to eliminate such excess; and (c) provide that, where a Member requests the return of excess collateral, the Clearing House may refuse on the basis that it would result in the Member ceasing to hold the requisite minimum amount of cash Collateral with the Clearing House.
Section 1.1.6	Section 1.1.6 has been extended to cover information relating to a Clearing Client and to non-cash Collateral provided by a Custodial Segregated Client.
Section 1.1.7	Section 1.1.7 has been amended to clarify that the Clearing House will remit any interest payments it receives on non-cash Collateral of a Member to such Member's PPS account.
Section 1.2.2	Section 1.2.2 has been amended to clarify when Collateral held in a Client Account may be applied to liabilities on a Proprietary Account or on another Client Account. Section 1.2.2 has also been amended to clarify when Collateral held in a Proprietary Account may be applied to liabilities on a Client Account.
Sections 1.4, 1.4.3, 1.4.4, 1.5.2 and 1.8.1	Sections 1.4, 1.4.3, 1.4.4, 1.5.2 and 1.8.1 have been amended to limit their application to Collateral provided by a Member (so that they do not apply to Collateral provided by a Custodial Segregated Client).
Section 1.8.3	Section 1.8.3, in respect of triparty deficits, has been extended to clarify that in respect of a Custodial Segregated Account, a Custodial Segregated Client may make good the relevant deficit.
Section 1.9	A new section 1.9 (<i>Custodial Segregated Accounts</i>) has been inserted which sets out the method and (in relation to manual affirmations only) the time by which a Member may affirm an increase or a decrease of a triparty transaction amount in respect of a Custodial Segregated Account.
Schedule 17	A new Contingency Custodial Segregated Account Affirmation Form for a Custodial Segregated Account has been inserted as Schedule 17.

LCH Rule Submission

Appendix B

General Regulations



**GENERAL REGULATIONS OF
LCH.CLEARNET LIMITED**

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REGULATION 1 DEFINITIONS

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

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

"Applied Collateral Excess Proceeds"

means, where the Clearing House has sold, disposed of or appropriated all or any part of the non-cash Collateral held by a Clearing Member and/or a Custodial Segregated Client with the Clearing House in an exercise of its powers under the Deed of Charge entered into with the relevant Clearing Member or the Client Charge entered into with the relevant Clearing Member and such Custodial Segregated Client, the amount (if any) of realisation proceeds from such sale or disposal remaining after the Clearing House has applied the same in or towards discharge of the relevant Clearing Member's obligations to the Clearing House or, in the case of an appropriation, an amount of such non-cash Collateral (or, where the amount in question is less than the minimum denomination of the relevant non-cash Collateral which can be delivered, cash) having a value equal to the excess (if any) of the value of the appropriated non-cash Collateral (as determined by the Clearing House in accordance with the relevant Deed of Charge, Client Charge or Collateral Management Agreement) over the relevant Clearing Member's obligations to the Clearing House which have been discharged by that appropriation

"Applied FCM Buffer"

has the meaning assigned to it in the FCM Regulations

"approved agent"

means a person appointed by the Clearing House to perform certain functions on its behalf in respect of an ATP

"Approved Broker"

means a person authorised by the Clearing House to participate as a broker in the LCH EnClear service

"Approved Compression Services Provider (ACSP)"

means an entity other than the Clearing House which is approved by the Clearing House for the facilitation of Multilateral Compression in relation to eligible SwapClear Contracts in accordance with Regulation 56 and relevant Compression Documentation.

"Approved EquityClear Settlement Provider ("ASP")"

means the operator of the securities depository and/or securities settlement system prescribed by the Clearing House from time to time for the provision of settlement services in respect of specified EquityClear Contracts

"Approved EquityClear Trading Platform ("ATP")"

means any trading platform approved as such from time to time by the Clearing House in respect of the EquityClear service

"Approved Trade Source System"

means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market, trade or affirmation system or other similar venue or system, approved by the Clearing House for submitting SwapClear Transactions to the Clearing House (and excludes, for the avoidance of doubt, the ClearLink API)

"Approved LSE Derivatives Markets Settlement Provider"

means the securities depository or securities settlement system (or an operator thereof) approved by the Clearing House from time to time for the provision of settlement services in connection with the LSE Derivatives Markets Service

"Associated Clearing House"

means the clearing house appointed from time to time by a Co-operating Exchange to act as the central counterparty to some or all transactions made on, or under the rules of the Co-operating Exchange

"Associated Collateral Balance"

means the Account Balance or Account Balances (as applicable) that may be transferred from the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee pursuant to Regulation 60 of these Regulations and in accordance with the Procedures and (where applicable) any relevant Collateral Management Agreement

"ATP Market Rules"

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

"ATS Contract"

means any contract subject to the Regulations entered into by the Clearing House and a RepoClear Clearing Member or a RepoClear Dealer pursuant to Default Rule 6(m), following a course of dealing on any Automated Trading System between the Clearing House and a RepoClear Clearing Member or RepoClear Dealer

"ATS Participant"

has the meaning assigned to such term in Regulation 63(b)

"Auction Portfolio"

has the meaning assigned to it in the Default Rules

"Automated Trading System"

means an automated trading system in respect of which the Clearing House has an agreement with the operator thereof and in respect of which the Clearing House has notified RepoClear Participants in accordance with the Procedures

"Automatic Early Termination Event"

has the meaning ascribed to such term in Rule 5 of the Default Rules

"Backup Clearing Member"	means the Clearing Member(s) indicated by a Clearing Client as acting as such and notified to the Clearing House from time to time
"Backup Client"	means an Indirect Segregated Account Clearing Client identified by a Clearing Member to the Clearing House for the purposes of a transfer of Related Contracts and Collateral pursuant to a Client to Client Porting
"Backload Registration Cycle"	has the meaning assigned to it in the Procedures
"Backloaded Registration Trade"	has the meaning assigned to it in the Procedures
"Block IRS Trade"	M means a trade the notional amount of which is at or above the minimum block size established by the CFTC pursuant to CFTC Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such trade to the Clearing House for registration
"Board"	means the board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange
"Bond Trade"	means a trading activity in which a RepoClear Participant offers to sell RepoClear Eligible Securities, and another RepoClear Participant offers to purchase those RepoClear Eligible Securities, and a trade subsequently ensues
"Bulk Threshold"	means the threshold (defined as a given number of SwapClear Contracts) established from time to time by the Clearing House in its sole and absolute discretion to distinguish Intra-Day Bulk Transfers from Intra-Day Non-Bulk Transfers and notified to SwapClear Clearing Members
"Business"	means any transactions, liabilities or obligations arising out of any contract and includes, in relation to the relevant Services, Commodities Business, Equities Business, ForexClear Business, RepoClear Business and Rates Service Business.
"business day"	means in respect of a Cleared Exchange Contract, an OTC Contract (except where specified otherwise in the relevant OTC Contract Terms), an LCH EnClear Contract (except where specified otherwise in the LCH EnClear Contract Terms), an EquityClear Contract, and a Listed Interest Rates Contract (except where specified otherwise in the Listed Interest Rates Contract Terms) a day on which the Clearing House is open for business

"buyer"	means a Member (or the Clearing House where the context so requires) who is a buyer under the terms of an exchange contract, a Cleared Exchange Contract, a LSE Derivatives Markets Cleared Exchange Contract, a RepoClear Transaction, a RepoClear Contract, a RepoClear GC Transaction, a RepoClear GC Contract, an EquityClear ATP Match, an EquityClear Novation Transaction, a Rates Exchange Match, a Listed Interest Rates Novation Transaction or an Eligible EnClear Trade, as the case may be
"Capped Amount"	has the meaning as described in Default Rule 15(c)
"Carrying Clearing Member"	means (a) a SwapClear Clearing Member that carries a Transfer Account from which Transferring SwapClear Contracts and the relevant Associated Collateral Balance(s) may be transferred to the Transfer Account of a Receiving Clearing Member pursuant to Regulation 60 of these Regulations and in accordance with the Procedures <u>and (where applicable) any relevant Collateral Management Agreement</u> or (b) in respect of a transfer as described in sub-paragraph (ii) of the definition of "Receiving Clearing Member", an FCM Clearing Member (and, for the avoidance of doubt, a Carrying Clearing Member may be a Receiving Clearing Member, and vice versa)
"CEA"	has the meaning assigned to it in the Default Rules
"CFTC"	has the meaning assigned to it in the Default Rules
"CFTC Regulations"	has the meaning assigned to it in the FCM Regulations
"Cleared Exchange Contract"	means a Contract entered into by the Clearing House on the terms of an exchange contract
"Clearing Agreement"	means in relation to Client Clearing Business entered into by a Clearing Member in respect of any Service, suitable contractual arrangements between the Clearing Member and its Clearing Client in relation to the relevant Client Clearing Service
"Clearing Client"	means any RepoClear Clearing Client, SwapClear Clearing Client, EquityClear Clearing Client, LCH EnClear Clearing Client, LSE Derivatives Market Clearing Client, Nodal Clearing Client, ForexClear Clearing Client or Listed Interest Rates Clearing Client. For the avoidance of doubt, the reference to LCH EnClear Clearing Client includes a Customer (as such term is defined in Procedure 2E 1.4 in respect of LCH EnClear Services)

"Clearing Member Applied Collateral"

means, in respect of an account of a Clearing Member: (i) any cash Collateral in respect of which the Clearing House's obligation to return such Collateral has been discharged pursuant to the Rulebook by means of that return obligation having been set-off against an obligation owed by that Clearing Member to the Clearing House, as contemplated by Regulation 20(u); (ii) any cash Collateral in respect of which the Clearing House's obligation to return such Collateral to a Custodial Segregated Client has been discharged by means of that return obligation having been set-off against an obligation owed by that Custodial Segregated Client to the Clearing House under the relevant Collateral Management Agreement and/or Client Charge; (iii) any cash Collateral that the Clearing House has applied in or towards discharge of the relevant obligations of a Custodial Segregated Client to the Clearing House pursuant to its powers under the relevant Client Charge; (iv) any non-cash Collateral (including in the form of securities or gold) that has been appropriated and retained by the Clearing House pursuant to an exercise of its powers under a Deed of Charge or a Client Charge and applied in or towards discharge of the relevant ~~Clearing Member's~~ obligations to the Clearing House; and (viii) any non-cash Collateral that has been sold or otherwise disposed of by the Clearing House pursuant to an exercise of its powers under a Deed of Charge or Client Charge

Clearing Member Current Collateral Balance"

means, in respect of an account of a Clearing Member: (A) the sum of (i) all Collateral which has been transferred by that Clearing Member and/or a Custodial Segregated Client to the Clearing House (or which would, but for the application of Regulation 57(d) or another comparable payment netting provision applying in the ordinary course of business, have been transferred by that Clearing Member or Custodial Segregated Client to the Clearing House) on account of any type of that Clearing Member's margin obligations relating to the relevant account pursuant to the Rulebook; (ii) the cash proceeds of any non-cash Collateral relating to the relevant account which has been sold or otherwise disposed of by the Clearing House pursuant to an exercise of its powers under a Deed of Charge, a Client Charge, the Default Rules or otherwise, to the extent that those proceeds have not been applied in or towards discharge of an obligation owed by the Clearing Member to the Clearing House or, in the case of a Custodial Segregated Account, by the relevant Custodial Segregated Client to the Clearing House; and (iii) any Applied Collateral Excess Proceeds credited to the relevant account; less (B) any Clearing Member Applied Collateral and any Clearing Member Returned Collateral in relation to that account; **provided that** any amounts transferred by the Clearing Member or a Custodial Segregated Client to the Clearing House for the purpose of settling an obligation in respect of daily settlement amounts pursuant to Regulation 23(c) or an obligation arising pursuant to a SwapClear STM Contract which is due and payable do not form part of the Clearing Member Current Collateral Balance; **provided further that:** (x) any Collateral standing to the credit of a Client Buffer Account shall, except where the relevant Clearing Member is a Defaulter or where a Termination Date specified by the relevant Clearing Member has occurred under Regulation 45, not form part of the Clearing Member Current Collateral Balance in respect of the relevant Proprietary Account; and (y) any Collateral transferred from a Client Buffer Account to a Client Account shall form part of the Clearing Member Current Collateral Balance in respect of the relevant Client Account unless and until it is transferred back to the Client Buffer Account (whereupon it shall cease to form part of the Clearing Member Current Collateral Balance in respect of the relevant Client Account)

"Clearing Member Returned Collateral"

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

"Clearing Membership Agreement"

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

"ClearLink API"

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

"Client Account"

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

"Client Buffer"

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

"Client Buffer Account"	means a sub-account of a SwapClear Clearing Member's Proprietary Account opened for the purpose of recording Client Buffer
<u>"Client Charge"</u>	<u>means a deed of charge entered into between a Custodial Segregated Client, the Clearing House and a Clearing Member in respect of Collateral that the Custodial Segregated Client provides to the Clearing House in respect of the relevant Custodial Segregated Account</u>
"Client Clearing Business"	means each of RepoClear Client Clearing Business, SwapClear Client Clearing Business, EquityClear Client Clearing Business, LCH EnClear Client Clearing Business, LSE Derivatives Markets Client Clearing Business, NODAL Client Clearing Business, ForexClear Client Clearing Business and Listed Interest Rates Client Clearing Business
"Client Clearing Default Management Process"	means the processes of the Clearing House outlined in the Client Clearing Annex to the Default Rules and includes the Rates Service DMP in relation to any Contract which is a SwapClear Contract and/or Listed Interest Rates Contract in respect of Rates Service Client Clearing Business, the RepoClear DMP in relation to any Fixed Income Contract in respect of RepoClear Client Clearing Business and the ForexClear DMP in relation to any Contract which is a ForexClear Contract in respect of ForexClear Client Clearing Business
"Client Clearing End-User Notice"	means the Client Clearing End-User Notice as specified by the Clearing House from time to time
"Client Clearing Entitlement"	has the meaning assigned to it in the Client Clearing Annex to the Default Rules
"Client Clearing Services"	means SwapClear Client Clearing Services, RepoClear Client Clearing Services, EquityClear Client Clearing Services, LCH EnClear Client Clearing Services, LSE Derivatives Markets Client Clearing Services, NODAL Client Clearing Services, ForexClear Client Clearing Services, FCM Clearing Services and/or Listed Interest Rates Client Clearing Services
<u>"Client Collateral"</u>	<u>means: (i) Client Securities Collateral; and/or (ii) cash that a Custodial Segregated Client provides to the Clearing House, in respect of the relevant Custodial Segregated Account and in accordance with the relevant Collateral Management Agreement, and that the Clearing House designates as such in its books and records</u>

"Client Excess"	means (i) in respect of a Client Account other than an Omnibus Gross Segregated Account, that part of the Clearing Member Current Collateral Balance which is in excess of the Total Required Margin Amount for such account; and (ii) in respect of an Omnibus Gross Segregated Clearing Client or a group of Combined Omnibus Gross Segregated Clearing Clients, that portion of the amount by which the Clearing Member Current Collateral Balance for such account exceeds the Total Required Margin Amount for such account which is referable to such Omnibus Gross Segregated Clearing Client or Combined Omnibus Gross Segregated Clearing Clients (as applicable) as notified to the Clearing House by the relevant Clearing Member in the relevant Client Excess Spreadsheet
"Client Excess Spreadsheet"	has the meaning given to the term in Section 1.10 (<i>Client Excess Spreadsheet</i>) of Procedure 4 (<i>Margin and Collateral</i>) of the Clearing House's Procedures
<u>"Client Securities Collateral"</u>	<u>means non-cash Collateral that a Custodial Segregated Client provides to the Clearing House, in respect of the relevant Custodial Segregated Account and in accordance with the relevant Collateral Management Agreement, and that the Clearing House designates as such in its books and records</u>
"Client to Client Porting"	means the transfer to the appointed Backup Client of all of the open Related Contracts and the balance of the Collateral recorded by the Clearing House as being credited to the relevant Indirect Omnibus Segregated Account
"closing-out contract"	means for the purposes of these Regulations, a contract effected by or on behalf of the Clearing House and registered in a Member's name, being a contract on the same terms (except as to price or premium) as an open contract in the Member's name, save that where the Clearing House is a buyer or a fixed rate payer, as the case may be, under the terms of such open contract the Clearing House shall be a seller or floating rate payer, as the case may be, under the terms of such closing-out contract and vice-versa
"Compression Clearing Member"	has the meaning assigned to it in Regulation 56
"CMS"	means the Clearing House's collateral management system

"Collateral"

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

"Collateral Management Agreement"

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

"Combined Omnibus Gross Segregated Clearing Clients"

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

"Combined LSE Derivatives Markets Orderbook"

means the electronic Orderbook operated by LSE and one or more Co-operating Exchanges

"Commodities Business"

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

"Commodities Contract"

means any commodities contract cleared by the Clearing House

"Commodities Clearing Member"

means a Clearing Member which engages in Commodities Business

"Cumulative Net Present Value"

has the meaning assigned to it in Regulation 57A

"Custodial Segregated Account"

means an account opened within the Clearing House by a Clearing Member which: (i) enables the relevant Clearing Member to distinguish the assets and positions held for the account of a Custodial Segregated Client from the assets and positions held for the account of its other clients; (ii) is designated by the Clearing House as a Custodial Segregated Account; and (iii) allows a Custodial Segregated Client to provide Client Collateral

"Custodial Segregated Account Balance"

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

"Custodial Segregated Client"

means a Clearing Client in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in a Custodial Segregated Account and who has entered into a Collateral Management Agreement and Client Charge

"daily settlement amounts"

means amounts due to the Clearing House from a Member or to a Member from the Clearing House, as the case may be, arising out of settlement of open contracts pursuant to Regulation 23, Regulation 75 or Regulation 99 and the Procedures

"Dealer"

means a ForexClear Dealer, RepoClear Dealer and/or SwapClear Dealer, as the context may require

"Dealer Clearing Agreement"

means a ForexClear Dealer Clearing Agreement, RepoClear Dealer Clearing Agreement, and/or SwapClear Dealer Clearing Agreement, as the context may require

"Dealer Register"

means one or more of the Register of ForexClear Dealers, the Register of RepoClear Dealers and/or the Register of SwapClear Dealers, as the context may require

"Economic Terms"	means that part of the SwapClear Contract Terms, RepoClear Contract Terms, RepoClear GC Contract Terms, EquityClear Contract Terms, LCH EnClear Contract Terms, ForexClear Contract Terms, or, in respect of a Designated Listed Interest Rates Contract, the Listed Interest Rates Contract Terms as the case may require, designated as Economic Terms by the Clearing House from time to time
"Eligible EnClear Trade"	means a trade eligible for registration in the LCH EnClear Services
"Eligible Listed Interest Rates Contracts"	means those Listed Interest Rates Contracts meeting the eligibility criteria in respect of Portfolio Margined Contracts as set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time
"Eligible Transferee"	means an SCM, acting for its own account or for the account of a SwapClear Clearing Client, that the Clearing House permits, in its sole and absolute discretion, and subject always to compliance with Applicable Law, to receive Transferring SwapClear Contracts transferred by an Eligible Transferor pursuant to Regulation 60 of these Regulations and in accordance with the Procedures <u>and (where applicable) any relevant Collateral Management Agreement</u>
"Eligible Transferor"	means an SCM, acting for its own account or for the account of a SwapClear Clearing Client, that the Clearing House permits, in its sole and absolute discretion, and subject always to compliance with Applicable Law, to transfer all or part of its Transferring SwapClear Contracts to an Eligible Transferee pursuant to Regulation 60 of these Regulations and in accordance with the Procedures <u>and (where applicable) any relevant Collateral Management Agreement</u>
"Eligible US Trading Venue"	means, in respect of a SwapClear Clearing Member, a US Trading Venue for which the Clearing House's records reflect that such SwapClear Clearing Member has completed the Clearing House's process for enabling the SwapClear Clearing Member to be eligible to submit (or have submitted on its behalf) a transaction executed on such US Trading Venue to the Clearing House for registration
"EMIR"	means Regulation (EU) No 648/2012 of the European Parliament and the Council of 4 July 2012 on OTC Derivatives, Central Counterparties, and Trade Repositories

"Inflation SwapClear Contract"

means a SwapClear Contract of the type of Contracts which are identified as being Inflation SwapClear Contracts in the Product Specific Contract Terms and Eligibility Criteria Manual, which includes, in the case of the Default Rules (including the Rates Service DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an Inflation FCM SwapClear Contract

"Inflation Swap Business Day"

has the meaning assigned to it in Chapter XIV(f)(i)

"Inflation Swaps Operational Specifications "

means the operational specifications governing the provision of market data in relation to Inflation SwapClear Contracts, as may be amended by the Clearing House from time to time

"initial margin"

means an amount determined and published from time to time by the Clearing House ~~with regard to each category of contract~~, in respect of which Members may be required to transfer Collateral to the Clearing House ~~Collateral~~ in accordance with these Regulations and/or the Procedures as a condition of registration of one or more a-eContracts by the Clearing House ~~or and otherwise~~ in respect of one or more -all Contracts registered with the Clearing House, as prescribed by these Regulations and/or the Procedures

"Insufficient Resources Determination"

has the meaning assigned to it in Rule C10 of the Commodities Default Fund Supplement, Rule E10 of the Equities Default Fund Supplement, Rule CS6 of the Rates Service Default Fund Supplement, Rule F11 of the ForexClear Default Fund Supplement, or Rule R11 of the RepoClear Default Fund Supplement, as applicable

"Insufficient Resources Determination Rule"

means Rule C10 of the Commodities Default Fund Supplement, Rule E10 of the Equities Default Fund Supplement, Rule CS6 of the Rates Service Default Fund Supplement, Rule F11 of the ForexClear Default Fund Supplement and Rule R11 of the RepoClear Default Fund Supplement

"Intellectual Property Rights"

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

"Intra-Day Bulk Transfer"

means an Intra-Day Full Bulk Transfer and an Intra-Day Partial Bulk Transfer, unless the context otherwise requires

“Intra-Day Full Bulk Transfer”

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

“Intra-Day Non-Bulk Transfer”

means an intra-day transfer of some or all of the SwapClear Contracts from the Transfer Account of an Eligible Transferor of a Carrying Clearing Member to the Transfer Account of an Eligible Transferee of a Receiving Clearing Member, where such transfer: (i) does not exceed the Bulk Threshold; and (ii) does not include the transfer of an Associated Collateral Balance

“Intra-Day Partial Bulk Transfer”

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

“ISA Port”

means a port of the Contracts and Account Balance held in a Custodial Segregated Account opened by a Clearing Member with the Clearing House in respect of a Custodial Segregated Client to an Individual Segregated Account opened for such Clearing Client by a Backup Clearing Member in accordance with the Default Rules and the relevant Collateral Management Agreement

"OTC Transaction"	means a transaction being a SwapClear Transaction, RepoClear Transaction, RepoClear GC Transaction, Repo Trade, Bond Trade or GC Trade, or ForexClear Transaction
"Own Resources Provision"	means Article 35 of Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties or any law, regulation, rule, official directive or guideline (having the force of law) which replaces, supplements, modifies, amends or varies such provision
"Permitted Transfers"	has the meaning ascribed to it in Section 2C of the Procedures
"Portfolio Margined Contracts"	means any Listed Interest Rates Contracts recorded in an <u>a</u> Account of a Portfolio Margining Clearing Member related to SwapClear Clearing –Business following the operation by the Clearing House of the Portfolio Margining Arrangements
"Portfolio Margining Arrangements"	means the operational provisions in respect of the Portfolio Margining Service as set out in Section 2.1 of the Rates Service DMP Annex
"Portfolio Margining Clearing Member"	means a Joint Rates Service Clearing Member who has opted in to the Portfolio Margining Service in accordance with Section 2C of the Procedures
"Portfolio Margining Client"	means, in respect of a Portfolio Margining Clearing Member, an Individual Segregated Account Clearing Client, <u>a Custodial Segregated Client</u> or an Omnibus Segregated Clearing Client which has been opted in to the Portfolio Margining Service in accordance with Section 2C of the Procedures
"Portfolio Margining Service"	means the portfolio margining service offered by the Clearing House pursuant to Regulation 59 and as more fully described at Section 2C of the Procedures
"Portfolios"	has the meaning assigned to it in the Default Rules
"Porting Window"	has the meaning assigned to it in the Client Clearing Annex to the Default Rules
"Porting Window Reduction"	has the meaning assigned to it in the Client Clearing Annex to the Default Rules

"Rates Service Voluntary Payment Notice	has the meaning assigned to it in Rule CS5. of the Rates Service Default Fund Supplement
"Receiving Clearing Member"	means a SwapClear Clearing Member or an FCM Clearing Member that carries the Transfer Account that will receive the transfer of Transferring SwapClear Contracts and, where applicable, the relevant Associated Collateral Balance(s) held in respect of the Eligible Transferor from a Carrying Clearing Member pursuant to Regulation 60 of these Regulations and in accordance with the Procedures <u>and (where applicable) any relevant Collateral Management Agreement</u> . For the avoidance of doubt, (i) an entity that is a SwapClear Clearing Client may also be a Receiving Clearing Member (other than a Receiving Clearing Member that is an FCM Clearing Member), (ii) a Receiving Clearing Member that is not an FCM Clearing Member may be nominated to receive a transfer of FCM SwapClear Contracts and associated Collateral from a Carrying Clearing Member that is an FCM Clearing Member pursuant to Regulation 46(p) of the FCM Regulations (capitalised terms used in this sub-paragraph (ii) having the meanings set out in the FCM Regulations), and (iii) a Receiving Clearing Member may be a Carrying Clearing Member, and vice versa
"Reference Currency Buyer"	means in relation to ForexClear Contract that is a Non-Deliverable FX Transaction, the party specified as the 'Reference Currency Buyer' in the Economic Terms
"Reference Currency Seller"	means in relation to ForexClear Contract that is a Non-Deliverable FX Transaction, the party specified as the 'Reference Currency Seller' in the Economic Terms
"Reference Price"	means a price (howsoever called) by reference to which a Contract is settled to market, marked to market, settled or valued in accordance with the Regulations and Procedures
"Register of ForexClear Dealers"	means the register which lists ForexClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as ForexClear Contracts by the Clearing House

"Sub-Block US Trading Venue Transaction"	means a transaction, identified by the Clearing House as having been executed on a swap execution facility or designated contract market registered as such with the CFTC, the notional amount of which is below the minimum block size established by the CFTC pursuant to CFTC Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such transaction to the Clearing House for registration
"Supplement"	means a supplement specific to a particular Service and includes the Commodities Default Fund Supplement, the Equities Default Fund Supplement, the ForexClear Default Fund Supplement, the Rates Service Default Fund Supplement – Listed Interest Rates, the RepoClear Default Fund Supplement and the Rates Service Default Fund Supplement – SwapClear
"Supplementary Contribution"	means a supplementary Contribution of a Clearing Member, provided for under Rule C7(b), E7(b), F7(c), R7(c) or CS7 (as applicable), and referable to the relevant Service provided by the Clearing House
"SwapClear Amendment"	has meaning assigned to it in Rule S12 of the SwapClear Default Fund Supplement
"SwapClear Business"	means any transaction, obligation or liability arising out of any SwapClear Contract (which, for the avoidance of doubt, includes for purposes of the Rates Service DMP Annex the Portfolio Margined Contracts (if any) of a Portfolio Margining Clearing Member)
"SwapClear Clearing Client"	means, in respect of SwapClear Client Clearing Business, an Individual Segregated Account Clearing Client, <u>a Custodial Segregated Client</u> or an Omnibus Segregated Clearing Client
"SwapClear Clearing House Business"	means SwapClear Contracts entered into by a SwapClear Clearing Member with the Clearing House on a proprietary basis and for its own account
"SwapClear Clearing Member" or "SCM"	means a Member who is designated by the Clearing House as a SwapClear Clearing Member eligible to clear SwapClear Contracts which includes, in the case of the Default Rules (including the Rates Service DMP Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM Clearing Member
"SwapClear Client Clearing Business"	means the provision of SwapClear Client Clearing Services by a SwapClear Clearing Member

"SwapClear Client Clearing Services"	means the entering into of SwapClear Contracts by a SwapClear Clearing Member in respect of its Individual Segregated Account Clearing Clients, <u>Custodial Segregated Clients</u> and/or its Omnibus Segregated Clearing Clients
"SwapClear Contract"	means a Contract entered into by the Clearing House with a SwapClear Clearing Member on the SwapClear Contract Terms which includes, in the case of the Default Rules (including the Rates Service DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM SwapClear Contract
"SwapClear Contract Terms"	means the terms applicable to each SwapClear Contract as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual
"SwapClear Contribution"	means the amount of an SCM's Contribution determined in accordance with Part A of the Rates Service Default Fund Supplement – SwapClear and shall include any SwapClear Unfunded Contributions and any relevant Supplementary Contribution deposited and made by the SCM with the Clearing House
"SwapClear CTM Contract"	means a SwapClear Contract that is not a SwapClear STM Contract
"SwapClear Dealer Clearing Agreement"	means a written agreement, in the form and on the terms prescribed by the Clearing House between a SwapClear Dealer, a SwapClear Clearing Member and the Clearing House
"SwapClear Dealer" or "SD"	means a person admitted by the Clearing House to the Register of SwapClear Dealers and who has not been removed from the Register
"SwapClear Default Fund Supplement"	means the Supplement relating to the SwapClear Business
"SwapClear Default Management Process"	has the meaning assigned to it in the SwapClear DMP Annex in the Default Rules

"SwapClear Default Management Process Completion Date"	has the meaning assigned to it in the SwapClear DMP Annex in the Default Rules
"SwapClear Default Period"	has the meaning ascribed to it in Rule S1 of Part A of the Rates Service Default Fund Supplement – SwapClear
"SwapClear Determination Date"	has the meaning ascribed to it in Rule S1 of Part A of the Rates Service Default Fund Supplement – SwapClear
"SwapClear DMG"	has the meaning assigned to it in the SwapClear DMP Annex in the Default Rules
"SwapClear DMP"	has the meaning assigned to it in the Default Rules
"SwapClear Eligibility Criteria"	means the product eligibility criteria in respect of SwapClear Transactions as set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time
"SwapClear End of Day Price"	has the meaning assigned to it in Chapter XIV(1)
"SwapClear Excess Loss"	means the net sum or aggregate of net sums certified to be payable by a Defaulter by a Rule 19 Certificate in respect of SwapClear Business less (a) the proportion of the Capped Amount applicable to SwapClear Business under Rule 15(c) of the Default Rules and (b) any sums then immediately payable in respect of SwapClear Business Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House
"SwapClear Regulations"	means those Regulations which apply to SwapClear Contracts as specified in Regulation 54
"SwapClear Segregated Fund Amount"	means the amount as determined in accordance with Rule S2(b) of the SwapClear Default Fund Supplement
"SwapClear Service"	the service provided by the Clearing House under the SwapClear Regulations
"SwapClear STM Contract"	m Means a SwapClear Contract that is either registered at the Clearing House as a SwapClear STM Contract pursuant to Regulation 55(b), is converted into a SwapClear STM Contract by the Clearing House pursuant to Regulation 57A, or is a SwapClear STM Contract through novation pursuant to Regulation 12(b), in each case the terms of which therefore include the SwapClear STM Terms.

“Term £GC Trade”

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

- a) at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) Equivalent Securities (as such term is used in the RepoClear Term £GC Contract Terms) and the First Participant buys (or sells, as the case may be) those Equivalent Securities; and
- b) the understanding of the parties is that their obligations during the term of the transaction will be effected through the CREST delivery by value (DBV) functionality of Euroclear UK and Ireland, as contemplated by the rules of Euroclear UK and Ireland and RepoClear Procedures applicable to RepoClear Term £GC Contracts, and a trade subsequently ensues

“Terminating SwapClear Contracts”

means, in relation to any Compression Proposal, the SwapClear Contracts which will be terminated and replaced with Post-Multilateral Compression Contracts in accordance with Regulation 56

“Total Required Margin Amount”

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

“trade correction procedures”

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

"Trading Platform Particulars"	means the orders or other trade particulars submitted in respect of the sale or purchase of EquityClear Eligible Equities or EquityClear Eligible ccCFD(s), to an ATP in accordance with the relevant ATP Market Rules by, or on behalf of, an EquityClear Clearing Member or, in the case of an EquityClear Mixed Member Match, by, or on behalf of a member of a relevant Co-operating Clearing House
"Trading System"	means the Nodal Trading Facility
"Transfer Account"	means: (i) in respect of a Receiving Clearing Member, the account in which Transferring SwapClear Contracts are to be registered on behalf of an Eligible Transferee following a transfer pursuant to Regulation 60 of these Regulations and in accordance with the Procedures <u>and (where applicable) any relevant Collateral Management Agreement</u> (which, for the avoidance of doubt, may be a Client Account or a Proprietary Account of the Receiving Clearing Member); and (ii) in respect of a Carrying Clearing Member, the account in which Transferring SwapClear Contracts are to be transferred from an Eligible Transferor following a transfer pursuant to Regulation 60 of these Regulations and in accordance with the Procedures <u>and (where applicable) any relevant Collateral Management Agreement</u> (which, for the avoidance of doubt, may be a Client Account or a Proprietary Account of the Carrying Clearing Member)
"Transferring SwapClear Contracts"	means those SwapClear Contracts registered in the Transfer Account of a Carrying Clearing Member that are subject to a request to be transferred to the Transfer Account of a Receiving Clearing Member and includes, in the case of a transfer as described in sub-paragraph (ii) of the definition of "Receiving Clearing Member", FCM SwapClear Contracts
"Treasury Account"	means any accounting process under which an amount due under a Treasury Contract from a member to the Clearing House is set off against any amount due from the Clearing House to that Member
"Treasury Contract"	means any contract, including a contract of deposit, entered into by the Clearing House with that Member for purposes of, in connection with or otherwise in the course of its treasury management activities (and excluding, for the avoidance of doubt, ATS Contracts)
"Unallocated FCM SwapClear Contract"	has the meaning assigned to it in the FCM Regulations

"Unallocated Excess"	has the meaning assigned to it in the FCM Regulations
"Unallocated Excess Sub-Account"	has the meaning assigned to it in the FCM Regulations
"Undertaking to Pay and/or Deliver"	has the meaning ascribed to such term in Regulation 11(c)
"Unfunded Contribution"	means the unfunded Contribution of a Clearing Member referable to a specific Service provided by the Clearing House
"US Trading Venue"	means a swap execution facility or designated contract market registered as such with the CFTC which the Clearing House has approved for the purposes of having transactions executed thereon submitted to the Clearing House for registration. For the avoidance of doubt, a US Trading Venue need not be an Approved Trade Source System
"US Trading Venue Transaction"	means, in respect of a Clearing Member, a transaction recorded in the Clearing House's systems (via applicable messaging from the relevant US Trading Venue, Approved Trade Source System or otherwise) as a transaction that was executed on a swap execution facility or designated contract market that, as at the time of such execution, was an Eligible US Trading Venue in respect of such Clearing Member
"variation margin"	means an amount determined by the Clearing House in accordance with <u>these Regulations and/or the Procedures</u> in respect of original contracts or open contracts (as the case may be)

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

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

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

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

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

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

REGULATION 5 RESIGNING AND RETIRING MEMBERS

- (a) A Clearing Member may resign from a particular Service by exercising its rights under Rules C7(e), E7(e), F3(e), L6(e), R3(d) or S2(e) of the Default Rules (each an "**Accelerated Termination Provision**"), or by giving no less than three months' written notice to the Clearing House by completing a Resignation Letter, a copy of which can be obtained from the Clearing House Membership Department. Resignation takes effect on the Resignation Effective Date, which is:
- (i) where the Clearing Member is exercising its rights under, and has complied with the requirements of, the Accelerated Termination Provision for the relevant Service, the date determined in accordance with that Accelerated Termination Provision; or
 - (ii) otherwise, the later of: (A) the resignation date specified in the written notice to the Clearing House in relation to the relevant Service; and (B) the date on which all Contracts registered in the Resigning Member's name on the relevant Service have been closed out or transferred so as to ensure that there are no remaining open Contracts in respect of the relevant Service to which the Resigning Member is a party.
- (b) Upon the Clearing House being satisfied that the Resigning Member is not a Defaulter and that all obligations of the Resigning Member to which the relevant Collateral is capable of being applied in accordance with the Rulebook have been irrevocably paid or discharged in full and that no such obligations are capable of arising:
- (i) the Clearing House shall: (A) in the case of cash Collateral transferred by the Resigning Member to the Clearing House for the purpose of collateralising the Resigning Member's obligations in respect of the relevant Service (other than any constituting Clearing Member Returned Collateral or Clearing Member Applied Collateral), transfer an amount of cash to the Resigning Member equal to such cash; and (B) in the case of non-cash Collateral transferred by the Resigning Member to the Clearing House for the purpose of collateralising the Resigning Member's obligations in respect of the relevant Service (other than any constituting Clearing Member Returned Collateral or Clearing Member Applied Collateral), transfer that same Collateral (or equivalent Collateral) to the Resigning Member; and
 - (ii) the Resigning Member shall, in the case of cash Collateral transferred to the Resigning Member for the purpose of collateralising the Clearing House's obligations in respect of the relevant Service (other than any constituting Clearing House Returned Collateral or Clearing House Applied Collateral), transfer an amount of cash to the Clearing House equal to such cash.
- (c) A Resigning Member other than a Defaulter who is resigning from a particular Service shall be liable in respect of Aggregate Excess Losses relating to any Default which arises in the relevant Service prior to the relevant Resignation Effective Date. In such circumstances, and as further provided in the Default Rules, the Resigning Member may be required to maintain some or all of its Contribution in connection with that Service until after the completion of the default management process related

to the relevant Default, notwithstanding that the relevant Resignation Effective Date might occur prior to such time.

- (d) A Clearing Member must at all times be a Clearing Member in respect of at least one Service, and a Clearing Member may not utilise the resignation process set out in paragraphs (a) to (c) above so as to resign from all (or all remaining) Services in respect of which he is a Clearing Member. Where a Clearing Member wishes to stop being a Clearing Member in respect of all (or all remaining) Services, the retirement process set out in paragraphs (e) to (g) below should be used.
- (e) A Clearing Member may, in accordance with clause 8 of the Clearing Membership Agreement and as further described in the Procedures, retire from Clearing Member status altogether by giving no less than three months' written notice to the Clearing House. Retirement takes effect on the Retirement Effective Date, which is the later of:
 - (i) the retirement date specified in the notice of retirement; and
 - (ii) the date on which all Contracts registered in the Retiring Member's name have been closed out or transferred so as to ensure that there are no remaining open Contracts to which the Retiring Member is a party. A Clearing Member may also retire from Clearing Member status by exercising its rights under the Accelerated Termination Provision(s) applying to all Services in which it participates; in this case, the Retirement Effective Date is the date on which the Retiring Member's resignation from the last remaining Service becomes effective in accordance with the relevant Accelerated Termination Provision.
- (f) Upon the Clearing House being satisfied that the Retiring Member is not a Defaulter and that all obligations of the Retiring Member to which the relevant Collateral is capable of being applied in accordance with the Rulebook have been irrevocably paid or discharged in full and that no such obligations are capable of arising:
 - (i) the Clearing House shall: (A) in the case of cash Collateral transferred by the Retiring Member to the Clearing House for the purpose of collateralising the Retiring Member's obligations (other than any constituting Clearing Member Returned Collateral or Clearing Member Applied Collateral), transfer an amount of cash to the Retiring Member equal to such cash; and (B) in the case of non-cash Collateral transferred by the Retiring Member to the Clearing House for the purpose of collateralising the Retiring Member's obligations (other than any constituting Clearing Member Returned Collateral or Clearing Member Applied Collateral), transfer that same Collateral ~~–~~(or equivalent Collateral) to the Retiring Member; and
 - (ii) the Retiring Member shall, in the case of cash Collateral transferred to the Retiring Member for the purpose of collateralising the Clearing House's obligations (other than any constituting Clearing House Returned Collateral or Clearing House Applied Collateral), transfer an amount of cash to the Clearing House equal to such cash.
- (g) A Retiring Member other than a Defaulter shall be liable in respect of Aggregate Excess Losses relating to any Default which arises prior to the relevant Retirement Effective Date. In such circumstances, and as further provided in the Default Rules, the Retiring Member may be required to maintain some or all of its Contribution until after the completion of the default management process related to the relevant

CHAPTER III – ACCOUNTS AND CLIENT CLEARING

REGULATION 10 ACCOUNTS

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

- (d) Amounts standing to the credit of a Member's Proprietary Accounts may be applied by the Clearing House towards the payment of any sum whatsoever due by the Member to the Clearing House whether or not arising under these Regulations, save that, subject to Rule 8(d) of the Default Rules and to the Insufficient Resources Determination Rules, no amounts standing to the credit of such accounts (other than House Excess and, to the extent not already included in the relevant Clearing Member Current Collateral Balance, Client Buffer) shall be applied in or towards payment or satisfaction of all or any of the Member's liabilities to the Clearing House on any one or more of the Member's Client Accounts. Amounts standing to the credit of a Member's account relating to Contributions made under the Default Rules may be applied as provided for in the Default Rules.
- (e) Any rights of set-off, combination of accounts or appropriation which the Clearing House may have under these Regulations or otherwise shall apply whether or not accounts are denominated in the same currency.
- (f) Interest calculated on a basis determined from time to time by the Clearing House in accordance with the Procedures may at the Clearing House's discretion (but subject to the provisions of the Default Rules and to Regulation 66(d)) be paid, or, in the case of negative interest rates, be charged, on amounts standing to the credit of any of the Member's Proprietary Accounts and/or Client Accounts.
- (g) Debit balances due to the Clearing House on any account opened in respect of a Member are payable by such Member on demand and interest may at the Clearing House's discretion be charged on debit balances remaining unpaid (whether or not demand for payment is made) on a basis and at a rate determined from time to time by the Clearing House in accordance with the Procedures.
- (h) Subject to the provisions of the Default Rules, the Clearing House may at its absolute discretion alter the basis of calculating interest rates and such alteration shall be effective in respect of all current and future business on the date notified to Exchanges and to Members in accordance with the Procedures.
- (i) If a Member specifies a Termination Date under Regulation 45, the Member shall be entitled to set off any or all amounts (whether present or future, liquidated or unliquidated, actual or contingent; but excluding any claims in respect of the outstanding balance of a Clearing Member's Contribution under Default Rule 16(a)(i)) due as between the Clearing House and the Member, **provided, however, that** a Termination Amount or other sum payable in respect of an amount recorded in or referable to a kind of account may not be combined or set-off against any other amount unless such other amount is recorded in or referable to the same kind of account. For the purposes of this Regulation 10(i), each Client Account of the Member shall constitute a separate "kind of account" but the Proprietary Accounts of the Member shall together constitute a single "kind of account".
- (j) Where a payment has been made to the Clearing House by a Member through the PPS, that payment will only be credited to the account of the Member with the Clearing House if it (i) is paid into an account of the Clearing House with an institution which is solvent, (ii) that institution has performed its concentration function (being the transfer of net funds from the institution to a central account in the name of the Clearing House) and (iii) the institution has made the relevant payments

REGULATION 11 CLIENT CLEARING BUSINESS

- (a) The Services are provided by the Clearing House to Clearing Members. Any Clearing Member who wishes to offer Client Clearing Services in respect of a Service to its clients shall apply to the Clearing House and obtain the approval of the Clearing House before first offering such Client Clearing Services in respect of such Service. Any Client Clearing Services related services which are offered by a Clearing Member prior to obtaining the approval of the Clearing House shall not be treated as Client Clearing Services and the clients of the Clearing Member receiving such services shall not be treated as Clearing Clients. In accordance with the requirement under Article 39(7) of EMIR the Clearing House has published the Account Information Documents which together contain information regarding the levels of protection and account segregation which the Clearing House provides and the costs associated with such levels of segregation. The Account Information Documents are available on the Clearing House's website and are also made available to Clearing Members and Clearing Clients upon request.
- (b) Following the receipt of an application from a Clearing Member pursuant to paragraph (a) above, the Clearing House will confirm to a Clearing Member whether or not it is an Exempt Client Clearing Member.
- (c) Each Clearing Member which is designated by the Clearing House as an Exempt Client Clearing Member undertakes and agrees with the Clearing House on the following terms:
- (i) such Exempt Client Clearing Member shall pay or deliver (as applicable) to or to the order of the Clearing House each of the Account Balances relating to those of its Clearing Clients whose Relevant Contracts are:
 - (A) -transferred to, or
 - (B) terminated and closed out and new contracts entered into on equivalent terms with,
 - (⊕) -a Backup Clearing Member in accordance with the Client Clearing Annex (each such obligation of the Exempt Client Clearing Member being accelerated so as to become immediately due and payable at the time of the relevant transfer or termination and close out);
 - (ii) such Exempt Client Clearing Member shall pay or deliver (as applicable) to or to the order of the Clearing House each of the Client Clearing Entitlements relating to those of its Individual Segregated Account Clearing Clients, Custodial Segregated Clients, —Affiliated Omnibus Segregated Clearing Clients and Identified Omnibus Segregated Clearing Clients whose Relevant Contracts are closed out and liquidated in accordance with the Client Clearing Annex (each such obligation of the Exempt Client Clearing Member being accelerated so as to become immediately due and payable at the time of the relevant close out and liquidation); and
 - (iii) the obligations set out in sub-paragraphs (i) and (ii) of this paragraph (c) (the "**Undertaking to Pay and Deliver**") shall, for the avoidance of doubt,

constitute Secured Obligations as defined in and provided for by the Deed of Charge between such Exempt Client Clearing Member and the Clearing House.

- (d) The approval of the offering and the provision of Client Clearing Services on an Individual Segregated Account basis, Custodial Segregated Account basis, Affiliated Client Omnibus Segregated Account basis or Identified Client Omnibus Segregated Account basis by any Clearing Member which is not such an Exempt Client Clearing Member will be conditional upon (i) the entering into by such Clearing Member of a Security Deed in respect of each of its Clearing Clients in relation to amounts due to it from the Clearing House; (ii) delivery to the Clearing House of evidence of the Clearing Member having entered into such Security Deed, such evidence to be in a form satisfactory to the Clearing House (in the Clearing House's sole discretion) and (iii) the making of any amendments to each such Security Deed as may be prescribed by the Clearing House from time to time.
- (e) In determining whether or not to grant approval to a Clearing Member in respect of the offering of Client Clearing Services, the Clearing House will consider factors including but not limited to the relevant concentration of risks relating to the provision (by the Clearing Member and or any other Clearing Member) of Client Clearing Services to Clients. The Clearing House shall be entitled to require the delivery of information from a Clearing Member about the criteria and arrangements it adopts for the provision of Client Clearing Services to Clients, both at the time of the process for the approval of the offering by the relevant Clearing Member of Client Clearing Services and as deemed necessary by the Clearing House on an ongoing basis.
- (f) Subject to the provisions of these Regulations, Client Clearing Services may be provided by the relevant Clearing Member to its Clearing Clients on whatever terms the Clearing Member decides should apply provided, however, that:
 - (i) each Clearing Member shall, before providing the relevant Client Clearing Services to any client, ensure that it has entered into a Clearing Agreement with that client which gives the Clearing House enforceable rights against that client in the terms of the Clearing House Prescribed Language;
 - (ii) Contracts entered into by the Clearing Member in respect of Client Clearing Business and Collateral transferred by the Clearing Member to the Clearing House in respect of Client Clearing Business shall always be separately identified by the Clearing Member to the Clearing House and, subject to the provisions of Rule 8(d) of the Default Rules and the Insufficient Resources Determination Rules, shall never be combined with House Clearing Business or Collateral transferred to the Clearing House in respect of House Clearing Business;
 - (iii) in no circumstances will the client money protections provided for by the Client Assets sourcebook of the Handbook published by the Financial Conduct Authority be available in relation to accounts opened with the Clearing House in respect of Client Clearing Business;

- (iv) each Clearing Member shall, before providing Client Clearing Services to any Clearing Client ensure that the Clearing Client has been provided with or has been directed to a copy of the Client Clearing End-User Notice; and
- (v) each Clearing Member shall, before providing Client Clearing Services to any Individual Segregated Account Clearing Client, Custodial Segregated Client, Affiliated Omnibus Segregated Clearing Client or Identified Omnibus Segregated Clearing Client, deliver to the Clearing House information regarding the identify of such Clearing Client in accordance with the Clearing House's client identification requirements as published from time to time on the Clearing House's website.
- (g) Client Clearing Services in respect of a Service may, ~~in accordance with the Procedures and subject to paragraph (i) below,~~ be provided by a Clearing Member to its Clearing Clients in accordance with, and subject to, the Rulebook, and Contracts may be entered into by a Clearing Member with the Clearing House in respect of such Clearing Clients, on:
 - (i) an Individual Segregated Account basis;
 - ~~(i)~~(ii) a Custodial Segregated Account basis; or
 - ~~(i)~~(iii) an Omnibus Segregated Account basis with segregation, by the opening of:
 - (A) one or more Non-Identified Client Omnibus Net Segregated Accounts;
 - (B) one or more Identified Client Omnibus Net Segregated Accounts; and/or
 - (C) one or more Affiliated Client Omnibus Net Segregated Accounts; and/or
 - (D) one or more Omnibus Gross Segregated Accounts.
- (h) A Clearing Member may operate one or more Individual Segregated Accounts on behalf of an Individual Segregated Account Clearing Client in respect of one or more Service(s).
 - (i) A Clearing Member may operate one or more Custodial Segregated Accounts on behalf of a Custodial Segregated Client in respect of the SwapClear Service.
 - ~~(i)~~(j) A Clearing Member may operate one or more Omnibus Segregated Accounts on behalf of its Clearing Clients in respect of one or more Service(s).
 - ~~(i)~~(k) Client Clearing Services may be provided by a Clearing Member to an Individual Segregated Clearing Client who is, in turn, providing indirect clearing services to its Indirect Clearing Clients. In such circumstances, the following will apply:
 - (i) the Clearing Member will open a single Indirect Omnibus Segregated Account in respect of all Indirect Clearing Clients of an Individual Segregated Clearing Client who are receiving indirect clearing services in respect of a particular Service;

- (ii) the Clearing Member shall, before providing the relevant Client Clearing Services to the relevant Individual Segregated Clearing Client, ensure that such client has entered into an agreement with each of its Indirect Clearing Clients which gives the Clearing House enforceable rights against those Indirect Clearing Clients in the terms of the Clearing House Prescribed Language and any such other provisions as shall be agreed from time to time between the Clearing House and Clearing Members;
- (iii) the Clearing Member shall, before providing the relevant Client Clearing Services to the relevant Individual Segregated Clearing Client, ensure that each relevant Indirect Clearing Client has been provided with or has been directed to a copy of the Client Clearing End-User Notice; and
- (iv) the term "**Individual Segregated Account Clearing Client**" shall be construed to mean an Individual Segregated Account Clearing Client providing indirect clearing services in respect of a Service on behalf of its Indirect Clearing Clients; the term "**Individual Segregated Account**" shall be construed to mean such an account comprising a sub-account in the form of an Indirect Omnibus Segregated Account opened by a Clearing Member in respect of such an Individual Segregated Account Clearing Client; and the term "**Individual Segregated Account Balance**" shall be construed accordingly.

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

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

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

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

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

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

- ~~(iv)~~(v) otherwise, transfer by the Clearing Member to the Clearing House of Collateral with a value which is at least sufficient to discharge the relevant requirement.

- ~~(m)~~(n) Where a Clearing Member transfers Collateral to the Clearing House for the credit of a Client Account the Clearing House will record the Collateral in the relevant Client Account (as instructed by the Clearing Member or any agent or representative acting on behalf of such Clearing Member) **provided that** the Clearing Member has informed the Clearing House of the Client Account to which such Collateral is to be credited.
- ~~(n)~~(o) The Clearing House shall be entitled to rely on information received from a Clearing Member or any agent or representative acting on behalf of such Clearing Member in relation to the clearing business undertaken by it (including such information regarding the proper segregation of positions and assets in such Clearing Member's Accounts). No Clearing Member shall transfer to the Clearing House any monies or securities other than amounts provided for the purposes of, or in connection with, the provision of clearing services by the Clearing House.
- ~~(o)~~(p) Without prejudice to paragraph (n) above, a Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any information which the Clearing House may reasonably require in relation to each Relevant Client Clearing Business of that Clearing Member.
- ~~(p)~~(q) In addition to and without prejudice to any other provision in the Rulebook, in circumstances where an investment manager or similar third party agent acts on behalf of a client on behalf of whom a Clearing Member is providing Client Clearing Services, the Clearing House shall be entitled to treat instructions received from the investment manager or similar third party as if they were instructions received from the relevant underlying client.
- ~~(q)~~(r) Where any formalities or registration requirements apply in respect of the Security Deed (and any other document which the Clearing House may from time to time determine), a Clearing Member is required to comply with such obligations or to procure by agreement that such requirements are to be complied with. The Clearing House agrees to exercise its default powers in a manner consistent with the provisions of the Security Deed and related documentation, including by accepting instructions from the relevant Clearing Clients of a Clearing Member following the occurrence of a Default in respect of such Clearing Member.
- ~~(r)~~(s) Any reference in a deed of assignment between a SwapClear Clearing Member and the Clearing House to the "**Default Management Process Agreement Amendment Agreement**" or to the "**SwapClear Default Management Process Agreement**" shall be construed as a reference to the Client Clearing Annex.
- ~~(s)~~(t) A Clearing Member (other than an FCM Clearing Member) may choose to make Client Buffer available in order to support (as further described in Procedure 2C) the registration of, or to meet any other intraday margin requirements in connection with, SwapClear Contracts in Client Accounts opened in connection with its SwapClear Client Clearing Business. By requesting the opening of a Client Buffer Account, the Clearing Member represents and warrants to the Clearing House that its participation in the Client Buffer arrangements will not give rise to a breach of Applicable Law or any contract.

CHAPTER V – COLLATERAL AND VALUATIONS

REGULATION 20 MARGIN AND COLLATERAL

- (a) The Clearing House may in accordance with ~~the~~ these Regulations and/or the Procedures require a Member to transfer Collateral to the Clearing House, and to maintain a Clearing Member Current Collateral Balance, in an amount or of a value determined by the Clearing House, as security for the performance by such Member of its obligations to the Clearing House in respect of all contracts from time to time to be registered in his name as open contracts pursuant to these Regulations. The obligation upon a Member to transfer Collateral to the Clearing House, and maintain a Clearing Member Current Collateral Balance, pursuant to this paragraph shall be in addition to any other obligation of the Member to transfer Collateral to the Clearing House, maintain a Clearing Member Current Collateral Balance, or make any other payment to the Clearing House pursuant to these Regulations or any OTC Contract Terms.
- (b) The Clearing House may in accordance with these Regulations and/or the Procedures require a Member to transfer Collateral to the Clearing House in respect of initial or variation margin in circumstances prescribed by the Regulations and the Procedures in respect of any open contract registered in the Member's name, such Collateral to be transferred by the Member in such form and manner and by such time or times as may be prescribed by the Procedures.
- (c) If insufficient Collateral is standing to the credit of a Member's account, or if any assets or monies transferred by a Member to the Clearing House as Collateral are determined by the Clearing House in accordance with the Procedures to be insufficient, such Collateral as the Member is required to transfer to the Clearing House pursuant to paragraph (b) above or Regulation 16 or the SwapClear Regulations, the RepoClear Regulations, the EquityClear Regulations, the LCH EnClear Regulations, or LCH EnClear Regulations, the LSE Derivatives Markets Regulations, the ForexClear Regulations or the Listed Interest Rates Regulations, as applicable, shall be transferred to the Clearing House by the Member in such form and manner and by such time or times as may be prescribed by these Regulations and/or the Procedures.
- (d)
- (i) The Clearing House shall be entitled to assume that all securities and other assets transferred by a Member to the Clearing House as Collateral pursuant to these Regulations and/or the Procedures or under the terms of any agreement made with the Member are the sole legal and beneficial property of the Member or are transferred for the purposes of these Regulations with the legal and beneficial owner's unconditional consent and free of such owner's interest. A Member may not transfer securities or other assets to the Clearing House as Collateral otherwise than in conformity to this paragraph. It shall be accepted by every person dealing on the terms of these Regulations that a Member has such person's unconditional consent to transfer to the Clearing House as Collateral for the purposes of these Regulations and/or the Procedures any securities or other assets of such person in the Member's possession, free of such person's interest.

contracts or under the terms of any original or confirmed contract to which the Member is party.

- (i) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and published on the Clearing House's website, in respect of any non-cash Collateral (other than Clearing Member Returned Collateral or Clearing Member Applied Collateral) transferred to the Clearing House. Any alteration in the basis of calculating the rates of accommodation charge shall become effective in respect of all current and future business by the time as published on the Clearing House's website.
- (j) Without prejudice to the requirements of paragraph (e) or (f) above, the Clearing House may at its absolute discretion accept Collateral to an agreed amount in a form other than those specified in the Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of Collateral in accordance with its standard risk management procedures and to any special arrangements which the Clearing House may prescribe in each case (including as to valuation and haircut). The Clearing House may at its discretion make an accommodation charge at a special rate.
- (k) If, in the opinion of the Clearing House, any asset which has been transferred to it by a Member as Collateral pursuant to these Regulations and/or the Procedures is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further Collateral from such Member. Such Collateral shall be transferred by such Member to the Clearing House on demand in a form prescribed by the Procedures, **provided that** at any time the Clearing House shall be entitled to require the Member to transfer Collateral to the Clearing House in a specified form and to demand that the Member replace the whole or part of any asset transferred to the Clearing House by that Member pursuant to these Regulations with Collateral in the form of cash.
- (l) Any request by a Clearing Member (including, for the avoidance of doubt, a Resigning Member or a Retiring Member) for the release or return of excess Collateral shall be dealt with in accordance with the Procedures.
- (m) If the Clearing House takes any step or steps under the Default Rules in relation to a Member, any sum (including without limitation the price due to be paid by the Clearing House in respect of the delivery of any property or currency by or on behalf of the Member) standing to the credit of any of the Member's accounts shall be treated as Collateral.
- (n) Unless the Clearing House otherwise agrees in writing or as expressly contemplated by the Rulebook, no Member may assign or otherwise transfer its right to the return of any Collateral or Contributions transferred to the Clearing House in the form of cash. Any such purported assignment or transfer by a Member (whether by way of security or otherwise) shall be void. A Member shall not otherwise encumber (or seek to encumber) its right to the return of any cash Collateral or Contributions transferred to the Clearing House.

- (o) Where the Clearing House is party to a Link Agreement with a Co-operating Clearing House:
- (i) the Clearing House may request collateral from that Co-operating Clearing House in whatever form may be stipulated in the terms of that Link Agreement; and
 - (ii) if collateral is transferred to the Clearing House by such Co-operating Clearing House pursuant to such Link Agreement, that collateral shall be deemed to be Collateral for the purposes of these Regulations and the Default Rules.
- (p) Any references in the Rulebook to (i) Collateral deposited or held by or with the Clearing House or a Clearing Member or in an account maintained by the Clearing House or a Clearing Member; (ii) balances of Collateral with the Clearing House or a Clearing Member or in an account maintained by the Clearing House or a Clearing Member; and (iii) Collateral credited to an account maintained by the Clearing House or a Clearing Member (and any phrases describing similar concepts), shall be construed as including all Collateral transferred to the Clearing House by the relevant that Clearing Member or Custodial Segregated Client, or to that the relevant Clearing Member by the Clearing House (as applicable) and any Applied Collateral Excess Proceeds credited to the relevant that Clearing Member's account by the Clearing House, but as excluding any relevant Clearing Member Returned Collateral, Clearing Member Applied Collateral, Clearing House Returned Collateral and/or Clearing House Applied Collateral (as applicable).
- (q) Expressions in the Rulebook such as “furnish”, “provide”, “deposit” and “post” (and similar expressions) are used to describe the act of transferring Collateral to or, as the case may be, from, the Clearing House and, when used in conjunction with such expressions, expressions in the Rulebook such as “margin”, “cover for margin” and “collateral” (and similar expressions) are used to describe the collateral which is transferred to or, as the case may be, from, the Clearing House. Where the context so permits, references in the Rulebook to Collateral being held in an account means that the Collateral is recorded in the books and records of the Clearing House as being attributable to a particular Clearing Member or Clearing Client. ~~Where the Rulebook so provides, references to Collateral being “transferred” from the Clearing House to the Clearing Member may include the Clearing House recording in its books and records such Collateral as being attributable to the Clearing Member and held in an account of that Clearing Member with the Clearing House.~~ References in the Rulebook to Collateral being “transferred”, “provided” or “delivered” by:
- (i) a Clearing Member to the Clearing House includes Collateral that the Clearing House has recorded in its books and records as attributable to that Clearing Member and an account of that Clearing Member with the Clearing House;
 - ~~(q)~~(ii) a Custodial Segregated Client to the Clearing House includes Collateral that the Clearing House has recorded in its books and records as attributable to that Custodial Segregated Client and the relevant Custodial Segregated Account which a Clearing Member has opened with the Clearing House in respect of such Custodial Segregated Client.

- (r) The Rulebook shall be construed such that:
- (i) save as stated in sub-paragraph (ii), all transfers of Collateral by a Clearing Member to the Clearing House or, as the case may be, ~~from, by~~ the Clearing House to a Clearing Member are effected on an outright title-transfer basis (with there being no intention to create any form of *in rem* security interest in such collateral, and despite any references to such collateral being held by the Clearing House or a Clearing Member or in an account maintained by the Clearing House or a Clearing Member or to such collateral being credited to an account maintained by the Clearing House or a Clearing Member (or to similar concepts));
 - (ii) wherever non-cash Collateral is transferred by a Clearing Member to the Clearing House, it is held by the Clearing House as custodian for the Clearing Member which transferred it, on and subject to the terms of the relevant Deed of Charge between the Clearing House and that Clearing Member;
 - (iii) wherever the Clearing House is required to return cash Collateral or Applied Collateral Excess Proceeds to a Clearing Member or a Clearing Member is required to return cash Collateral to the Clearing House, that requirement is to pay an amount of cash equal to the amount expressed to be so required to be returned; and
 - (iv) wherever the Clearing House is required to return non-cash Collateral to a Clearing Member, that requirement is to return (unless otherwise provided in the Procedures) the same non-cash Collateral (or equivalent non-cash Collateral) as was transferred to the Clearing House by that Clearing Member and to release the same from the security created by the relevant Deed of Charge.
- (s) In determining the amount of Collateral which the Clearing House requires to be transferred to or from the Clearing House pursuant to the Rulebook, the Clearing House shall take into account the amount of any Collateral which has previously been determined as being required to be transferred to or from the Clearing House but which, at the time of that determination, has not been so transferred.
- (t) Upon the Clearing House being satisfied (acting in good faith) that all obligations of a Clearing Member pursuant to the Rulebook have been irrevocably paid or discharged in full and that no such obligations are capable of arising:
- (i) the Clearing House shall (A) in the case of cash Collateral transferred by the Clearing Member to the Clearing House for the purpose of collateralising that Clearing Member's obligations (other than any constituting Clearing Member Returned Collateral or Clearing Member Applied Collateral), pay an amount of cash to that Clearing Member equal to such cash; and (B) in the case of non-cash Collateral transferred by the Clearing Member to the Clearing House for the purpose of collateralising that Clearing Member's obligations (other than any constituting Clearing Member Returned Collateral or Clearing Member Applied Collateral), transfer that same Collateral (or equivalent Collateral) to that Clearing Member; and

- (ii) the Clearing Member shall, in the case of cash Collateral transferred to the Clearing Member for the purpose of collateralising the Clearing House's obligations (other than any constituting Clearing House Returned Collateral or Clearing House Applied Collateral), transfer an amount of cash to the Clearing House equal to such cash.
- (u) Wherever the Rulebook contemplates an obligation of a Clearing Member being discharged by the Clearing House using, or otherwise applying, cash Collateral transferred to the Clearing House for the purpose of collateralising that Clearing Member's obligations to the Clearing House (including any Applied Collateral Excess Proceeds), the manner in which such discharge shall occur is by the acceleration of the Clearing House's obligation to return that cash Collateral or Applied Collateral Excess Proceeds to that Clearing Member or a Custodial Segregated Client (but only in an amount which does not exceed the obligation of that Clearing Member which is to be so discharged) and the set-off of that transfer obligation against that Clearing Member's obligation which is to be so discharged.
- (v) Wherever the Rulebook contemplates an obligation of the Clearing House being discharged by a Clearing Member using, or otherwise applying, cash Collateral transferred to that Clearing Member for the purpose of collateralising the Clearing House's obligations to that Clearing Member, the manner in which such discharge shall occur is by the acceleration of that Clearing Member's obligation to return that cash Collateral to the Clearing House (but only in an amount which does not exceed the obligation of the Clearing House which is to be so discharged) and the set-off of that transfer obligation against the Clearing House's obligation which is to be so discharged.
- (w) Where a Clearing Member is a Futures Commission Merchant and it proposes to transfer to the Clearing House Collateral relating to Client Clearing Business in connection with the clearing of a futures or options contract that is traded on an exchange that is not a designated contract market, it shall request that the Clearing House approve such proposed transfer and following the Clearing House's written approval, the Clearing House shall hold such Collateral as a foreign futures or foreign options secured amount subject to the requirements of CFTC Rule 30.7. By making such request, a Clearing Member shall be deemed to represent and undertake to the Clearing House that it will not engage in House Clearing Business or transfer Collateral in relation to House Clearing Business and the Clearing Member acknowledges that any such approval from the Clearing House is issued in reliance upon such representation or undertaking being true and accurate at all times.

The Clearing House's written approval shall satisfy the Clearing Member's requirement to obtain an acknowledgement pursuant to Part 30 of CFTC Regulations.

CHAPTER XI – NETTING AND DISTRIBUTION

REGULATION 45 NETTING

- (a) If at any time the Clearing House fails to make a payment or a delivery of an asset to a Member, other than a Defaulter, under a Contract for a period of 30 days from the date when the obligation to pay or deliver fell due then that Member may exercise its rights under paragraph (c) below.
- (b) If at any time the Clearing House commences a voluntary case or other procedure seeking or proposing liquidation, administration, receivership, voluntary arrangement or a scheme of arrangement, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing cases or procedures is commenced in relation to the Clearing House by any other person which results in liquidation or winding up of the Clearing House, or if the Clearing House takes corporate action to authorise any of the foregoing, in any such case other than for the purposes of corporate restructuring (including any consolidation, amalgamation or merger), then a Member, other than a Defaulter, may exercise the right given to it under paragraph (c) below.
- (c) A Member entitled to exercise rights under this paragraph may, at any time whilst any of the circumstances referred to in paragraph (a) or (b) giving rise to such rights continue, by notice in writing to the Clearing House, specify a Termination Date for the termination and liquidation of all Contracts to which it is a party in accordance with paragraph (d) below.
- (d) Upon the occurrence of a Termination Date:
- (i) neither the Clearing House nor the Member shall be obliged to make any further payments or deliveries under any Contract between them which would, but for this Regulation 45, have fallen due for performance on or after the Termination Date, and any obligations to make further such payments or deliveries which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set-off or otherwise) of the Termination Amount;
- (ii) the Member shall (on, or as soon as reasonably practicable after, the Termination Date) determine (discounting if appropriate) in respect of each Contract its total loss or, as the case may be, gain, in each case expressed in the lawful currency of the United Kingdom (the "**Base Currency**"), (and, if appropriate, including any loss of bargain, cost of funding or, without duplication, 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), as a result of the termination, pursuant to this agreement, of each payment or delivery which would otherwise have been required to be made under such Contract (assuming satisfaction of each applicable condition precedent and having due regard to, if appropriate, such market quotations published on, or official settlement prices set by, a relevant exchange or clearing organisation, as may be available on, or immediately preceding, the date of calculation);

- (iii) any cash Collateral balance held by the Clearing House and/or the Member in respect of the other party's initial margin and/or variation margin obligations shall (to the extent not already due and payable) be accelerated so as to become immediately due and payable to the ~~party~~Member or Clearing House who provided such cash Collateral, and the Member shall (on, or as soon as reasonably practicable after, the Termination Date) determine the Base Currency Equivalent of such amount(s). For the purposes of this Regulation 45, the "**Base Currency Equivalent**" means, in respect of any amount denominated in the Base Currency, such Base Currency amount and, in respect of any amount denominated in a currency other than the Base Currency (the "**Other Currency**"), the amount in the Base Currency determined by the Member as being required to purchase such amount of such Other Currency as at the relevant Termination Date, with the Base Currency; and
- (iv) the Member shall treat each loss to it determined under paragraph (ii) above and the Base Currency Equivalent of any amount of cash Collateral due and payable to it as a positive amount and each gain by it determined under paragraph (ii) above and the Base Currency Equivalent of any amount of cash Collateral due and payable by it as a negative amount and, subject to paragraph (v), shall aggregate all of such amounts to produce a single, net positive or negative amount, denominated in the Base Currency (the "**Termination Amount**").
- (v) Where a Member has a Proprietary Account and one or more Client Accounts:
- (A) the Member shall determine one or more net amounts under paragraph (iv): a separate net amount in respect of gains and losses arising on Contracts registered in each of its Client Accounts and any corresponding cash Collateral balances held by that Member or the Clearing House; and a further separate net amount in respect of gains and losses arising on all Contracts registered in such Member's Proprietary Account (or Proprietary Accounts as combined) and any corresponding cash Collateral balances held by that Member or the Clearing House; and
- (B) each of the net amounts determined under paragraph (A) shall constitute Termination Amounts.
- (vi) If a Termination Amount determined pursuant to paragraph (v) above is a positive amount, the Clearing House shall pay it to the Member and if any such Termination Amount is a negative amount, the Member shall pay it to the Clearing House, in either case in accordance with paragraph (vii). The Member shall notify the Clearing House of each such Termination Amount, and by which party it is payable, immediately after the calculation thereof.
- (vii) A Termination Amount shall, subject to Regulation 46, be paid in the Base Currency by the close of business on the business day following notification pursuant to paragraph (vi) above (converted as required by Applicable Law into any other currency, any costs of such conversion to be borne by, and (if applicable) deducted from any payment to, the Clearing House). Any

Termination Amount which is not paid on such day shall bear interest, at the average rate at which overnight deposits in the currency of such payment are offered by major banks in the London interbank market as of 11:00 hours (London time) (or, if no such rate is available, at such reasonable rate as the Member may select) plus 1 per cent. per annum, for each day for which any such sum remains unpaid.

- (viii) For the purposes of any calculation required to be made under this Regulation, the Member may convert amounts denominated in any other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select.

The Member's rights under this Regulation 45 shall be in addition to, and not in limitation or exclusion of, any other rights which the Member may have (whether by agreement, operation of law or otherwise, including its rights under Regulation 10(i)).

(e) If a Member is a Defaulter and either:

- (i) no default management process has been commenced by the Clearing House in respect of such Member within 3 business days following a Default Notice being issued in respect of that Member; or
- (ii) such default management process has been commenced within such period but that Member determines (acting reasonably) that the relevant default management process is unlikely to be completed,

then, provided that an event or circumstance as described in paragraph (a) (ignoring, for this purpose, the words "other than a ~~e~~Defaulter" in that paragraph) or (b) above has also occurred, the relevant Member shall be entitled to exercise the rights provided under paragraph (c) above, notwithstanding that it is a Defaulter.

(f) Interpretation in Relation to FDICIA. The Clearing House and each Clearing Member intend that certain provisions of the General Regulations and the Procedures (including this Regulation 45) be interpreted in relation to certain terms that are defined in FDICIA, as follows:

- (i) The Clearing House is a "clearing organization".
- (ii) An obligation of a Clearing Member to make a payment to the Clearing House, or of the Clearing House to make a payment to a Clearing Member, subject to a netting contract, is a "covered clearing obligation" and a "covered contractual payment obligation".
- (iii) An entitlement of a Clearing Member to receive a payment from the Clearing House, or of the Clearing House to receive a payment from a Clearing Member, subject to a netting contract, is a "covered contractual payment entitlement".
- (iv) The Clearing House is a "member", and each Clearing Member is a "member".

REGULATION 60 TRANSFER

- (a) Other than in the event that a SwapClear Clearing Member is a Defaulter, any Permitted Transfer of one or more Transferring SwapClear Contracts from the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee (including, where relevant, the transfer of an Associated Collateral Balance), may only be done pursuant to this Regulation 60 and in accordance with the Procedures and (where applicable) any relevant Collateral Management Agreement.
- (b) Further to the satisfaction of the conditions set out in the Procedures and (where applicable) any relevant Collateral Management Agreement, and **provided that** the Clearing House does not determine, in its sole discretion, that (x) a Permitted Transfer cannot be effected under these Regulations, the Procedures or otherwise under Applicable Law and/or (y) where applicable, the additional conditions as set out in Regulation 46(p) of the FCM Regulations need to be and have not been complied with, the Clearing House shall transfer the Transferring SwapClear Contract(s) into the Transfer Account of the Receiving Clearing Member as follows:
- (i) in the case of a Permitted Transfer where the Receiving Clearing Member is the same entity as the Eligible Transferor, the Transferring SwapClear Contracts (and, if applicable, the Associated Collateral Balance) shall be transferred to the Proprietary Account of the Receiving Clearing Member;
 - (ii) in the case of a Permitted Transfer where the Carrying Clearing Member is not an FCM Clearing Member and the Receiving Clearing Member is an FCM Clearing Member, the Transferring SwapClear Contracts (and, if applicable, the Associated Collateral Balance) shall be transferred to the relevant Transfer Account of the relevant Receiving Clearing Member and all of the SwapClear Contracts to be transferred (which are subject to the Rulebook) shall, upon transfer, be converted to FCM SwapClear Contracts subject to the FCM Regulations and the FCM Procedures but shall otherwise remain on the same contract terms;
 - (iii) in the case of a Permitted Transfer where the Carrying Clearing Member is an FCM Clearing Member and the Receiving Clearing Member is not an FCM Clearing Member, the FCM SwapClear Contracts (and, if applicable, the Associated Collateral Balance) shall be transferred to the relevant Transfer Account of the relevant Receiving Clearing Member and all of the FCM SwapClear Contracts to be transferred (which are subject to the FCM Rulebook) shall, upon transfer, be converted to SwapClear Contracts subject to the Rulebook but shall otherwise remain on the same contract terms; or
 - (iv) in all other cases, the Transferring SwapClear Contracts (and, if applicable, the Associated Collateral Balance(s)) shall be transferred to the Transfer Account of the Receiving Clearing Member.

The Transfer of the Transferring SwapClear Contracts shall occur by novation of all of the Carrying Clearing Member's rights and obligations in respect of such Transferring SwapClear Contracts to the Receiving Clearing Member as provided in Regulation 12(b).

- (c) A SwapClear Clearing Member may only assign the rights under, or transfer, a SwapClear Contract entered into by such SwapClear Clearing Member in respect of SwapClear Client Clearing Business, in accordance with the Rulebook and (where applicable) any relevant Collateral Management Agreement or with the prior written consent of the Clearing House. Any purported assignment, or any purported transfer, of a SwapClear Contract entered into by a SwapClear Clearing Member in respect of SwapClear Client Clearing Business that is not in compliance with this Regulation 60(c) shall be void.
- (d) If a SwapClear Clearing Member is a Defaulter, the Clearing House shall take such actions, subject to and in accordance with the Default Rules in relation to SwapClear Contracts carried by such SwapClear Clearing Member on behalf of SwapClear Clearing Clients, **provided always that** the Clearing House shall take such actions as are required to meet the Clearing House's continuing regulatory obligations including those applicable to it as a Recognised Clearing House and a Derivatives Clearing Organization.
- (e) The Carrying Clearing Member agrees to indemnify the Clearing House in respect of all liabilities, costs, loss, fees, damages or expenses suffered or incurred by the Clearing House (howsoever arising or occurring) by reason of a proposed transfer being rejected by the Carrying Clearing Member other than in compliance with the grounds set out in the Procedures.

LCH Rule Submission

Appendix C

Default Rules



LCH.CLEARNET LIMITED
DEFAULT RULES

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

LCH.CLEARNET LIMITED

The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001, Part IV

DEFAULT RULES

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

The Rules comprise:

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

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

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

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

- (b) a reference to a numbered Regulation in these Rules is a reference to the Regulation so numbered in the Regulations Section of the Rulebook and a reference to a numbered FCM Regulation is a reference to the FCM Regulation so numbered in the FCM Regulations. A reference to a numbered Rule is a reference to the Rule so numbered in these Rules;
 - (c) the expression "**relevant office-holder**" in these Rules has the meaning given to it in section 189 of the Companies Act 1989 and a reference to the Defaulter shall include (where the context permits) a reference to the relevant office-holder; and
 - (d) a reference to an agreement in these Rules is a reference to that agreement as amended, modified or varied from time to time.
3. In the event of a Clearing Member appearing to the Clearing House to be unable, or to be likely to become unable, to meet its obligations in respect of one or more Contracts, the Clearing House may (or upon the occurrence of an Automatic Early Termination Event, in which case such Contracts will automatically terminate, the Clearing House will) take the steps listed in Rule 6, it deems appropriate in the circumstances:
- (a) to discharge all the Clearing Member's rights and liabilities under or in respect of all Contracts to which it is party or upon which it is or may be liable; and
 - (b) to complete the process set out in Rule 8.

Before taking any such step the Clearing House shall (i) have regard to the interests of the members of any market that the Clearing Member may belong to (ii) where it is reasonably practicable to do so and without prejudice to those interests if applicable or to the interests of the Clearing House, consult any relevant Exchange to whose Exchange Rules open contracts registered in the name of the Clearing Member are subject and (iii) inform the Bank of England of the proposed step(s) to be taken. As soon as practicable after the Clearing House has elected to take any such step in relation to a Clearing Member (or in the case of an Automatic Early Termination Event (as described in Rule 5 below) as soon as practicable after the occurrence of such an event) the Clearing House shall send to such Clearing Member: (i) a notice of such step being taken or a notice of the occurrence of an Automatic Early Termination Event (a "**Default Notice**"), and shall publish a copy of the Default Notice; and (ii) copies of any written notices received from ~~any the~~ Individual Segregated Account Clearing Client(s), Custodial Segregated Clients, ~~and/or any of the~~ Affiliated Omnibus Segregated Clearing Clients and/or Identified Omnibus Segregated Clearing Clients of that Defaulter confirming their instructions for the Clearing House to arrange for a transfer or termination, close-out and re-establishment of their open Contracts to/with the relevant Back-up Clearing Member(s), **provided however that** the Clearing House shall have no liability for any failure to deliver such notices.

- 4. A Clearing Member (i) in respect of whom the Clearing House has issued a Default Notice under Rule 3; or (ii) in respect of whom an Automatic Early Termination Event has occurred, is in these Rules called a "**Defaulter**".
- 5. Without prejudice to the generality of Rule 3, the Clearing House may take any or all of the events under paragraphs 5(a) to (q) below to show that a Clearing Member is or

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

- (ii) in the case of SwapClear Contracts and/or Listed Interest Rates Contracts related to Rates Service Clearing House Business, the Clearing House: (A) shall act in accordance with the provisions of the Rates Service DMP Annex to these Default Rules (which deals, amongst other things, with certain specific arrangements, procedures and steps for the close-out and/or settlement of such SwapClear Contracts and/or Listed Interest Rates Contracts pursuant to this Rule 6); and (B) may also take any of the other steps set out in this Rule 6 to the extent that they do not conflict with the steps set out in the Rates Service DMP Annex to these Default Rules;
- (iii) in the case of ForexClear Contracts related to ForexClear Clearing House Business and ForexClear Contracts which are Relevant Auction Contracts, the Clearing House: (A) shall act in accordance with the provisions of the ForexClear DMP Annex to these Default Rules (which deals, amongst other things, with certain specific arrangements, procedures and steps for the close-out and/or settlement of such ForexClear Contracts pursuant to this Rule 6); and (B) may also take any of the other steps set out in this Rule 6 to the extent that they do not conflict with the steps set out in the ForexClear DMP Annex to these Default Rules; and
- (iv) in the case of Fixed Income Contracts related to RepoClear Clearing House Business and Fixed Income Contracts which are Relevant Auction Contracts, the Clearing House: (A) shall act in accordance

- (ii) by or to a Defaulter in respect of FCM Contracts (and in accordance with paragraph (e) below); any other sum due under the FCM Regulations; and/or any sum due in respect of any breach of the FCM Regulations;
- (b) the sums so payable shall be aggregated or set off so as to produce a net sum or as many net sums as required by Rule 11;
- (c) any cash Collateral forming part of the Clearing House Current Collateral Balance in respect of the relevant kind of account shall be set off against any cash Collateral (excluding cash Client Collateral) forming part of the Defaulter's Clearing Member Current Collateral Balance in respect of the relevant kind of account, and the resulting amount shall be aggregated with or set off against (as the case may be) any net sum payable under Rule 8(b) above, so as to produce a further net sum;
- (d) where an amount is payable by the Clearing House to the Defaulter in respect of a balance on its Proprietary Account(s), and there are amounts due to the Clearing House in respect of any Client Account with the Clearing House, including any FCM Omnibus Client Account with LCH (and any FCM Client Sub-Accounts therein) operated by it, the balance on the Proprietary Account(s) may be applied to meet the shortfall on the Client Account(s) with the Clearing House, including any FCM Omnibus Client Account with LCH (and any FCM Client Sub-Accounts therein) in any way in which the Clearing House may determine;
- (e) in the case where the Defaulter is an FCM Clearing Member,
 - (i) with respect to an FCM Omnibus Swaps Client Account with LCH, a net sum shall be calculated in respect of each applicable FCM Client Sub-Account, and with regards to any amount due to the Clearing House from the Defaulter in respect of net sums attributable to FCM Client Sub-Accounts where there is inadequate Collateral (on a sub-account by sub-account basis) to fully set off such amount payable, the Clearing House shall have sole discretion with respect to the allocation of any available FCM Buffer or the reallocation of any Encumbered FCM Buffer in setting off any such amounts payable to the Clearing House; and
 - (ii) with respect to an FCM Omnibus Futures Client Account with LCH, a net sum shall be calculated in respect of the FCM Omnibus Futures Client Account with LCH;
- (f) in the event that the Clearing House elects to close out and to liquidate FCM SwapClear Contracts attributable to FCM Clients of the Defaulter (in accordance with the Rates Service DMP Annex), the Clearing House shall allocate any costs associated with such closing out and liquidation process (including hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) among the FCM Clients whose positions were liquidated, by allocation to such FCM Clients' FCM Client Sub-Accounts that are held in the Defaulter's FCM

Defaulter are to be paid by the Clearing House. The day so appointed may fall before or after the effective date of termination of the Defaulter's Clearing Membership Agreement but shall not fall on a day before the process specified in Rule 8 can be completed.

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

11.

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

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

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

(iii) an account which is a Proprietary Account of the Defaulter may be combined with any other Proprietary Accounts of the Defaulter and (if the Clearing House so elects) Treasury Accounts of the Defaulter (subject to Rule 11(d) of the Default Rules); and

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

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

(b) For the purposes of this Rule 11, each Individual Segregated Account of the Defaulter, each Custodial Segregated Account of the Defaulter, each Omnibus Segregated Account of the Defaulter, each FCM Client Sub-Account(s) of a particular FCM Client within a particular FCM Omnibus Swaps Client Account with LCH of the Defaulter, and each FCM Omnibus Futures Client Account with LCH shall constitute a separate "**kind of account**". Where the Defaulter has more than one kind of account with the Clearing House, the process set out in Rule 8 shall be separately completed in respect of each kind

of account. In the case of each kind of account of the Defaulter which is an Individual Segregated Account or a Custodial Segregated Account, the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 shall be separately certified under Rule 9. In the case of each kind of account of the Defaulter which is an Omnibus Segregated Account (other than a Non-Identified Client Omnibus Net Segregated Account), the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 will be allocated by the Clearing House (*pro rata* as it sees fit in its sole discretion) between the Clearing Clients in that Omnibus Segregated Account. Each sum so allocated to a Clearing Client shall be separately certified under Rule 9. In the case of each kind of account of the Defaulter which is a Non-Identified Client Omnibus Net Segregated Account, the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 will represent the aggregate entitlements of all Clearing Clients comprising that Client Account.

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

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

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

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

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

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

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

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

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

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

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

12. Without further authorisation, permission or cooperation from the Defaulter, the Clearing House may appoint any person to take or assist it in taking any step under these Rules or to complete or assist it in completing the process set out in Rule 8.
13. The Clearing House may co-operate, by the sharing of information and otherwise, with any Regulatory Body or relevant Exchange, any relevant office-holder acting in relation to the Defaulter or its estate and any other authority or body having responsibility for, or any Clearing Member having an interest in, any matter arising out of or connected with the circumstances mentioned in Rule 3.
14. In addition to such copy report as it supplies under section 162(3) of the Companies Act 1989, the Clearing House shall report to the Defaulter, or any relevant office-holder acting in relation to the Defaulter or its estate, on steps taken in relation to the Defaulter under Rule 6.

Reduction of Losses on Default

15. Subject to: (i) any contrary provision of the Rulebook and/or (ii) any variation or modification in, or clarification of, the application of the resources described below set out in an Annex, where a Defaulter fails to pay any sum payable to the Clearing House, the Clearing House shall reduce or bear its loss in the manner provided by this Rule:

(a) first, to the extent the Clearing House determines appropriate, in applying any Collateral transferred to the Clearing House by the Defaulter, ~~and~~ any other sum owed to the Defaulter (other than any Contribution) and any Collateral transferred to the Clearing House by a Custodial Segregated Client in respect

of a Custodial Segregated Account of the Defaulter (together, "**Margin Cover**"), **provided that** (i) Margin Cover related to a particular type of Business is to be applied first to any loss attributable to that Business until such loss is absorbed; and (ii) save in the case where the relevant Client Accounts are two or more Individual Segregated Accounts and/or Custodial Segregated Accounts opened by the Defaulter on behalf of the same Clearing Client (or, in the case of a Defaulter who is an FCM Clearing Member, two or more FCM Client Sub-Accounts held in the name of the same FCM Client or two or more FCM Omnibus Futures Client Accounts with LCH, as applicable), in no circumstances will Margin Cover transferred by the Defaulter and/or by a Custodial Segregated Client in respect of obligations arising on a Client Account be applied by the Clearing House pursuant to this stage (a) in respect of any loss attributable to any of the Defaulter's other accounts;

- (b) second, by (i) recourse to the Defaulter's relevant Contribution in respect of the type of Business to which the loss relates, followed by (ii) recourse to any other Contribution made by the Defaulter to the extent not utilised under (i) above. The Clearing House will exercise its rights of recourse under this stage (b) by set-off against the Clearing House's obligation to repay the relevant Contributions to the Defaulter;
- (c) third, by payment from the Clearing House's own account of an amount (the "**Capped Amount**") (i) determined by the Clearing House from time to time in accordance with the requirements relating to the calculation and the setting aside of dedicated own resources under the Own Resources Provision; or (ii) in the case of a subsequent Default occurring before the Clearing House has reinstated the dedicated resources required in accordance with the Own Resources Provision, representing the residual amount of such dedicated own resources.

Where there are amounts due from the Defaulter at this stage in respect of more than one type of Business (each a "**Relevant Business**" in respect of the Defaulter), a separate Capped Amount determined in accordance with Rule 15(c)(i)-(ii) will be paid from the Clearing House's own account under this stage (c) in respect of such Relevant Business.

- (d) fourth, to the extent that any insurance or analogous arrangement is not available to the Clearing House, by recourse to the indemnities given under Rule 21 by Clearing Members other than the Defaulter (which shall be satisfied by set-off against the Clearing House's obligation to repay the relevant Contributions of such Clearing Members). If the criteria specified in a relevant Supplement for calling any Unfunded Contributions have been satisfied, then references to the Contributions of Clearing Members other than the Defaulter in this Rule 15(d) shall include such Unfunded Contributions;
- (e) fifth, by recourse to any insurance cover or analogous arrangement;
- (f) sixth, by recourse to the indemnities given under Rule 21 by Clearing Members other than the Defaulter (which shall be satisfied by set-off against the Clearing House's obligation to repay the relevant Contributions of such Clearing Members). If the criteria specified in a relevant Supplement for

SCHEDULE 1
CLIENT CLEARING ANNEX

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

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

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

take any one or more of those other steps which are set out in Rule 6 of the Default Rules (and which are applicable to open contracts of the relevant type) in respect of such Relevant Contract, from such time as the Clearing House determines that porting will not occur.

4. If a Clearing Member becomes a Defaulter, the Clearing House shall:

4.1 determine one or more Porting Windows in respect of the relevant Default where "**Porting Window**" means the period of time, commencing on the day of the relevant Default and being at least 24 hours (other than in the case of a Porting Window Reduction (as defined below) or, in the case of a Custodial Segregated Account only, a Porting Window which terminates in accordance with paragraph 4.1(b)(i) of this Client Clearing Annex), during which the Clearing House will seek to transfer Relevant Contracts entered into by the Defaulter and the Account Balances held in any Client Accounts opened by the Defaulter with the Clearing House to one or more Backup Clearing Members in accordance with the provisions of this Client Clearing Annex and (where applicable) any relevant Collateral Management Agreement. Each such Porting Window will:

(a) be determined by the Clearing House in its sole discretion separately in respect of each type of Client Account within each separate Relevant Client Clearing Business of the relevant Defaulter (where Individual Segregated Accounts, Custodial Segregated Accounts, Omnibus Gross Segregated Accounts, Identified Client Omnibus Net Segregated Accounts and Affiliated Client Omnibus Net Segregated Accounts are each a different "type of Client Account") and published on its website; ~~and~~

(b) for a Custodial Segregated Account, terminate on the occurrence of one of the following events:

(i) the Relevant Contracts and Account Balance relating to the Custodial Segregated Account are ported; or

(ii) the Clearing House notifies the relevant Custodial Segregated Client that it has determined that the Relevant Contracts and Account Balance relating to the Custodial Segregated Account will not port; and

(c) in relation to any type of Client Account other than a Custodial Segregated Account, reflect, where applicable, any subsequent extension of the relevant period of time referred to in paragraph 4.1 applied by the Clearing House in its sole discretion and notified by means of a further publication on its website; and

~~(b)~~(d) in relation to ~~or, for~~ a particular Client Account, reflect, where applicable, any reduction of such period of time (a "**Porting Window Reduction**") applied by the Clearing House in its sole discretion and notified by means of a further publication on its website, provided, however, that (i) a Porting Window Reduction may be applied by the Clearing House to a particular Client Account solely where the Required Margin Amount in respect of such Client Account following the relevant Default becomes equal to 50% or more of the value of the Clearing Member Current Collateral Balance of such Client

Account at the time of such Default; and (ii) in no circumstances will the total duration of the Porting Window following a Porting Window Reduction be less than 12 hours;

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

to act as Backup Clearing Member in relation to the arrangements described in paragraph 6.1 below and from the relevant client:

6.1 the Clearing House shall (a) transfer all of the open Relevant Contracts entered into by the Defaulter in respect of the relevant Clearing Client to the appointed Backup Clearing Member; or (b) terminate and close out such contracts at their market value (as determined by the Clearing House in its discretion) and enter into new contracts on equivalent terms to such contracts with the appointed Backup Clearing Member in respect of the relevant Clearing Client;

6.2 where the relevant Clearing Client (in an exercise of its rights under the relevant Security Deed or, in the case of such a client of a Defaulter who is an Exempt Client Clearing Member, following acceleration of the obligations of the Defaulter under its Undertaking to Pay ~~and/or~~ Deliver, so that such obligations become immediately due and payable, and satisfaction of such obligations by the Clearing House enforcing the security granted in its favour by the Defaulter under the relevant Deed of Charge) instructs a transfer of the Account Balance attributable to it to the appointed Backup Clearing Member, the Clearing House shall give effect to such instruction;

6.3 in respect of a Custodial Segregated Account and an ISA Port of the Relevant Contracts and Account Balance attributable to such Custodial Segregated Account to a Backup Clearing Member, such Backup Clearing Member acknowledges and agrees that immediately after the Clearing House obtains the rights, title and interests of the relevant Custodial Segregated Client in the Client Collateral forming part of such Account Balance in accordance with the relevant Collateral Management Agreement:

(a) the Clearing House shall be deemed to have transferred such rights, title and interests to such Backup Clearing Member;

(b) the Client Collateral forming part of the Account Balance, in respect of the Custodial Segregated Account, shall become subject to the relevant Deed of Charge of such Backup Clearing Member and "Charged Property" within the meaning of such Deed of Charge;

(c) the Client Collateral forming part of the Account Balance, in respect of the Custodial Segregated Account, shall cease to do so and shall, instead, form part of the Clearing Member Current Collateral Balance, in respect of the relevant Individual Segregated Account of the Backup Clearing Member; and

~~6.2~~ (d) all such Client Collateral shall be deemed to be Collateral which the Backup Clearing Member has provided to the Clearing House in respect of the relevant Individual Segregated Account;

6.4

~~6.3~~

- (a) upon the Clearing House taking the actions specified in paragraph 6.1(a) above: (i) that portion (if any) of the Clearing House Current Collateral Balance in respect of the Defaulter which is attributable to the Relevant Contracts referred to in that paragraph (the "**Relevant Portion**") shall be reduced to zero; and (ii) the Clearing House Current Collateral Balance in respect of the Backup Clearing Member shall be increased by an amount equal to the value of the Relevant Portion immediately prior to the reduction referred to in (i) immediately above; and
- (b) upon the Clearing House taking the actions specified in paragraph 6.1(b) above, the Clearing House Current Collateral Balance in respect of the Backup Clearing Member shall be increased by an amount equal to the value of that portion of the Clearing House Current Collateral Balance in respect of the Defaulter which was attributable to the Relevant Contracts referred to in that paragraph immediately prior to the termination and close-out of such Relevant Contracts in accordance with that paragraph; and

~~6.46.5~~ the amount of Collateral due to be returned to the Defaulter in respect of the relevant Client Account or the monetary value representing such amount of Collateral shall be reduced by an amount: (a) equivalent to the amount of Collateral comprising the Account Balance attributable to the relevant Clearing Client; or (b) equalling the monetary value representing such Account Balance (as applicable), transferred to the Backup Clearing Member, as referred to in paragraph 6.2 above.

- 7. Subject to paragraph 14 below, in circumstances where (a) an Individual Segregated Account Clearing Client of a Defaulter has appointed a Backup Clearing Member and is acting on behalf of Indirect Clearing Clients; and (b) within such period as the Clearing House may determine of the service of a Default Notice on the relevant Clearing Member pursuant to Rule 3 of the Default Rules or the Clearing House becoming aware of the occurrence of an Automatic Early Termination Event in respect of that Clearing Member (as the case may be), the Clearing House has received confirmation (i) in writing from the Backup Clearing Member of its agreement to act as Backup Clearing Member in relation to the arrangements described in paragraph 6.1; (ii) from the relevant client; and (iii) from each of the relevant Indirect Clearing Clients, the arrangements described in paragraphs 6.1, 6.2, ~~6.2 and 6.4~~ and 6.5 above will apply to (i) the Relevant Contracts entered into by the Defaulter in respect of the relevant Individual Segregated Account Clearing Client acting on behalf of its Indirect Clearing Clients; (ii) the Clearing House Collateral Balance in respect of the Defaulter and the Backup Clearing Member which is attributable to the Relevant Contracts specified in (i) immediately above; and (iii) the Individual Segregated Account Balance credited to the Individual Segregated Account opened within the Clearing House by the Defaulter in respect of the relevant Individual Segregated Account Clearing Client acting on behalf of its Indirect Clearing Clients.
- 8. Subject to paragraph 14 below, in circumstances where (a) all of the Identified Omnibus Net Segregated Clearing Clients of a Defaulter identified by the Clearing House as comprising a single Identified Client Omnibus Net Segregated Account or all of the Affiliated Omnibus Net Segregated Clearing Clients of a Defaulter identified by the Clearing House as comprising a single Affiliated Client Omnibus Net Segregated Account or each of the Omnibus Gross Segregated Clearing Clients

comprising a group of Combined Omnibus Gross Segregated Clearing Clients, have appointed a single Backup Clearing Member; and (b) within such period as the Clearing House may determine following the service of a Default Notice on the relevant Clearing Member pursuant to Rule 3 of the Default Rules or the Clearing House becoming aware of the occurrence of an Automatic Early Termination Event in respect of that Defaulter (as the case may be), the Clearing House has received confirmation in writing from the Backup Clearing Member of its agreement to act as Backup Clearing Member in relation to the arrangements described in paragraph 8.1 below and from the relevant clients (in such form as the Clearing House may require at the relevant time):

- 8.1 the Clearing House shall (a) transfer all of the open Relevant Contracts entered into by the Defaulter in respect of the relevant clients to the appointed Backup Clearing Member; or (b) terminate and close out such contracts at their market value (as determined by the Clearing House in its discretion) and enter into new contracts on equivalent terms to such contracts with the appointed Backup Clearing Member in respect of the relevant clients;
- 8.2 where all of the relevant clients (in an exercise of their respective rights under the relevant Security Deed or, in the case of such clients of a Defaulter who is an Exempt Client Clearing Member, following acceleration of the obligations of the Defaulter under its Undertaking to Pay ~~and/or~~ Deliver, so that such obligations become immediately due and payable, and satisfaction of such obligations by the Clearing House enforcing the security granted in its favour by the Defaulter under the relevant Deed of Charge) instruct a transfer of the Omnibus Segregated Account Balances attributable to them to the appointed Backup Clearing Member, the Clearing House shall give effect to such instructions;
- 8.3
 - (a) upon the Clearing House taking the actions specified in paragraph 8.1(a) above: (i) that portion (if any) of the Clearing House Current Collateral Balance in respect of the Defaulter which is attributable to the Relevant Contracts referred to in that paragraph (the "**Relevant Portion**") shall be reduced to zero; and (ii) the Clearing House Current Collateral Balance in respect of the Backup Clearing Member shall be increased by an amount equal to the value of the Relevant Portion immediately prior to the reduction referred to in (i) immediately above; and
 - (b) upon the Clearing House taking the actions specified in paragraph 8.1(b) above, the Clearing House Current Collateral Balance in respect of the Backup Clearing Member shall be increased by an amount equal to the value of that portion of the Clearing House Current Collateral Balance in respect of the Defaulter which was attributable to the Relevant Contracts referred to in that paragraph immediately prior to the termination and close-out of such Relevant Contracts in accordance with that paragraph; and
- 8.4 the amount of Collateral due to be returned to the Defaulter in respect of the Omnibus Segregated Account in which the relevant Omnibus Segregated Clearing Clients have an interest or the monetary value representing such amount of Collateral shall be reduced by an amount: (a) equivalent to the aggregate amount of Collateral

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

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

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

Save in the case of any amount paid to a Clearing Client in accordance with paragraph 9.2 below, the Clearing House will (upon, where applicable, instruction from the relevant Clearing Client in an exercise of its rights under the relevant Security Deed or, in the case of such a client of a Defaulter who is an Exempt Client Clearing Member, following acceleration of the obligations of the Defaulter under its Undertaking to Pay ~~and/or~~ Deliver, so that such obligations become immediately due

and payable, and satisfaction of such obligations by the Clearing House enforcing the security granted in its favour by the Defaulter under the relevant Deed of Charge) pay the amounts of the Client Clearing Entitlements calculated by it under this paragraph 9.1 to the Defaulter for the account of the relevant clients.

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

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

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

- 9.3 In the case of the Non-Identified Omnibus Segregated Clearing Clients of a Defaulter, the Clearing House shall calculate the aggregate entitlement to Collateral and amounts in respect of the close-out of Relevant Contracts (the "**Aggregate Omnibus Client Clearing Entitlement**") of the Defaulter in respect of all such clients collectively reflecting (a) the addition of any sums due from the Clearing House in respect of the close-out of the Relevant Contracts entered into by the Defaulter in respect of the relevant clients and (b) the deduction of (i) the costs of any hedging undertaken; (ii) amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulter in respect of the relevant client (in the case of Relevant Auction Contracts, such amounts, together with the amounts referred to in (a) and the costs referred to in (b)(i) of this paragraph 9.3, being determined by the Clearing House under the processes provided for by the Rates Service DMP Annex, the ForexClear DMP Annex or the RepoClear DMP Annex (as applicable)); (iii) any amounts to be deducted to reflect the operation of any set-off provision contained in a Clearing Agreement entered into between the Defaulter and any such relevant client and confirmed in writing to the Clearing House by or on behalf of both such parties; and (iv) amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulter in respect of the other Non-Identified Omnibus Segregated Clearing Clients of the Defaulter, in each case allocated *pro rata* as the Clearing House sees fit in its sole discretion. All amounts calculated in respect of Aggregate Omnibus Client Clearing Entitlements under this paragraph 9.3 shall be paid by the Clearing House to the Defaulter for the account of the relevant clients.
10. Risk Neutralisation and the auction process relating to the Relevant Auction Contracts which are SwapClear Contracts and/or Listed Interest Rates Contracts shall be conducted in accordance with the provisions of the Rates Service DMP Annex, save that no hedging shall be undertaken in respect of any Relevant Contract relating to Rates Service Client Clearing Business until such time as the Clearing House has determined that the Relevant Contract in question will not be ported, from which time such contract shall be a Relevant Auction Contract and included in a Portfolio in accordance with the terms of paragraph 2 of this Client Clearing Annex and the terms of such Rates Service DMP Annex.

(b) For each AIP, the resources shall be allocated as follows:

(i) the resources of the Defaulting SCM and of any Custodial Segregated Client of such Defaulter, which such resources shall comprise the following:

(A) in respect of a Defaulting SCM who is a SwapClear-Only Clearing Member: (i) the Margin Cover for the SwapClear Contracts of the Defaulting SCM available pursuant to Rule 15(a) of the Default Rules at the time of the auction process notwithstanding the proviso in (ii) of Rule 15(a) of the Default Rules, treating such available Margin Cover as split into two separate amounts for these purposes – one in respect of Margin Cover delivered by the Defaulting SCM to the Clearing House in respect of SwapClear Contracts relating to the SwapClear Clearing House Business of such Defaulting SCM which will be allocated to AIPs relating to OTC Auction Portfolios containing SwapClear Contracts relating to SwapClear Clearing House Business of the Defaulting SCM, only; and the other in respect of Margin Cover delivered by the Defaulting SCM or any Custodial Segregated Client of such Defaulting SCM to the Clearing House in respect of SwapClear Contracts relating to the SwapClear Client Clearing Business of such Defaulting SCM which will be allocated to AIPs relating to OTC Auction Portfolios containing SwapClear Contracts relating to the SwapClear Client Clearing Business of the Defaulting SCM, only; and (ii) the SwapClear Contribution made by the Defaulting SCM available pursuant to Rule 15(b) of the Default Rules at the time of the auction process will be allocated to the AIPs based on the proportion that (a) the risk of the relevant OTC Auction Portfolio bears to (b) the aggregate of the risks (on an absolute basis) for all OTC Auction Portfolios; and

(B) in respect of a Defaulting Joint Rates Service Clearing Member: (i) the Margin Cover relating to the SwapClear Contracts and the Listed Interest Rates Contracts of the Defaulting Joint Rates Service Clearing Member available pursuant to Rule 15(a) of the Default Rules at the time of the auction process but (1) taking into account (to the extent applicable) the utilisation of such Margin Cover pursuant to Rule 2.9(a)(i) and 2.9(b)(i) of this Annex; and (2) notwithstanding the proviso in (ii) of Rule 15(a) of the Default Rules, treating such available Margin Cover as split into two separate amounts for these purposes – one in respect of Margin Cover delivered by the Defaulting Joint Rates Service Clearing Member to the Clearing House in respect of SwapClear Contracts and Listed Interest Rates Contracts relating to the House Clearing Business of such Defaulting Joint Rates Service Clearing Member which will be allocated to AIPs relating to OTC Auction Portfolios containing

SwapClear Contracts relating to SwapClear Clearing House Business of the Defaulting Joint Rates Service Clearing Member, only; and the other in respect of Margin Cover delivered by the Defaulting Joint Rates Service Clearing Member or any Custodial Segregated Client of such Defaulting Joint Rates Service Clearing Member to the Clearing House in respect of SwapClear Contracts and Listed Rates Contracts relating to the Client Clearing Business of such Defaulting Joint Rates Service Clearing Member which will be allocated to AIPs relating to OTC Auction Portfolios containing SwapClear Contracts relating to the SwapClear Client Clearing Business of the Defaulting Joint Rates Service Clearing Member, only; and (ii) the SwapClear Contribution and Listed Interest Rates Contribution made by the Defaulting Joint Rates Service Clearing Member available pursuant to Rule 15(b) of the Default Rules at the time of the auction process taking into account (to the extent applicable) the utilisation of such Contributions pursuant to 2.9(a)(ii) and 2.9(b)(ii) of this Annex, will be allocated to the AIPs based on the proportion that (a) the risk of the relevant OTC Auction Portfolio bears to (b) the aggregate of the risks (on an absolute basis) for all OTC Auction Portfolios;

- (ii) the Capped Amount available in respect of the SwapClear Business of the Defaulting SCM pursuant to Rule 15(c) of the Default Rules (taking into account (to the extent applicable) the utilisation of such Capped Amount pursuant to Rule 2.9(a)(iii) and 2.9(b)(iii) of this Annex) will be allocated to the AIPs based on the proportion that (a) the risk of the relevant OTC Auction Portfolio bears to (b) the aggregate of the risks (on an absolute basis) for all OTC Auction Portfolios;
- (iii) the Non-Defaulters' SwapClear Contribution of each Non-Defaulting SCM and the total value of the SwapClear Unfunded Contributions that would be callable but have not been called by the Clearing House from each such Non-Defaulting SCM in respect of the relevant Default in accordance with Rule S7 of the Default Rules (the "**Potential SwapClear Unfunded Contributions**") will be allocated (taking into account (to the extent applicable) the utilisation of such SwapClear Contributions pursuant to Rule 2.9(a)(v) and 2.9(b)(v) of this Annex) between each AIP relating to an OTC Auction Portfolio in respect of which the relevant Non-Defaulting SCM has Resembling Contracts based on the proportion that: (a) the risk of the Resembling Contracts of such SCM related to the relevant OTC Auction Portfolio bears to (b) the aggregate of the amounts calculated in (a) for all of the Resembling Contracts of such Non-Defaulting SCM; **provided that** where there is more than one OTC Auction Portfolio that corresponds to the same Resembling Contracts, the Non-Defaulters' SwapClear Contributions and Potential SwapClear Unfunded Contributions allocated to the AIP related to those Resembling Contracts will be further divided for the

- (i) first, by applying the Margin Cover for the SwapClear Contracts and the Listed Interest Rates Contracts of the Defaulting Joint Rates Service Clearing Member available pursuant to Rule 15(a) of the Default Rules, provided that in no circumstances will any such Margin Cover transferred by the Defaulting Joint Rates Service Clearing Member in respect of or any Custodial Segregated Client of such Defaulting Joint Rates Service Clearing Member in respect of obligations arising on a Client Account be applied by the Clearing House in respect of any loss attributable to the Auction of a Basis Listed Rates Portfolio containing Listed Interest Rates Contracts attributable to the House Clearing Business of the Defaulting Joint Rates Service Clearing Member;
- (ii) second, by recourse to the SwapClear Contribution and the Listed Interest Rates Contribution made by the Defaulting Joint Rates Service Clearing Member available pursuant to Rule 15(b) of the Default Rules;
- (iii) third, by a payment of the Capped Amount available in respect of the Rates Service Business of the Defaulting Joint Rates Service Clearing Member pursuant to Rule 15(c) of the Default Rules, to the extent that such Capped Amount is not required to be utilised in respect of losses incurred by the Clearing House relating to Exchange Closed-out Contracts in accordance with Rule 2.8 of this Annex;
- (iv) fourth, by recourse to the Non-Defaulters' SwapClear Contribution of each Non-Defaulting Joint Rates Service Clearing Member, not including, for these purposes, any part of such Non-Defaulters' SwapClear Contributions that reflects any SwapClear Unfunded Contributions deposited with the Clearing House pursuant to the relevant Default and allocated in the following order:
 - (A) between the Non-Defaulters' SwapClear Contributions of individual Non-Defaulting Joint Rates Service Clearing Members based on the proportion that: (a) the risk of the Listed Interest Rates Contracts of the relevant Joint Rates Service Clearing Member bears to (b) the aggregate of the amounts calculated in (a) for all of the Non Defaulting Joint Rates Service Clearing Members;
 - (B) where the value of the losses attributed to an individual Non-Defaulting Joint Rates Service Clearing Member pursuant to sub-paragraph (A) above is greater than the value of the SwapClear Contribution of such Non-Defaulting Joint Rates Service Clearing Member, the relevant excess losses will be attributed to each Non-Defaulting Joint Rates Service Clearing Member to whom losses have been attributed pursuant to sub-paragraph (A) above and whose SwapClear Contribution exceeds the value of such attributed losses (each a "**Participating Non-Defaulting Joint Rates Service Clearing Member**") based on the proportion that: (a) the risk of the Listed Interest Rates Contracts of the relevant Joint Rates

relevant SwapClear-Only Clearing Members in respect of the relevant Default in accordance with Rule S7 of Part A to the Rates Service Default Fund Supplement, allocated, for these purposes, between the called and callable SwapClear Unfunded Contributions of individual SwapClear-Only Clearing Members based on the proportion that the value of the relevant SwapClear Unfunded Contribution bears to the aggregate of the values of all such SwapClear Unfunded Contributions;

- (x) tenth, by recourse to the Listed Interest Rates Unfunded Contributions of each Non-Defaulting Joint Rates Service Clearing Member and the total value of the Listed Interest Rates Unfunded Contributions that would be callable but have not been called by the Clearing House from the relevant Non-Defaulting Joint Rates Service Clearing Members in respect of the relevant Default in accordance with Rule L5 of Part B to the Rates Service Default Fund Supplement, allocated, for these purposes, between the called and callable Listed Interest Rates Unfunded Contributions of individual Joint Rates Service Clearing Members based on the proportion that the value of the relevant Listed Interest Rates Unfunded Contribution bears to the aggregate of the values of all such Listed Interest Rates Unfunded Contributions; and
 - (xi) eleventh, by recourse to the Listed Interest Rates Unfunded Contributions of each Listed Interest Rates Clearing Member who is not a Joint Rates Service Clearing Member and the total value of the Listed Interest Rates Unfunded Contributions that would be callable but have not been called by the Clearing House from the relevant Listed Interest Rates Clearing Members in respect of the relevant Default in accordance with Rule L5 of Part B to the Rates Service Default Fund Supplement.
- (b) Those losses incurred by the Clearing House as a result of the Auction of a Basis Portfolio of a Defaulting Joint Rates Service Clearing Member that relate to the close-out of the hedging contracts of the Defaulting Joint Rates Service Clearing Member included in the relevant Basis Portfolio will be met using resources in the following order:
- (i) first, by applying the Margin Cover for the SwapClear Contracts and for the Listed Interest Rates Contracts of the Defaulting Joint Rates Service Clearing Member available pursuant to Rule 15(a) of the Default Rules, provided that in no circumstances will any such Margin Cover transferred by the Defaulting Joint Rates Service Clearing Member or any Custodial Segregated Client of such Defaulting Joint Rates Service Clearing Member in respect of obligations arising on a Client Account be applied by the Clearing House in respect of any loss attributable to the Auction of a ~~Basis -Listed Rates~~ Portfolio containing Listed Interest Rates Contracts attributable to the House Clearing Business of the Defaulting Joint Rates Service Clearing Member;
 - (ii) second, by recourse to the SwapClear Contribution and the Listed Interest Rates Contribution made by the Defaulting Joint Rates Service Clearing Member available pursuant to Rule 15(b) of the Default Rules;

Period; and (iii) any adjusted cap as may be agreed pursuant to paragraph (d) of this Rule CS4.

"Loss Distribution Day" means any business day in a Loss Distribution Period on which the Clearing House, in consultation with the Rates Service DMG, prior to calling for Collateral in respect of margin on such business day, determines that the LCH Uncovered Loss for that business day is greater than zero.

"Loss Distribution Period" means the period from, but excluding, the day on which a Default occurs with respect to a Rates Service Clearing Member to but excluding, (1) in the case of a Defaulting Rates Service Clearing Member who is an SCM, the earlier of: (i) the business day on which (a) the rights and obligations arising out of the Auction Portfolios of the Defaulting SCM are transferred to those SCMs which have successfully bid for such Auction Portfolios in Auctions, or, if any Default occurs with respect to any other SCM prior to the end of a Loss Distribution Period, the rights and obligations arising out of the Auction Portfolios of any subsequent Defaulting SCM are transferred to those SCMs who have successfully bid for such Auction Portfolios in Auctions and (b) all payments required to be made by such SCMs and/or the Clearing House in respect of such Auction(s) have been made in full; and (ii) any Loss Distribution Day in respect of which the Clearing House determines that the Rates Service Adjustment Amount for any Rates Service Clearing Member would be equal to or greater than the Loss Distribution Cap Amount for such Loss Distribution Day; and (2) in the case of a Defaulter who is a Listed Interest Rates Clearing Member but not an SCM, any Loss Distribution Day in respect of which the Clearing House determines that the Rates Service Adjustment Amount for any Rates Service Clearing Member would be equal to or greater than the Loss Distribution Cap Amount for such Loss Distribution Day.

"Margin Account" means: (i) for a Rates Service Clearing Member, each Proprietary Account, Individual Segregated Account, Custodial Segregated Account, Non-Identified Client Omnibus Net Segregated Account, Affiliated Client Omnibus Net Segregated Account, Identified Client Omnibus Net Segregated Account and Omnibus Gross Segregated Sub-Account; and (ii) for each FCM Clearing Member, the Proprietary Account and each FCM Client Sub-Account contained within such FCM Clearing Member's FCM Omnibus SwapClear Client Account with LCH).

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

"Payment Currency Adjustment to Cash Payment" means one or more Cash Gainer Payment Currency Adjustment to Cash Payment(s) and/or one or more Cash Loser Payment Currency Adjustment to Cash Payment(s).

relation to, each Default, as contemplated in accordance with Rules 15(a) to 15(g) of the Default Rules.

(d) ***Adjustment to Loss Distribution Cap Amount***

If, during a Loss Distribution Period, the Clearing House considers that the Cash Gainer Payment Currency Adjustment to Cash Payments applied to a particular Margin Account of a Rates Service Clearing Member are, or are about to be equal to or greater than the Loss Distribution Cap Amount, the Clearing House may propose an adjustment to such Loss Distribution Cap Amount. If agreed by all Non-Defaulting Rates Service Clearing Members, the Loss Distribution Cap Amount as adjusted pursuant to this paragraph (d) shall be applicable for the remainder of the relevant Loss Distribution Period.

(e) ***No Rebate***

The payment to the Clearing House by any Rates Service Clearing Member of any Cash Gainer Payment Currency Adjustment to Cash Payment shall be final and shall not give rise to any obligation of the Clearing House to repay any such amount or to pay any interest thereon.

(f) ***Application of any Recoveries***

If the Rates Service Loss Distribution Process has been invoked by the Clearing House in accordance with this Rule CS4, the Clearing House shall reimburse the Rates Service Clearing Members (irrespective of whether they remain Rates Service Clearing Members at the time of the recovery) and the Clearing House on a *pro rata* basis by reference to the resources which have been applied pursuant to Rules 15(a) to 15(g) of the Default Rules and including the net amount of any one or more paid by the relevant Rates Service Clearing Members:’

- (i) any amounts received from the Defaulting Rates Service Clearing Member as a result of the Clearing House being a creditor of the Defaulting Rates Service Clearing Member in respect of the Rates Service Business of such Defaulting Rates Service Clearing Member in the context of the occurrence of any of the events under Rules 5(i) to 5(p) of the Default Rules in respect of the Defaulting Rates Service Clearing Member or otherwise, other than in respect of sums due to the Clearing House for its own account; or
- (ii) any other amounts howsoever obtained or recovered in the course of the Clearing House's operation of the Rates Service Default Management Process or which are otherwise referable to the Defaulting Rates Service Clearing Member,

in each case net of any related expenses incurred by the Clearing House or other sums owing to the Clearing House by the Defaulting Rates Service Clearing Member in connection with the Rates Service Business of such Defaulting Rates Service Clearing Member. For the avoidance of doubt, ~~(i)~~ nothing in this ~~Rule CS4~~ ~~paragraph~~ (f) shall oblige the Clearing House to

pursue any litigation or other action in order to recover the amounts contemplated in Rule CS4(f)(i) and (ii) above and, if another default fund of the Clearing House has also been applied as a result of the Rates Service Clearing Member's Default, any amounts recovered shall be applied *pari passu* as between the relevant default funds; and (ii) the amounts in Rule CS4(f)(i) and (ii) exclude any Client Collateral and any proceeds of the sale, disposition or other realisation of such Client Collateral by the Clearing House.

CS5. Voluntary Payments

Where, after the Default of one or more Rates Service Clearing Members, the Clearing House determines that, notwithstanding the availability of any resources remaining under Rules 15(a) to 15(g) of the Default Rules and the availability of the Rates Service Loss Distribution Process in accordance with the terms of Rule CS4, it is clear that the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of those Rates Service Contracts to which it is party with Non-Defaulting Rates Service Clearing Members, the Clearing House will by notice in writing (a "**Rates Service Voluntary Payment Notice**"): (i) inform all Non-Defaulting Rates Service Clearing Members that it has insufficient resources and that it is likely to invoke Rule CS5; and (ii) invite each Non-Defaulting Rates Service Clearing Member to make a payment of funds (a "**Rates Service Voluntary Payment**"), in accordance with Rule 15(g) of the Default Rules, to make up for the relevant shortfall.

Rates Service Voluntary Payments will be made on the following terms:

- (a) no Rates Service Clearing Member shall be obliged to make a Rates Service Voluntary Payment;
- (b) any Rates Service Voluntary Payment will be made by a Rates Service Clearing Member by the close of business on the business day after receipt of the relevant Rates Service Voluntary Payment Notice;
- (c) no Rates Service Voluntary Payment may be withdrawn once made; and
- (d) the Clearing House shall have full discretion as to whether or not to accept a particular Rates Service Voluntary Payment.

Any failure by the Clearing House to deliver a Rates Service Voluntary Payment Notice pursuant to this Rule CS5 will not invalidate any action taken by the Clearing House pursuant to Rule CS5 nor give rise to any liability whatsoever on the part of the Clearing House.

Any Rates Service Voluntary Payments remaining unused at the time of the expiry of the relevant Rates Service Default Period will be accounted for rateably by the Clearing House as if they were amounts paid in respect of the Rates Service Contributions of those Rates Service Clearing Members from which Rates Service Voluntary Payments were accepted.

CS6. Rates Service Closure

Where, following the process for inviting Rates Service Voluntary Payments in accordance with Rule CS5, the Clearing House makes a determination (an "**Insufficient Resources Determination**") that it is clear that the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of those Rates Service ~~SwapClear~~-Contracts to which it is party with Non-Defaulting Rates Service Clearing Members, ~~and~~ the provisions of this Rule shall have effect.

- (a) All outstanding Rates Service Contracts shall be closed out as of the business day following the date of the Insufficient Resources Determination and any further obligations to make any payments under or in respect of such Rates Service Contracts shall cease. The closing prices used shall be prices calculated by the Clearing House in accordance with the methodology used by it to carry out end of day margin runs in respect of the outstanding Rates Service Contracts. Where such data is not available to the Clearing House, the closing price shall be the last price used by the Clearing House to calculate the variation margin obligation for the position to be closed out.
- (b) On the basis of the close out values established for each outstanding Rates Service Contract, an account shall be taken (as at the time of close out) of what is due in respect of each Rates Service Clearing Member, from that Rates Service Clearing Member to the Clearing House and from the Clearing House to that Member, as well as all other amounts owing under or in respect of such Rates Service Contracts and any other amounts that may be due in respect of the Rates Service (including for these purposes, a proportionate share of any amounts owed generally to or from the Clearing House), and the sums due from the Rates Service Clearing Member shall be set off against the sums due from the Clearing House and only the balance of the account shall be payable. Amounts due in respect of such Rates Service Contracts shall include, but shall not be limited to, returns of cash Collateral provided in respect of variation margin associated therewith and the repayment of any Net Cash Gainer Currency Adjustment to Cash Payments made in the Rates Service Default Period to which the Insufficient Resources Determination relates (and in respect of which Rule CS4(e) shall be specifically disapplied), but shall exclude (i) the repayment of any cash Collateral provided to the Clearing House by a Rates Service Clearing Member in respect of initial margin, (ii) the repayment of any cash Collateral provided to the Clearing House by a Custodial Segregated Client, or (iii) any outstanding Rates Service Contributions.

To the extent that the aggregate of all of the amounts owed to the Clearing House by Rates Service Clearing Members plus all of those other resources applicable to the Rates Service Business under Rules 15(a) to 15(g) of the Default Rules that have not been applied towards an Excess Loss is less than the aggregate of the amounts owed to Rates Service Clearing Members by the Clearing House, each amount owed to Rates Service Clearing Members by the Clearing House shall be reduced *pro rata* the shortfall.

- (c) The Clearing House shall determine any amounts due to each Rates Service Clearing Member in respect of the repayment of cash Collateral provided in

LCH Rule Submission

Appendix D

Procedures Section 2C (SwapClear Clearing Service)



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2C

SWAPCLEAR CLEARING SERVICE

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1. SWAPCLEAR CLEARING SERVICE

1.1 The Clearing Process

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

Those authorised by the Clearing House to submit trades for clearing in the SwapClear Service fall into two categories – SwapClear Clearing Members (SCMs) and SwapClear Dealers (SDs). SCMs are clearing members who have applied and have been accepted by the Clearing House to clear in the SwapClear Service. SDs are not clearing members but have met the criteria for registration as a SwapClear Dealer and have entered into a SwapClear Dealer Clearing Agreement with an SCM and the Clearing House. Subject to obtaining approval from the Clearing House's Membership Department an SCM may offer certain SwapClear Client Clearing Services to its clients (SwapClear Clearing Clients). SwapClear Client Clearing Services are provided to SwapClear Clearing Clients through an Individual Segregated Account, [a Custodial Segregated Account](#) or an Omnibus Segregated Account. SCMs should contact the Clearing House's Membership Department for further details of the SwapClear Client Clearing Service and the Clearing House's approval process (+44 (0)20 7426 7949; membership@lchclearnet.com).

Only SwapClear Clearing Members are authorised by the Clearing House to submit trades for clearing in the SwapClear Clearing System.

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

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

1.1.1 *SwapClear Service Functions*

The following functions are performed within the SwapClear Service:

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

the relevant registration of a SwapClear Contract where SwapClear Tolerance was utilised.

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

Minimum Excess Requirement (“MER”)

The Clearing House has put in place arrangements (the "MER Arrangements") (which will be optional for SwapClear Clearing Members) under which it will be able to call from each relevant SwapClear Clearing Member an amount of Collateral (the “MER Cover”) in respect of that SwapClear Clearing Member’s potential margin requirements (with respect to the registration of SwapClear Contracts) for the following day.

The Clearing House will calculate MER for each SwapClear Clearing Member using the same methodology and will publish such methodology to SwapClear Clearing Members. The Clearing House will provide 30 days' notice before implementing any changes to the methodology used for calculating MER.

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

Any MER Cover delivered by a SwapClear Clearing Member will form part of the Clearing Member Current Collateral Balance of that SwapClear Clearing Member. SwapClear Clearing Members participating in the MER Arrangements will be called for MER Cover separately in respect of their Proprietary Account related to SwapClear Clearing House Business and/or their Client Account related to SwapClear Client Clearing Business. However, such MER Cover will not be regarded as Required Collateral, or form part of any Account Balance or be deemed to form part of the Clearing Member Current Collateral Balance in respect of any SwapClear Clearing Client, of any Individual Segregated Account, a Custodial Segregated Account or Omnibus Net Segregated Account unless such MER Cover has been

attributed to any such account by the Clearing House in accordance with this section.

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

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

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

In accordance with Section 1.3.5 of these Procedures, it is a condition for registration of a SwapClear Contract that the applicable SwapClear Clearing Member transfers sufficient Collateral to the Clearing House in respect of such SwapClear Contract prior to registration.

1.3.4 *Approved Trade Source Systems and US Trading Venues*

(a) Approved Trade Source Systems

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

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

Notwithstanding the designation by the Clearing House of any system as an Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any Approved Trade Source System or the timeliness or otherwise of the delivery of any SwapClear Transaction

not at the time of the execution of such trade been approved by the Clearing House as a US Trading Venue) or which contain invalid or incomplete message data or with respect to which the Clearing House has not received sufficient Collateral (taking into account MER, Client Buffer and/or SwapClear Tolerance, if any) will be rejected, except that such Collateral shall not be required to be provided prior to registration as a condition to the registration of such trade only if such trade is a Sub-Block US Trading Venue Transaction. If, at any time, the Clearing House does not register a trade presented for registration it will send to the originating Approved Trade Source System notification of the rejection.

1.3.9 *Package Transactions*

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

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

Where a constituent SwapClear Transaction of a Package Transaction is a US Trading Venue Transaction, it is a condition of registration that all of the constituent SwapClear Transactions of such Package Transaction be US Trading Venue Transactions; where such condition is not met, all constituent SwapClear Transactions of the Package Transaction will be rejected. In respect of a Package Transaction comprising SwapClear Transactions that are not executed on any US Trading Venue, the Clearing House will send a Notification to the relevant SwapClear Clearing Member(s) for the acceptance of each such constituent SwapClear Transaction.

In respect of a Package Transaction submitted in a SwapClear Clearing Member’s name, such SwapClear Clearing Member’s **M**argin requirement will be assessed based on the net **M**argin call for all of the constituent SwapClear Transactions of such Package Transaction. Where one or more of the constituent SwapClear Transactions in a Package Transaction is not a Sub-Block US Trading Venue Transaction then the relevant SwapClear Clearing

Member is required to provide the Clearing House with sufficient Collateral prior to registration of the entire Package Transaction as a condition thereto (taking into account available SwapClear Tolerance, if any).

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

1.4 Proprietary Accounts and Client Accounts

1.4.1 Proprietary Accounts

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

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

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

1.4.2 Client Accounts

- (a) Types of Client Account

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

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

- (b) Each Client Account will map to two sub-accounts:
 - (i) a position account; and
 - (ii) a collateral account.

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

1.6 Collateral Accounts

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

1.6.1 Relationship with Position-Keeping Accounts and Collateral Accounts

<u>Position-keeping Account</u>	<u>Collateral Account</u>	
H	Proprietary	H
C	Client	C

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

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

1.6.2 Further accounts

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

1.6.3 Client Excess

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

1.6.4 Default Fund (DF) Account

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

1.7 Variation Margin and NPV Payments

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

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

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

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

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

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

Collateral and/or NPV Payments (as applicable) that are provided pursuant to this Procedure must, subject to intra-day registration, be in the form of cash in the currency of the SwapClear Transaction. Where a SwapClear Transaction is registered intra-day, and the variation margin obligation and/or NPV Payment obligations (as

Kingdom”, or relevant Successor Index, measuring the all items rate of inflation in the United Kingdom expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

- (iv) “USA – Non-revised Consumer Price Index – Urban (CPI-U)” means the “Non-revised index of Consumer Prices for All Urban Consumers (CPI-U) before seasonal adjustment”, or relevant Successor Index, measuring the rate of inflation in the United States expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for such Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

1.8.14 Index Final

The Clearing House will calculate the Index Final by taking the relevant Index level for the applicable Reference Month. In the event of no Index being available the Clearing House will, at its sole discretion, determine a value for the Index level.

1.9 Initial Margin

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

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

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

Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

1.9.1 *Margin Parameters*

The Clearing House Risk Management Department uses appropriate yield curve scenarios, both in terms of shape and magnitude of movement, to capture potential losses based on an observed history - the primary component of the initial margin calculation. These scenarios will be continually monitored and reviewed periodically or on an ad hoc basis according to market conditions. However, in accordance with the Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for a specific SCM's Proprietary Account and/or Client Accounts.

1.9.2 *Counterparty Risk Multiplier*

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

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

1.9.3 *Liquidity Multiplier*

Risk Management apply a liquidity multiplier based on scenario values exceeding certain thresholds on the SCM's whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an ongoing basis.

1.9.4 *Intra-day Margin Calls*

In accordance with the Regulations, the Clearing House is entitled, where considered necessary, to demand that a Clearing Member transfer additional Collateral to the Clearing House the same day (intra-day margin calls). Intra-day margin calls can be made at any time throughout the business day (08:30 to 21:00 hours London time). Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section 1.11).

In certain circumstances the Clearing House may require a Clearing Member to transfer additional cash Collateral to the Clearing House after the closure of London PPS facilities at 16:00 hours London time. In this event the Clearing House will require payment of additional cash Collateral through PPS facilities in the USA (see Section 1.3 of Procedure 3 (*Financial Transactions*)). **Members must ensure, in these circumstances, that they are in a position to comply with such demands through their nominated US PPS account within one hour of the demand.**

1.9.5 Calculation of Initial Margin

(a) *Portfolio Approach to Interest Rate Scenarios (PAIRS)*

- (v) The SwapClear Clearing Members on either side of the trades (which may include an FCM SwapClear Clearing Member (as defined in the FCM Rulebook)) are advised of the economic details of the IMMES Trades, and their respective identities and contact details.
- (vi) The SwapClear Clearing Members may but are not required to enter into the IMMES Trades. Any IMMES Trades entered into must be submitted to the Clearing House for registration.

1.9.7 Collateral for Stress Loss Exposure

- (i) In response to a request from a SwapClear Clearing Member, the Clearing House may, in its sole discretion, require additional Collateral to cover such SwapClear Clearing Member's stress loss exposure with respect to a Client Account.

1.10 Tenor Basis Risk Margin Add-on

An add-on margin requirement will be applied in respect of tenor basis risk.

1.11 Intra-Day Margin Call: Collateral Management

The methods for covering intra-day margin calls are set out in Section 1.11 of Procedure 4 (*Margin and Collateral*).

1.12 Price Alignment Interest (PAI) Rate

The calculation of PAI and Price Alignment Amount shall use the applicable interest rate specified and published on the Clearing House's website.

The Clearing House shall not change the interest rates used for the calculation of PAI and Price Alignment Amount in respect of USD, EUR, GBP, JPY and CHF without the consent of all SwapClear Clearing Members holding open contracts in such currencies.

1.13 Transfer of SwapClear Contracts between Client Accounts and Proprietary Accounts

1.13.1 If at any time an early termination date (howsoever described) occurs in respect of one or more of the transactions between a SwapClear Clearing Member and a SwapClear Clearing Client in respect of which such SwapClear Clearing Member (i) is a party to Related SwapClear Contracts and (ii) at the time of such early termination date, is not a Defaulting SCM, that SwapClear Clearing Member may instruct the Clearing House to transfer the relevant Related SwapClear Contracts from its Client Account to its Proprietary Account.

For the purposes of this Section 1.13.1 below a "**Related SwapClear Contract**" means, in respect of a transaction between a SwapClear Clearing Member and a SwapClear Clearing Client which has been terminated on an early termination date, the open position represented by the SwapClear

Contract entered into with the Clearing House by such SwapClear Clearing Member on behalf of the relevant SwapClear Clearing Client on equal and opposite terms to such transaction.

A transfer pursuant to this Section 1.13.1 will be subject to receipt by the Clearing House of the following:

- (a) a copy of the notice from the relevant SwapClear Clearing Member to the relevant SwapClear Clearing Client or from the relevant SwapClear Clearing Client to the relevant SwapClear Clearing Member designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;
- (b) a copy of a notice served by the relevant SwapClear Clearing Member on the relevant SwapClear Clearing Client alerting that SwapClear Clearing Client of its intention to request a transfer of the relevant Related SwapClear Contracts pursuant to this Section 1.13; and
- (c) an indemnity from the relevant SwapClear Clearing Member in a form suitable to the Clearing House

The Clearing House will usually arrange a transfer of Related SwapClear Contracts within 24 hours of receipt (to the extent applicable) of the documents listed in paragraphs (a) to (c) above, ~~unless such transfer is contested by the relevant SwapClear Clearing Client.~~

1.13.2 In any other circumstance not covered by Section 1.13.1 or Section 1.14 below, a SwapClear Clearing Member may only instruct the Clearing House to transfer a SwapClear Contract from its Client Account to its Proprietary Account in circumstances where the Clearing House has received from the SwapClear Clearing Member:

- (a) evidence of the relevant SwapClear Clearing Client's consent to such transfer in a form suitable to the Clearing House; and
- (b) an indemnity in a form suitable to the Clearing House.

The Clearing House will usually arrange a transfer of any SwapClear Contract to be transferred pursuant to this Section 1.13.2 within 24 hours of receipt (to the extent applicable) of the documents listed in paragraphs (a) and (b) above, ~~unless such transfer is contested by the relevant SwapClear Clearing Client.~~

1.14 Indirect Clearing

1.14.1 In circumstances where an early termination date (howsoever described) occurs in respect of all of the transactions between a SwapClear Clearing Member and a SwapClear Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account in respect of which such SwapClear Clearing Member (i) is a party to Related SwapClear Contracts and (ii) at the time of such early termination date, is not

a Defaulting SCM, that SwapClear Clearing Member may instruct the Clearing House to take one of the following steps:

- (a) in circumstances where (i) the SwapClear Clearing Member notifies a single Backup Client in respect of all of the relevant Indirect Clients and (ii) within such time as the Clearing House may determine of the receipt of the relevant instructions from the SwapClear Clearing Member, the Clearing House has received confirmation in writing from the Backup Client of its agreement to act as Backup Client in relation to the arrangement described in this paragraph (a) (in such form as the Clearing House may require at the relevant time), transfer to the appointed Backup Client all of the open Related SwapClear Contracts and the balance of the Collateral recorded by the Clearing House as being credited to the relevant Indirect Omnibus Segregated Account (a "**Client to Client Porting**");
- (b) transfer the relevant Related SwapClear Contracts from the relevant Indirect Omnibus Segregated Account to a new Omnibus Segregated Account opened within the Clearing House by the relevant SwapClear Clearing Member directly on behalf of the relevant clients (a "**Direct Account Opening**"); or
- (c) transfer the relevant Related SwapClear Contracts from the relevant Indirect Omnibus Segregated Account to its Proprietary Account (an "**Initial Transfer**").

The Clearing House will determine whether a Client to Client Porting or a Direct Account Opening is possible within the period of time considered by the Clearing House (in its sole discretion) to be appropriate in the relevant circumstances and published on its website in relation to the relevant SwapClear Clearing Client. In the event of a determination by the Clearing House that the relevant step is impossible (an "**Impossibility Determination**"), the Clearing House will arrange a transfer of the Related SwapClear Contracts to the SwapClear Clearing Member's Proprietary Account (a "**Fallback Transfer**").

1.14.2 Each of the steps referred to in paragraphs (a), (b) and (c) of 1.14.1 above and any Fallback Transfer will be subject to receipt by the Clearing House of the following:

- (a) a copy of the notice from the relevant SwapClear Clearing Member to the relevant SwapClear Clearing Client or from the relevant SwapClear Clearing Client to the relevant SwapClear Clearing Member, copied to each of the relevant Indirect Clearing Clients, designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;
- (b) a copy of a notice served by the relevant SwapClear Clearing Member on the relevant SwapClear Clearing Client and copied to each of the relevant Indirect Clearing Clients, alerting that SwapClear

Clearing Client and those Indirect Clearing Clients (i) of its intention to request a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) in respect of the relevant Related SwapClear Contracts; and (ii) that, in the event of an Impossibility Determination in respect of a request for Porting or a Direct Account Opening, a Fallback Transfer is likely to occur; and

- (c) an indemnity from the relevant SwapClear Clearing Member in a form suitable to the Clearing House.

~~Unless contested by the relevant SwapClear Clearing Client, t~~The Clearing House will usually arrange a transfer of Related SwapClear Contracts: (i) in the case of an Initial Transfer, within 24 hours of receipt (to the extent applicable) of the documents listed in paragraphs (a), (b) and (c) of this of 1.14.2; and (ii) in the case of a Fallback Transfer, within 24 hours of the relevant Impossibility Determination.

For the purposes of this Section 1.14 a "Related SwapClear Contract" has the same meaning as ascribed to such term in Section 1.13.1 save that, in this Section 1.14, the SwapClear Clearing Client is acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

1.15 Portfolio Transfers (BAU)

1.15.1 Introduction

The SwapClear Clearing System provides functionality for transfer of one or more Transferring SwapClear Contracts between the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee, including, where relevant, the transfer of an Associated Collateral Balance. For the avoidance of doubt, and subject to the requirements of FCM Regulation 46(p), an FCM Clearing Member, acting for its own account or for the account of an FCM Client, may be an Eligible Transferor or an Eligible Transferee.

For transfers other than Permitted Transfers (as defined in Section 1.15.2 below), please contact the Clearing House Risk Management Department.

SwapClear Dealers who wish to change their SCM will be required to execute a new SwapClear Dealer Clearing Agreement with their intended new SCM. The Clearing House will, if all parties are in agreement, effect a transfer of positions from one SCM to the other.

1.15.2 Permitted Transfers

An End-of-Day Full Transfer, End-of-Day Partial Transfer, Intra-Day Non-Bulk Transfer or Intra-Day Bulk Transfer that meets the criteria in any of (a) through (g) below shall be a "**Permitted Transfer**" for purposes of Regulation 60 (*Transfers*) and this Section 1.15. For the avoidance of doubt, a Permitted Transfer may be effected for all or part of the notional amount associated with the Transferring SwapClear Contracts.

- (a) a transfer of one or more Transferring SwapClear Contracts where:
 - (A) the Transfer Account of the Eligible Transferor is a Client

- Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities;
- (b) a transfer of one or more Transferring SwapClear Contracts where:
 - (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity, **provided that**;
 - (i) the Transferring SwapClear Contracts are owned or beneficially owned by the same Clearing Client; or
 - (ii) an error has been made in the registration of a SwapClear Contract and the error is discovered and the transfer is completed within three Business Days (or such other longer period that the Clearing House may agree to in its sole discretion) after the registration of the SwapClear Contract;
 - (c) a transfer of one or more Transferring SwapClear Contracts where:
 - (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Proprietary Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities;
 - (d) a transfer of one or more Transferring SwapClear Contracts where:
 - (A) the Transfer Account of the Eligible Transferor is a Proprietary Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities; and
 - (e) a transfer of one or more Transferring SwapClear Contracts where:
 - (A) the Transfer Account of the Eligible Transferor is a Proprietary Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity;
 - (f) a transfer of one or more Transferring SwapClear Contracts where:
 - (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Proprietary Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity; and
 - (g) any transfer that the Clearing House otherwise approves in its sole discretion.

1.15.3 *Transfer Requests*

- (a) Each transfer request (“**Transfer Request**”) pursuant to Regulation 60 (*Transfer*), ~~and~~ this Section 1.15 and (where applicable) any relevant Collateral Management Agreement may only be made in

respect of a Permitted Transfer and must be prepared and submitted in the form and manner prescribed by the Clearing House from time to time. The Transfer Request shall list all of the Transferring SwapClear Contracts that are to be transferred (including, where relevant, any relevant Associated Collateral Balance). Following receipt of a Transfer Request, the Clearing House shall notify the Carrying Clearing Member that a Transfer Request has been received to transfer Transferring SwapClear Contracts.

- (b) In respect of any Permitted Transfer that involves the transfer of all (and not some) of the SwapClear Contracts from the Transfer Account of an Eligible Transferor (with or without the transfer of an Associated Collateral Balance), once the Carrying Clearing Member receives notice that a Transfer Request has been received, the Carrying Clearing Member shall not be permitted to submit additional SwapClear Contracts in the Transfer Account of the Eligible Transferor whose SwapClear Contracts are to be subject to transfer until the time at which the relevant transfer (including the transfer of any relevant Associated Collateral Balance, if applicable) is actually effected, fails or is rejected in accordance with Regulation 60 (*Transfer*), ~~and~~ these Procedures and (where applicable) any relevant Collateral Management Agreement.

1.15.4 *Transfer Notice Period*

The timing for Transfer Requests pursuant to Regulation 60 (*Transfer*), ~~and~~ this Section 1.15 and (where applicable) any relevant Collateral Management Agreement will be as prescribed by the Clearing House by way of a member circular.

1.15.5 *Conditions Precedent to Permitted Transfer*

It is a condition precedent to any Permitted Transfer from the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee pursuant to Regulation 60 (*Transfer*) and this Section 1.15 that:

- (a) the transfer is a Permitted Transfer as defined in Section 1.15.2;
- (b) the Receiving Clearing Member has provided the Clearing House with:
 - (i) a Transfer Request in the form and manner prescribed by the Clearing House; and
 - (ii) such evidence of the authorisation of the Permitted Transfer by the Eligible Transferor, Eligible Transferee and SwapClear Clearing Client, as applicable as the Clearing House may require in its sole discretion;
- (c) neither the Eligible Transferor nor the Eligible Transferee nor the SwapClear Clearing Client, as applicable, has become insolvent (each

Eligible Transferor, Eligible Transferee and SwapClear Clearing Client, as the case may be, will be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner reasonably determined by the Clearing House);

- (d) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulter;
- (e) such transfer would not violate or result in the violation of any Applicable Law or regulation, including:
 - (i) the authorisation, registration or other regulatory requirements, if any, that may apply to the Receiving Clearing Member as a consequence of the transfer; and
 - (ii) where the transfer leads to a change in beneficial ownership, the requirements, if any, that may apply to the method of execution by which the Eligible Transferor has sold the Transferring SwapClear Contracts to the Eligible Transferee;
- (f) the Eligible Transferor, Eligible Transferee, the Receiving Clearing Member, the Carrying Clearing Member and SwapClear Clearing Client, as applicable, have each executed all documents necessary or required by the Clearing House in order to effect such transfer (including, where applicable, a Security Deed, Deed of Charge, **Client Charge, Collateral Management Agreement**, Clearing Membership Agreement and/or a Clearing Agreement);
- (g) the Receiving Clearing Member has consented to the transfer of the Transferring SwapClear Contracts and, where relevant, the Associated Collateral Balance(s);
- (h) the Receiving Clearing Member has transferred (or has made available) sufficient Collateral to the Clearing House in respect of its current SwapClear Contracts and the Transferring SwapClear Contracts;
- (i) the Carrying Clearing Member has not rejected such transfer in accordance with Section 1.15.6 (it being presumed that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in accordance with this Section 1.15 or as otherwise reasonably determined by the Clearing House); ~~and~~
- (j) in the event that the transfer will lead to a requirement for the Carrying Clearing Member to transfer (or make available) additional Collateral to the Clearing House, the Carrying Clearing Member transfers sufficient Collateral to the Clearing House; ~~and~~

⊕(k) in relation to a Custodial Segregated Account, any additional conditions that have been agreed between the Clearing House, the Carrying Clearing Member, the Receiving Clearing Member and/or any Custodial Segregated Client have been satisfied.

In the event that any of the conditions set forth above are not satisfied, including where the Carrying Clearing Member notifies the Clearing House that certain conditions have not been satisfied in a manner reasonably acceptable to the Clearing House, the Clearing House shall not proceed with the transfer of the Transferring SwapClear Contracts or, if applicable, the transfer of any Associated Collateral Balance, and shall promptly notify the Receiving Clearing Member of such outcome. If the Receiving Clearing Member wishes to proceed with such transfer or any other transfer of Transferring SwapClear Contracts of the Eligible Transferor(s), it shall be required to submit a new Transfer Request in accordance with these Procedures.

By requesting a transfer of the Transferring SwapClear Contracts from the Transfer Account of an Eligible Transferor and, if applicable, the Associated Collateral Balance(s) pursuant to [Regulation 60](#), this Section 1.15 and (where applicable) any relevant Collateral Management Agreement, the Receiving Clearing Member shall be deemed to have represented to the Clearing House that all of the conditions to such transfer set forth herein have been satisfied.

1.15.6 *Rejection of Transfer Request*

For purposes of paragraph (i) of Section 1.15.5 above, the Carrying Clearing Member may be entitled to reject a particular Transfer Request by notifying the Clearing House (in either electronic or written form as prescribed by the Clearing House) only if:

- (a) the Eligible Transferor has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and/or its Affiliates, including any requirement for additional collateral that may result from the proposed transfer, where, with the respect to obligations owed to Affiliates of the Carrying Clearing Member by an Eligible Transferor, “**obligations**” shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the Transferring SwapClear Contracts of that Eligible Transferor that are being transferred or that Eligible Transferor’s related collateral;
- (b) the transfer of the Transferring SwapClear Contracts of that Eligible Transferor would result in the Eligible Transferor breaching exposure limits with, and/or other risk parameters set by, the Carrying Clearing Member and/or its Affiliates; or
- (c) such rejection is in accordance with terms agreed as between the Carrying Clearing Member and the relevant Eligible Transferor.

1.15.7 *Right to Call Collateral*

Permitted Transfers will only be effected once adequate Collateral is available (which may be as a consequence of margin forbearance or the transfer of an Associated Collateral Balance) in respect of both Transfer Accounts affected by the transfer. In connection with any Permitted Transfer, the Clearing House may call for Collateral in respect of initial and/or variation margin to be deposited in such amounts and at such times as the Clearing House, in its sole discretion, requires. Any Collateral so called and deposited shall be reserved and made available solely in connection with the Permitted Transfer.

1.15.8 *Transfer of Associated Collateral Balance*

Where a Receiving Clearing Member notifies the Clearing House of a proposal to transfer an Associated Collateral Balance in connection with a Permitted Transfer, the Clearing House shall notify the Carrying Clearing Member of such request. Following such notification and upon request from the Clearing House, the Carrying Clearing Member shall confirm to the Clearing House the specific collateral which should comprise such Associated Collateral Balance(s). In the event that the Carrying Clearing Member fails to notify the Clearing House of the specific collateral which should comprise the Associated Collateral Balance(s), the Clearing House shall identify and select the Collateral it deems appropriate to comprise the Associated Collateral Balance(s) attributable to the Transferring SwapClear Contracts, in its sole discretion. Any Collateral so identified shall be reserved and made available solely in connection with the Permitted Transfer. Once the relevant Associated Collateral Balance(s) of the transfer have been notified by the Clearing House to the Receiving Clearing Member, the Receiving Clearing Member may elect to reject the transfer of some or all of such Associated Collateral Balance(s).

Any such election will not, of itself, prevent the transfer of the Transferring SwapClear Contracts of the Eligible Transferor and any Associated Collateral Balance which has been accepted by the Receiving Clearing Member, **provided that** the conditions set out in Section 1.15.4 above are satisfied in relation to such transfer. The Clearing House shall transfer the Associated Collateral Balance that has been identified and consented to be the Receiving Clearing Member. In the event that, for whatever reason, the Clearing House is unable to transfer such Associated Collateral Balance, the Clearing House will not proceed with the transfer of the Transferring SwapClear Contracts. In such circumstances, the Clearing House will notify the Receiving Clearing Member that the Associated Collateral Balance will not be transferred and, in order to proceed with the transfer of the associated Transferring SwapClear Contracts, the Receiving Clearing Member will have to furnish to the Clearing House sufficient collateral in respect of the Transferring SwapClear Contracts.

Where: (i) the Clearing House transfers an Associated Collateral Balance pursuant to these Procedures and the Regulations; or (ii) a Permitted Transfer does not lead to a change in beneficial ownership, the Clearing House will also transfer the aggregate balance held in respect of variation margin and next day settlement coupons and fees associated with the Transferring SwapClear Contracts.

In the case where a transfer of Transferring SwapClear Contracts pursuant to this Section 1.15.8 will include the transfer of the Associated Collateral Balance(s) to the Transfer Account of the Eligible Transferee:

- (a) In respect of an Associated Collateral Balance that is subject to a Deed of Charge entered into between the Carrying Clearing Member and the Clearing House, such transfer shall be effected as follows:
 - (i) the Carrying Clearing Member shall relinquish all rights to such Associated Collateral Balance (including, for the avoidance of doubt, any beneficial interest and/or equity of redemption in respect thereof);
 - (ii) such Associated Collateral Balance shall immediately upon such relinquishment be held by the Clearing House on behalf of the Receiving Clearing Member;
 - (iii) where the Receiving Clearing Member is not an FCM Clearing Member, its rights to such Associated Collateral Balance arising as described in sub-paragraph (a)(ii) above shall become, in respect of the Transferring SwapClear Contracts, subject to the relevant Deed of Charge entered into between the Receiving Clearing Member and the Clearing House (such rights thereby becoming Charged Property within the meaning of that Deed of Charge); and
 - (iv) where the Receiving Clearing Member is an FCM Clearing Member, the Associated Collateral Balance shall be deemed to have been delivered by the Receiving Clearing Member to the Clearing House by way of a first-priority security interest granted by the Receiving Clearing Member to the Clearing House under the FCM Regulations and the FCM Clearing Membership Agreement between the Receiving Clearing Member and the Clearing House.
- (b) In respect of any part of an Associated Collateral Balance that is not subject to a Client Charge or the Deed of Charge entered into between the Carrying Clearing Member and the Clearing House, such transfer shall be by novation of the Carrying Clearing Member's rights and obligations in respect of such part of the Associated Collateral Balance to the Receiving Clearing Member.
- (c) In respect of any part of an Associated Collateral Balance that is subject to the Client Charge entered into between a Custodial Segregated Client, the Clearing House and the Carrying Clearing Member, such transfer shall be effected as set out in and in accordance with: (i) the relevant Collateral Management Agreement entered into between such Custodial Segregated Client, the Clearing House and the Carrying Clearing Member, and (ii) the relevant Collateral Management Agreement entered into between such

Custodial Segregated Client, the Clearing House and the Receiving Clearing Member.

- ~~(e)~~(d) For the avoidance of doubt, the Carrying Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the Associated Collateral Balance Transferred.
- ~~(d)~~(e) The transfer of the Transferring SwapClear Contracts and Associated Collateral Balance shall be deemed to occur simultaneously, and the transfer of the Transferring SwapClear Contracts shall be conditioned on the transfer of the Associated Collateral Balance, and vice versa.
- ~~(e)~~(f) If the transfer of the Transferring SwapClear Contracts and Associated Collateral Balance is not completed for any reason, then any actual transfer of any part of the Associated Collateral Balance or Transferring SwapClear Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of any part of the Associated Collateral Balance or Transferring SwapClear Contracts that has occurred shall be immediately unwound.
- ~~(f)~~(g) That portion (if any) of:
- (i) the Clearing House Current Collateral Balance in respect of the Carrying Clearing Member which is attributable to the Transferring SwapClear Contracts (the “**Relevant Portion**”) shall be reduced to zero; and
 - (ii) the Clearing House Current Collateral Balance in respect of the Receiving Clearing Member shall be increased by an amount equal to the value of the Relevant Portion immediately prior to the reduction referred to in (i) immediately above.

1.15.9 *Verification and Reliance*

- (a) Subject to paragraph (b) below, but otherwise notwithstanding anything to the contrary in the Regulations or these Procedures, in making any Transfer Request in accordance with Regulation 60 (*Transfer*) and this Section 1.15 and (where applicable) any relevant Collateral Management Agreement, the Clearing House shall be authorised and entitled to rely conclusively on the instructions of, and information provided by, the Receiving Clearing Member and the Carrying Clearing Member, which shall be solely responsible for all such instructions and information.
- (b) The Clearing House shall verify that the Transferring SwapClear Contracts identified to it by a Receiving Clearing Member as being the subject of such Transfer Request correspond to SwapClear Contracts which, according to its records, are registered in the Transfer Account of the Carrying Clearing Member on behalf of the Eligible Transferor. In the event that the Clearing House identifies a discrepancy, it will notify the Receiving Clearing Member and the

Carrying Clearing Member and no transfer will occur until such time as the Transferring SwapClear Contracts identified to the Clearing House can be verified to the Clearing House.

1.15.10 *Intra-Clearing Member Transfers*

In connection with any Permitted Transfer of Transferring SwapClear Contracts where the Transfer Account of the Eligible Transferor and the Transfer Account of the Eligible Transferee are held by the same SCM (*i.e.*, where the same SCM serves as both the Carrying Clearing Member and the Receiving Clearing Member), such SCM shall be deemed to make the following agreements, acknowledgements and representations:

- (a) the contractual terms of the Transferring SwapClear Contracts will not change solely as a result of the Clearing House effecting the Permitted Transfer;
- (b) the SCM will remain liable to the Clearing House for all obligations under the Transferring SwapClear Contracts prior to, during and after the Permitted Transfer;
- (c) the Clearing House may require that certain changes be made to the books and records of one or more Approved Trade Source Systems in order to reflect the Permitted Transfer;
- (d) the Clearing House is acting solely upon the SCM's instructions as detailed to the Clearing House in writing and in reliance on the SwapClear Clearing Member's agreements and representations (including as set out in this Section 1.15.10) in connection therewith;
- (e) the Permitted Transfer is permissible under Applicable Law and is not in violation of Applicable Law, and the SCM has obtained any and all necessary and appropriate consents, authorisations and approvals, and has taken any other actions required under Applicable Law in connection with the Permitted Transfer; and
- (f) the Clearing House shall not be liable for any costs, expenses, damages or losses, whether direct or indirect, suffered by any of the parties hereto, or by the Eligible Transferor or Eligible Transferee, as a result of any actions taken by the Clearing House in connection with the Permitted Transfer.

1.15.11 *Fees*

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

of each trade set out in the Trade Reference Amendment Request – namely "amended" or "rejected". All records of the Clearing House and data held in the SwapClear clearing system will then be updated overnight following the close of business on that day.

1.20.3 *Legal Documentation*

The Clearing House will provide the requesting SwapClear Clearing Member with legal documentation in Clearing House standard form for that SwapClear Clearing Member to sign. No trade reference will be amended unless such documentation is completed and signed. The documentation must be signed by a person within the SCM with appropriate signing authority. Evidence of such authority may be required by the Clearing House. No amendment to such documentation will be accepted by the Clearing House.

1.20.4 *Notification*

Subject to the requesting SwapClear Clearing Member meeting all the Clearing House's requirements (including completion and submission of all documentation and such other additional requirements as the Clearing House may be set by the Clearing House in its discretion), the Clearing House will notify the SwapClear Clearing Member of its agreement to the amendment of its records of the SwapClear Clearing Member's trade reference in respect of the trades identified in the Trade Reference Amendment Request Form, and advise of the anticipated date of amendment (the "**anticipated date of amendment**").

1.21 Custodial Segregated Accounts

A Custodial Segregated Account allows a Custodial Segregated Client to provide Collateral directly to the Clearing House to meet certain obligations of the relevant SwapClear Clearing Member, in respect of such Custodial Segregated Account, in accordance with the terms of the relevant Collateral Management Agreement and Client Charge.

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

1.21.22 SwapClear STM Contracts and SwapClear CTM Contracts – Elections and Conversions

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

Member, but owes no duty or obligation to the relevant SwapClear Clearing Member to do so.

In order to prevent abuse of the Portfolio Margining Service, following the termination of the Portfolio Margining Service in respect of certain Nominated Accounts, a Portfolio Margining Clearing Member will not be entitled to submit a Portfolio Margining Request in respect of the same Nominated Accounts for a period of 30 calendar days following termination of the Portfolio Margining Service in respect of such Nominated Accounts.

2.3 PM Eligibility Criteria

2.3.1 *Joint Rates Service Clearing Member*

The SwapClear Clearing Member must also be a Listed Interest Rates Clearing Member (*i.e.*, a Joint Rates Service Clearing Member).

2.3.2 *Client Consent*

Where the Nominated Accounts are Client Accounts, the Joint Rates Service Clearing Member must confirm to the Clearing House (in the form of a written representation) that the relevant Clearing Client(s) have provided their consent to the operation of the Portfolio Margining Arrangements in respect of the relevant Client Accounts.

2.3.3 *Recent Termination*

Portfolio Margining Arrangements in respect of the Nominated Accounts have not, in the last 30 calendar days, been terminated in accordance with paragraph 2.2.5 above.

2.4 Eligible Accounts

2.4.1 *Proprietary and Client Accounts*

In order to be eligible for the Portfolio Margining Service, each of the Nominated Accounts must be either:

- (i) Proprietary Accounts which each reference the same legal entity; or
- (ii) Client Accounts which reference the same legal entity as the underlying Clearing Client(s) and meet the criteria set out in paragraph 2.4.2 below.

It is not possible to apply the Portfolio Margining Arrangements across a Proprietary Account and a Client Account.

2.4.2 *Additional Eligibility Criteria in respect of Client Accounts*

The Nominated Accounts must fall into one of the following pairings:

- (i) Individual Segregated Accounts held on behalf of the same Individual Segregated Account Clearing Client; ~~or~~
- (ii) the relevant sub-accounts of Omnibus Gross Segregated Accounts each of which is held on behalf of the same Omnibus Gross Segregated Clearing Client; ~~or~~
- ~~(iii)~~ an Individual Segregated Account held on behalf of an Individual Segregated Account Clearing Client and the relevant sub-account of an Omnibus Gross Segregated Account ~~which is~~ held on behalf of ~~that Clearing Client~~ Individual Segregated Clearing Client;
- ~~(iv)~~ a Custodial Segregated Account held on behalf of a Custodial Segregated Client and an Individual Segregated Account held on behalf of that Clearing Client; or
- ~~(iii)~~(v) a Custodial Segregated Account held on behalf of a Custodial Segregated Client and the relevant sub-account of an Omnibus Gross Segregated Account held on behalf of that Clearing Client. -

2.5 Portfolio Margining Arrangements

2.5.1 Portfolio Margining Calculation Tool

The Clearing House has developed a risk management tool which identifies portfolio-margining opportunities as between SwapClear Contracts held in accounts in a SwapClear Eligible Account and Eligible Listed Interest Rates Contracts held in the paired Listed Interest Rates Eligible Account (the "**Portfolio Margining Calculation Tool**"). Portfolio Margining Clearing Members will receive certain information in relation to the operation of the Portfolio Margining Service, as described in more detail in paragraph 2.6 below.

A list of Eligible Listed Interest Rates Contracts is set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time.

2.5.2 Portfolio Margining Process

2.5.2.1 At a predetermined time following the close of the relevant Listed Interest Rates Service on each business day, the Clearing House will run the Portfolio Margining Calculation Tool. The Portfolio Margining Calculation Tool will identify, in respect of each pair of Eligible Accounts, any off-setting positions between SwapClear Contracts and Eligible Listed Interest Rates Contracts including any eligible Listed Interest Rate Contracts that are Portfolio Margined Contracts (the "**Identified Off-Setting Listed Interest Rates Contracts**").

2.5.2.2 The Portfolio Margining Calculation Tool is a risk management tool which is not designed to provide Portfolio Margining Clearing Members with optimal margining treatment or reduce margin calls. Accordingly, the Clearing House makes no representations or

LCH Rule Submission

Appendix E

Procedures Section 2J (Listed Interest Rates Clearing Service)



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2J

LISTED INTEREST RATES CLEARING SERVICE

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1.5 Margin and Collateral

1.5.1 Initial Margin

Separate initial margin calculations are performed for a Listed Interest Rates Clearing Member's Proprietary Account and for each Client Account. No offset between the Proprietary Accounts and the Client Accounts is allowed (except pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule) and ~~no offset is allowed between any Client Accounts~~ is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

Margin requirements in respect of each Listed Interest Rates Contract are calculated net per account, meaning that if long and short positions are held in the same account in the same delivery month for futures, or the same series for options, the initial margin requirement is calculated by reference to the net position in the Listed Interest Rates Eligible Product. The Clearing House will calculate an account's net position in respect of any Designated Listed Interest Rates Contract by reference to all trading in such Contract on Designated Rates Exchanges.

(a) Initial Margin Parameters

Initial margin parameters are set by the Clearing House after consultation with the relevant Rates Exchange(s). However, in accordance with the Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for a Clearing Member's accounts.

Clearing Members will be notified by the Clearing House of alterations to initial margin parameters no later than the day before PPS Calls are made based on the new rates.

(b) Intra-day Margin Calls

In accordance with the Regulations the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it considers necessary. Intra-day margin calls will be made via the Protected Payments System (see Section 1.3 of Procedure 3 (*Financial Transactions*)).

(c) Calculation of Initial Margin

(i) Value At Risk (VaR)

Initial margin obligations are re-calculated at the close of each business day using a VaR algorithm developed to calculate margin requirements on Listed Interest Rates Contracts.

Technical questions about this algorithm should be directed to the Clearing House Risk Management Department on +44 (0)20 7426 7520.

1.5.2 *Variation Margin*

All open contracts are marked to market daily by the Clearing House in accordance with the Listed Interest Rates Contract Terms. The official quotation is used as the market price. Profits or losses are either credited to or debited from a Clearing Member's Proprietary Account or Client Account (as applicable) (realised margin) or they form non-realised contingent liabilities or credits.

Separate variation margin calculations are performed for a Clearing Member's Proprietary Account and for each Client Account. No offset between the Proprietary Accounts and the Client Account is allowed ~~(and, except pursuant to a Cross-ISA Client Excess Deduction Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule) and;~~ no offset ~~is allowed~~ between any Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

(a) *Realised Margin*

Realised margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant official quotations with the value of positions recorded in the Clearing System - i.e. the trade price for new trades and the previous day's official quotation for other positions. Variation margin for the following types of contract is realised into postings to the relevant Proprietary Account or Client Account (as applicable).

(b) *Variation Margin*

Variation margin for the following types of contract is realised into postings to the relevant Proprietary Account or Client Account (as applicable).

Contingent Variation Margin. Contingent variation margin is calculated with reference to the official quotation at which a contract went to delivery and the underlying asset value or the next nearest futures delivery month official quotation, dependent on the terms of the Listed Interest Rates Contract or these Procedures. Contingent variation margin is calculated for Listed Interest Rates Contracts that are subject to delivery of an underlying asset.

Option Variation Margin. Option variation margin is the value of unexpired options, calculated with reference to the official quotation. Bought and sold options generate credit and debit option variation margin respectively.

1.5.3 *Additional Margin*

In accordance with Regulation 20 (*Margin and Collateral*), the Clearing House may call additional amounts of Collateral (on top of the amounts of Collateral previously transferred to the Clearing House in respect of initial margin and

1.12.5 *Transaction cut off times and Clearing House deadlines*

Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each Clearing Member's responsibility to ensure that they and their agents are aware of, and adhere to, the Clearing House deadlines.

1.12.6 *Delivery Procedures*

(a) *Deliverable Bonds*

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the Listed Interest Rates Contract Terms. The initial list of bonds will be available from the Delivery System until such time as the final list is published.

(b) *Last Trading, Notice and Settlement Day Definition*

The Last Trading Day, Notice Day and Settlement Day are as defined in the Listed Interest Rates Contract Terms for the Bobl Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a Frankfurt working day, in which case the Frankfurt working day immediately following it is the Settlement Day.

(c) *Last Trading Day (LTD)*

At 11:30

Trading ceases in the delivery month.

By 12:00

The FSP is announced by the Exchange.

By 17:00 hours - Delivery Notice Deadline

Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 17:00 hours deadline. Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System.

At 17:30 hours

The Clearing House allocates deliveries to Buyers.

By 18:00 hours

The Clearing House makes the following available:

- *Account Sales (Schedule 90)*

- *Invoices (Schedule 10~~0~~)*
- *Delivery Instructions for Sellers (Schedule 11~~0~~)*
- *Delivery Instructions for Buyers (Schedule 12~~0~~)*.

In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.

Clearing Members shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*. The instructions as described **must** be utilised by Clearing Members in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The time stipulated below is the latest possible time for matching.

- (d) *S-1 on or before the first Frankfurt working day following the last trading day (LTD)*

By 10:00 hours

Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

By 14:00 hours

All instructions must be matched with the Clearing House.

Failure to match with the Clearing House contravenes Clearing House procedures.

- (e) *S Settlement Day (LTD + 2)*

By 08:00 hours Central European time

The Seller's delivery system or agent shall have transferred Bonds to the Clearing House's account at the relevant delivery system, against payment. The Clearing House shall have transferred Bonds to the Buyer's account at the relevant delivery system against payment.

During Euroclear/Clearstream Luxemburg Overnight Processing

Where the Clearing House is taking delivery of Bonds, via Euroclear or Clearstream Luxemburg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or Clearstream Luxemburg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

1.13.5 *Transaction cut off times and Clearing House deadlines*

Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each Clearing Member's responsibility to ensure that they and their agents are made aware of Clearing House deadlines.

1.13.6 *Delivery Procedures*

(a) *Deliverable Bonds*

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the Listed Interest Rates Contract Terms. A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the Listed Interest Rates Contract Terms. The initial list of bonds will be available from the Delivery System until such time as the final list is published.

(b) *Last Trading, Notice and Settlement Day Definition*

The Last Trading Day, Notice Day and Settlement Day are as defined in the Listed Interest Rates Contract Terms for the Schatz Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a Frankfurt working day, in which case the Frankfurt working day immediately following it is the Settlement Day.

(c) *Last Trading Day (LTD)*

At 11:30 hours

Trading ceases in the delivery month.

By 12:00 hours

The FSP is announced by the Exchange.

By 17:00 hours - Delivery Notice Deadline

Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 13:30 hours deadline. Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System.

At 17:30 hours

The Clearing House allocates deliveries to Buyers.

By 18:00 hours

The Clearing House makes the following available:

- *Account Sales (Schedule 13~~0~~)*
- *Invoices (Schedule 14~~0~~)*
- *Delivery Instructions for Sellers (Schedule 15~~0~~)*
- *Delivery Instructions for Buyers (Schedule 16~~0~~)*.

In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.

Clearing Members shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*. The instructions as described **must** be utilised by Clearing Members, their delivery system and or agent in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The time stipulated below is the latest possible time for matching.

- (d) *S-1 on or before the first Frankfurt working day following the last trading day (LTD)*

By 10:00 hours

Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

By 14:00 hours

All instructions must be matched with the Clearing House.

Failure to match with the Clearing House contravenes Clearing House procedures and the Listed Interest Rates Contract Terms for the Schatz Future Contract.

- (e) *S Delivery Day (LTD + 2)*

By 08:00 hours Central European time

The Seller's delivery system or agent shall have transferred Bonds to the Clearing House's account at the relevant delivery system against payment. The Clearing House shall have transferred Bonds to the Transferee's account at the relevant delivery system against payment.

During Euroclear/Clearstream Luxemburg Overnight Processing

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Appendix F

Procedures Section 3 (Financial Transactions)



LCH.CLEARNET LIMITED

PROCEDURES SECTION 3

FINANCIAL TRANSACTIONS

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Details of Collateral balances, valuations and instructions are available using the on-line Collateral Management System ("**CMS**").

1.1.4 **Ledgers**

- (a) Each collateral account may comprise one or more ledgers including:
- (i) non-cover ledger (for coupons on securities held as **eCollateral** and NPV and coupons relating to SwapClear FRA cash flows); and
 - (ii) cover ledger (for all other items).

Liabilities arising from trading activity are recorded against the relevant collateral account only. Ledgers are used to record cash movements between the Clearing House and the Clearing Member. Postings may be applied to collateral, tender and other ledger accounts.

1.1.5 **Default Fund Account**

Each Clearing Member will be provided with a Default Fund ("**DF**") account for each Service in which it participates.

1.2 **Financial Transaction Reporting**

Banking reports are generated each day and provide members with data relating to but not limited to: liabilities by market, cash balances, non-cash balances, cash posting and interest rates.

All reports are available via the Member Reporting Web Site (Member Live site) and can be downloaded via the user interface or directly to Member back office systems via an SFTP connection.

Details of valuations, Collateral instructions and cash and non-cash balances are available through CMS.

A "Banking Reports Reference Pack" can be requested from the [Clearing House-LCH Client Training Team](#). This contains definitions and examples of each of the available reports.

1.3 **Protected Payments System (PPS)**

The Clearing House operates a direct debit system, known as the Protected Payments System ("**PPS**"), for the transfer of funds to and from Clearing Members.

PPS is operated in London ("**UK PPS**"), the United States ("**US PPS**") and Australia ("**Australian PPS**").

Clearing Members should note that the PPS (in each location mentioned above) is a system for facilitating payment to the Clearing House of moneys due from Clearing Members to the Clearing House and vice versa. The giving of a commitment by a participating bank through PPS to make any payment, and the receipt of that commitment

Normally the Clearing House will call intra-day margin through UK PPS accounts. However, where the Clearing House wishes to make such an intra-day call after UK PPS closes (16:00 London time), such a call will be made upon the Clearing Member's nominated US PPS account.

Clearing Members must designate a currency ("**GBP**", "**EUR**" or "**USD**") that will be called by default during the hours of UK PPS for each mnemonic/sub-account. Clearing Members must request a change to the default currency no later than 09:30 London time in order for the change to be undertaken the following day. Members can submit a request to change their currency at the following link: <http://www.lch.com/risk-collateral-management/collateral-management/acceptable-collateral/preferred-currency>.

The Clearing House has the ability to call US dollars in respect of an intra-day margin call up until 16:00 New York time (21:00 London time).

The Clearing House may not accept delivery of US dollar cash other than in satisfaction of an intra-day margin call after 14:00 hours New York time.

The Clearing House must receive confirmation of payment from the Clearing Member's nominated PPS bank(s) within one hour of receipt of the intra-day call by the relevant bank.

Failure of a bank to confirm a PPS call within one hour may result in the Clearing Member being declared in default. Late confirmation of PPS calls are reported to the regulators of Clearing House.

(e) *Use of UK and US PPS*

Generally UK PPS will be used for Morning PPS Calls (including Contributions to the Default Fund), remitting surplus cash balances to a Clearing Member, and for intra-day margin calls up to 16:00 hours London time. However Clearing Members should be aware that the Clearing House reserves the right to direct a morning PPS call or intra-day margin calls before 16:00 hours London time to a Clearing Member's US PPS account in exceptional circumstances (an "**Exceptional PPS Call**"). The Clearing House will use all reasonable commercial endeavours to notify the Clearing Member in advance of issuing any such Exceptional PPS Call.

(f) *Auto-repay*

Clearing Members may request that they are automatically repaid any excess cash balances that remain on their accounts (other than an Individual Segregated Account or a Custodial Segregated Account) at the end of each day where the relevant Service of which the Clearing Member is a member provides an auto-repay mechanism. Clearing Members must contact Treasury Operations in order to have auto-repay applied to their accounts. (collateral.clientservices@lchcom or Tel +44 (0)20 7426 7505)

Those Clearing Members who are not on auto-repay may request that any cash balances on their accounts (other than an Individual Segregated Account or a Custodial Segregated Account) be repaid on the same day, provided that such request is received by the Clearing House by 09:30 London time.

In certain circumstances and following notification to one or more relevant Regulatory Bodies, the Clearing House may disable the auto-repay functionality for all Clearing Members of a Service. The Clearing House will notify affected Clearing Members via Clearing member Circular in the event that the functionality is disabled.

(g) *Value Date*

PPS calls and payments are for value the same day as the day of the CAD, EUR, GBP and USD and with value for the next day for all currencies, subject to Section 1.3.1(g). Call instructions issued on a day when the Clearing House is not open for business (e.g. Saturdays) are for value the next day for CAD, EUR, GBP and USD and for value two days are the instruction for all other currencies. Payment instructions will not be issued on a day when the Clearing is not open for business.

- (i) If, under 1.3.1(f), a PPS call or payment in a particular currency would be due to be made for value on a day (“**Payment Date**”) which is a holiday in respect of that currency, the value date for such PPS transaction will be the first day which is not a holiday in respect of that currency occurring after the Payment Date; and
- (ii) in respect of AUD, if the PPS call or payment is instructed day which is a holiday for AUD or on a day when the Clearing House is not open for business (e.g. Saturdays), the value date for such PPS call or payment will be the second day which is not a holiday in respect of AUD occurring after the Payment Date.

Example 1: 20 August is a currently a holiday in the USA. The Clearing House is open. 21 August is not a currency holiday in the USA.

On 20 August, the Clearing House will issue USD instructions to PPS banks, and receive confirmation in response to the PPS calls on the same day; the value date for such calls will be 21 August.

Example 2: 20 August is a currency holiday in the UK. The Clearing House is open. 21 August is a currency holiday in Japan. 22 August is not a currency holiday in Japan.

On 20 August, the Clearing House will issue JPY instructions to PPS banks, and receive confirmations in response to the PPS calls on the same day; the value date for such calls will be 22 August.

Example 3: 16 January is a Saturday. The Clearing House is not open. 18 and 19 January are not currency holidays in Australia.

1.4.1 **Cash**

In order not to fall within the scope of deposit-taking regulations applying to banks and similar institutions, the Clearing House can accept cash from Clearing Members only in relation to current or anticipated obligations.

Cash used as Collateral need not be provided in the same currency as that of the liability. In such cases, currencies will be notionally converted with reference to quoted exchange rates determined at approximately 16:45 London time the previous business day.

Clearing Members must give ~~the Clearing House's LCH.Clearnet Limited~~ Treasury Operations no less than two business days' notice of their intention to substitute existing cash Collateral with non-cash Collateral or cash Collateral in a different currency where the amount of cash is 50 million GBP or greater. Where a Clearing Member fails to give such notice, the Clearing House may decline to transfer or release the cash Collateral to be withdrawn until the end of the required notice period.

1.4.2 **Securities**

Please refer to the following pages on our website for both prevailing haircuts and notes on Collateral acceptable to the Clearing House:

http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp

1.4.3 **Value Notification**

Clearing Members may obtain details on the value ascribed to non-cash Collateral ~~recorded to -on-~~their account via:

~~(a) ___ for the purpose of calculating their Current Collateral Value by viewing the relevant reports available on the Clearing House Member Reporting Website portal;~~

~~(b) ___ the CMS; and/or~~

~~(a)(c) SWIFT message sent from the Clearing House to the relevant Clearing Member. The value of Collateral can be viewed on the Clearing Management System. Details of Collateral balances, valuations and instructions are also available using the on-line Collateral Management System (CMS).~~

1.4.4 **Use of Credits as Collateral**

The following credit amounts are not paid in cash, but may (subject to the restrictions described below) be offset against certain specific margin obligations, with the result that the relevant Clearing Member will need to provide less Collateral in respect of those margin obligations:

- (a) EquityClear credit contingent margin may be used to offset EquityClear debit contingent variation margin and initial margin across currencies;
- (b) LSEDM credit contingent variation margin (for forwards) and credit net liquidating value may be used to offset LSEDM debit contingent variation margin, debit net liquidating value and initial margin across currencies; and
- (c) EnClear credit net liquidating value may be used to offset EnClear debit net liquidating value and initial margin across currencies; and
- (d) Rates Exchange credit contingent variation margin may be used to offset Rates Exchange debit contingent variation margin and initial margin across currencies.

1.5 Distribution of Collateral

The following procedures are not in any way intended to restrict, vary, or alter the Clearing House's rights to apply Collateral held (including any described in Clearing House reports/records as "unutilised" or "excess") to meet the Clearing Member's liabilities/obligations to the Clearing House.

1.5.1 *Collateral Application*

In the absence of a Clearing Member election, the Clearing House will apply ~~a Clearing Member's~~ Collateral (in turn) to each liability in the following order:

- (a) non-cash Collateral denominated in the same currency as the liability;
- (b) non-cash Collateral denominated in other currencies, in the following order:
 - (i) GBP;
 - (ii) USD;
 - (iii) CHF;
 - (iv) EUR;
 - (v) JPY;
 - (vi) SEK;
 - (vii) CAD;
 - (viii) NOK
 - (ix) DKK,

- (x) AUD; then
- (c) cash Collateral in the same currency as the liability; then
- (d) cash Collateral in a different currency to the liability, in the nominated currency preference order.

Clearing Members may make the following choices:

- (i) whether to have cash Collateral applied before or after non-cash Collateral;
- (ii) whether to apply non-cash Collateral to liabilities in a different currency; and
- (iii) whether to apply cash Collateral to liabilities in a different currency.

1.5.2 ***Cash Currency Preference***

Clearing Members may nominate the sequence of cash Collateral distribution.

In the absence of a nominated sequence of currency preferences, a Clearing Member's liabilities will be covered by cash in the same currency as the liability. This means that a GBP liability will be covered in GBP cash, a EUR liability will be covered in EUR cash and so forth. Any further liabilities in the relevant currency will be covered by cash called via PPS.

Clearing Members may define their own sequence of cash Collateral utilisation for each mnemonic and each account type (i.e. House or Client). The sequence does not have to be on a like for like basis and a Clearing Member may choose any eligible currency to cover its liability (for example, a GBP liability can be covered in EUR cash).

Any changes to a Clearing Member's nominated currency sequence, or a request relating to excess cash currency balances in a particular currency, should be notified to the Clearing House by providing a minimum of two business days' notice.

1.5.3 ***Record of Collateral Provided***

Charges and interest shall be calculated in accordance with the information published on the website of the Clearing House.

1.5.4 ***Use of ~~a Defaulter's~~ Collateral in the Event of a Default***

The order of priority (in which cash and non-cash Collateral are applied to cover Clearing Members' liabilities), set out elsewhere in this Section 1.5, does not necessarily reflect the order of priority of realisation or application of Collateral which the Clearing House may follow in the case of Default by a Clearing

Member. Post-Default the Clearing House is entitled to realise and/or apply Collateral in whatever order it deems appropriate.

1.6 Interest

1.6.1 *Interest Rates*

The Clearing House applies interest to Clearing Member's cleared cash balances as published on the Clearing House's website. This provision 1.6.1 does not deal with Price Alignment Interest, which is covered by the applicable provisions of Procedures Section 2C (SwapClear Clearing Service).

1.6.2 *Payment of Interest and Charges*

Interest and accommodation charges are charged monthly, from the last day of the previous month to the penultimate day of the current month. Interest and accommodation charges are calculated on a daily basis and the resultant monthly total is posted to the relevant collateral account(s) of the Clearing Member for value on the third business day following the penultimate day of the month. A VAT invoice is also issued on the third business day of each month detailing the interest and accommodation charges applicable for the previous month. Separate invoices are issued for each currency which can be found on the Member Reporting Website. Accommodation charges are published on the Clearing House's website.

VAT is charged, dependent on contract and accommodation charges, at current rates. On foreign currency amounts VAT is charged in sterling on the converted value of any relevant charges. The sterling collateral account shows separate postings for sterling VAT amounts arising from foreign currency charges.

The net invoice value for each currency is posted to the relevant collateral account for value on the second working day for the relevant currency of the month succeeding the month in which the charges arose.

The invoice provides detail in respect of:

- (a) interest due to be credited or debited; and
- (b) accommodation charges.

VAT on accommodation charges is subject to the standard rate; some markets may be excluded.

1.6.3 Cash Balance Interest Rate

The Clearing House applies interest to a Clearing Member's cleared cash balances. The following rates are applied:

- (a) LDR – London Deposit Rate – the rate at which the Clearing House will pay or charge interest on credit cash balances (excluding Contributions). The LDR calculation methodology utilises published market rates minus a

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Appendix G

Procedures Section 4 (Margin and Collateral)



LCH.CLEARNET LIMITED
PROCEDURES SECTION 4
MARGIN AND COLLATERAL

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1. COLLATERAL

1.1 General Information

The Clearing House is, at its sole discretion, entitled to determine what will be acceptable to it as Collateral and to determine when collateral will cease to be acceptable as Collateral.

If any instrument or security, lodged in accordance with any of the following Procedures, is in any way found to be unacceptable, it will immediately be given a zero value for the purposes of calculating the value of the Clearing Member Current Collateral Balance (the "**Current Collateral Value**"). ~~Replacement Collateral may be required immediately from the Clearing Member.~~

1.1.1 Instructions

The Clearing House accepts instructions to lodge, release and transfer cash, securities and triparty Collateral via the online Collateral Management System ("**CMS**"). Instructions for other types of Collateral must be sent via fax using the appropriate form in the Schedules. The lodgement/release forms must be sent in by fax and email to:

Email to: collateral.ops.uk@lchclearnet.com

Fax: +44 (0)20 7375 3518

Collateral Operations can be contacted on +44 (0)20 7426 7593.

The Clearing House is entitled to act upon CMS instructions and faxed instructions or communications appearing to have been issued by, on behalf of, or to have come from, a Clearing Member. These will be accepted by the Clearing House as genuine, even if, for example, they are later found:

- (a) to be inaccurate, whether in whole or in part; or
- (b) not to have been given by the Clearing Member or a client or with the authority of the Clearing Member or client.

The Clearing House will only accept delivery of non-cash Collateral from a Clearing Member in accordance with these Procedures, and will not sell or purchase or cash or non-cash Collateral for Clearing Members, except in so far as it is acting under its Default Rules and related Regulations or in relation to Exchange Rules.

The Clearing House reserves the right to require a Clearing Member to execute revised versions of the Form-Deed of Charge and Client Consent documentation whenever the Clearing House, at its sole discretion, considers that it would be appropriate to do so.

The Clearing House reserves the right to change the information required on instructions received via the CMS, whenever the Clearing House, at its sole discretion, considers that it would be appropriate to do so.

1.1.2 *Excess Collateral*

The Clearing House shall, at least once on each business day, notify each Clearing Member of the Required Margin Amount and the Total Required Margin Amount.

If a Clearing Member's Current Collateral Value exceeds the sum of that Clearing Member's Total Required Margin Amount and any other amounts which the Clearing Member is required to transfer to the Clearing House under Applicable Law (such excess being referred to in this Section 1.1.2 as the "**excess collateral value**"), then that Clearing Member may, in accordance with Sections 1.3 and 1.4 of the Procedures, request that some or all of the Collateral comprising its Clearing Member Current Collateral Balance (other than any Client Collateral) having a value not exceeding the excess collateral value (such Collateral being referred to in this Section 1.1.2 as "**excess collateral**") be returned or repaid by the Clearing House to, or to the order of, that Clearing Member.

In the event that the Clearing House expressly notifies the Clearing Member of a positive excess collateral value and that the Clearing House intends to levy a charge in respect of the excess collateral with effect from a date notified in that notification, and the Clearing Member does not take all reasonable steps to eliminate make a request for the return of the positive excess collateral value before the date so notified, the Clearing House may, in its discretion, but only from the date so notified, charge the Clearing Member in respect of the any such excess collateral at the rate of 1 basis point per day until the excess collateral is eliminated. Payment of this charge shall be collected on a monthly basis through that Clearing Member's PPS sterling account.

If the Clearing House has received a request to return excess collateral, the Clearing House shall promptly take such steps as are necessary in accordance with Section 1.4 of the Procedures to transfer the amount of excess collateral specified in that request to or to the order of the relevant Clearing Member in respect of each account held by the Clearing Member with the Clearing House, provided that:

~~-(ia)~~ the Clearing House shall only be obliged to take such steps with respect to any Collateral pursuant to this Section 1.1.2 to the extent that it constitutes excess collateral;

~~and (ib)~~ where the Clearing Member has requested that non-cash Collateral of a particular type in respect of an account be transferred, the Clearing House shall transfer such non-cash Collateral unless it determines, acting in a commercially reasonable manner, that transferring such non-cash Collateral would result in the Clearing House being unable to satisfy its policies on concentration limits in respect of the various types of non-cash Collateral held by it from time to time ("**Concentration Limits**"), in which case it shall (to the extent that alternative excess collateral is held in, or attributed to, such account and subject to the satisfaction of the Concentration Limits and any Cash Requirement (as defined in Section 1.1.2(c) below) in respect

of the account) transfer Collateral of a different type which has the same value as the requested Collateral and which, in the case of non-cash Collateral, has been transferred to the Clearing House by that Clearing Member in respect of that particular account; and

(c) where the Clearing Member has requested that cash Collateral of a particular currency in respect of an account be transferred, the Clearing House shall transfer such cash Collateral unless it determines, acting in a commercially reasonable manner, that transferring such cash Collateral would result in the account not satisfying the Clearing House's requirement for a minimum amount of cash Collateral in a particular currency to be held in, or attributed to, such account ("Cash Requirement"), in which case the Clearing House shall notify the Clearing Member thereof and shall not be obliged to transfer the requested cash Collateral.

Whether or not an excess collateral value exists in respect of an account of a Clearing Member, a Clearing Member may request that any cash amounts that are subject to the relevant Deed of eCharge as prescribed by the Clearing House from time to time and published on the Clearing House's website (such as, for example, interest payments received in connection with non-cash Collateral) be released from such charge and transferred to the Clearing House to be held as cash Collateral in respect of an account of that Clearing Member (a "Cash Transfer Request").

If the Clearing House has received a Cash Transfer Request, the Clearing House may, in its sole discretion, release the cash amount to which that Cash Transfer Request relates from the Deed of eCharge as prescribed by the Clearing House from time to time and published on the Clearing House's website and treat that cash as having been transferred to the Clearing House by the relevant Clearing Member as cash Collateral in respect of the relevant account.

1.1.3 *Substitution of non-cash Collateral*

At any time, a Clearing Member may notify the Clearing House in accordance with Sections 1.3 and 1.4 of the Procedures that it wishes to substitute any non-cash Collateral in respect of an account which is subject to the charge referred to in Section 1.2.1 of the Procedures (the "**Original Collateral**") with replacement Collateral in respect of such account having a value not less than the Original Collateral (the "**New Collateral**") (such request being a "**Substitution Request**").

If the Clearing House has received a Substitution Request, it shall, promptly following the Clearing House being satisfied that the New Collateral has been transferred to the Clearing House in accordance with Section 1.3 and 1.4, take such steps as are necessary to transfer such Original Collateral to or to the order of the Clearing Member in respect of that particular account, provided that, if the Clearing House determines, acting in a commercially reasonable manner, that following such substitution the Clearing House would be unable to satisfy its policies on eConcentration Hlimits in respect of the various types

~~of Collateral held by it from time to time~~, it shall notify the Clearing Member thereof and shall not be obliged to transfer the Original Collateral. If a Substitution Request is rejected, any New Collateral already transferred to the Clearing House in connection with that request shall be returned to the relevant Clearing Member as soon as reasonably practicable and in any case no later than two business days from the rejection of the relevant Substitution Request.

1.1.4 *Lodgement of non-cash Collateral as replacement for cash Collateral*

Clearing Members ~~should note that they~~ must give the Clearing House's Treasury Operations no less than two business days' notice of their intention to transfer to the Clearing House non-cash Collateral with a value of £50 million sterling or more, and which is reasonably likely to have the effect that cash Collateral of a similar value is repayable by the Clearing House to that Clearing Member as a result of such transfer. Treasury Operations must be advised no later than 15:30 two business days prior to the transfer. In the event that a Clearing Member requests the return of such cash Collateral without giving such notice, the Clearing House will decline to release such cash Collateral until the end of the required notice period. The Clearing House may extend the required notice period or vary the minimum Collateral value by written notice to Clearing Members.

1.1.5 *Force Majeure*

The Clearing House will not be liable for any failure, hindrance or delay in the performance (in whole or in part) of any of its obligations to Clearing Members with regard to non-cash Collateral where such failure, hindrance or delay arises from causes beyond the control of the Clearing House, such as (but not limited to) the failure (whether partial or total), interruption or suspension of any Collateral Agent, depository or custodian or other service ("**depository**") that the Clearing House is using; the termination or suspension of the Clearing House's membership or use of the depository or any variation of the depository's operational timetable, whether or not occasioned by action of the depository operator or any other party; or any embargo, unavailability or restriction of bank transfer systems or wires; malfunction or overload of the depository; or any other emergency. This provision is without prejudice to the *force majeure* provisions of Clearing Members' agreements with the Clearing House.

1.1.6 *Regulatory and Supervisory Information*

In every case, the Clearing House will be entitled to supply a depository or Collateral Agent with all the information it requires for any purposes relating to a Clearing Member or a Clearing Client, or relating to non-cash Collateral received by the Clearing House from a Clearing Member or a Custodial Segregated Client which is, or may at any time have been, held by the depository or Collateral Agent. Non-cash Collateral that a Clearing Member or a Custodial Segregated Client provides to the Clearing House will be lodged and held with such depository or other systems as the Clearing House may select or allow, subject to the conditions of such systems, to any Applicable

Law and subordinate rules relating thereto, as well as to the terms of the ~~Clearing House's relevant Form-Deed~~ of Charge, Client Charge, Collateral Management Agreement, and charge documentation and these Procedures.

1.1.7 *Interest Payments (coupons)*

The Clearing House will remit interest amounts that arise in respect of non-cash Collateral of a Clearing Member, taking into account any withheld tax, to such Clearing Members' relevant PPS banks on the appropriate value date, except where such Clearing Member is a Defaulter.

Any payment made under this Section 1.1.7 is processed using "Tender" ledgers designated "I" for Proprietary Accounts or "L" for Client Accounts.

1.1.8 *Other Charges*

The Clearing House will collect any other charges incurred as deemed necessary using PPS. Examples of such charges may include a Collateral Agent's overnight custody charge, transfer charges or any charges relating to the movement of non-cash Collateral. For a list of the Clearing House's Custody services fees, please refer to: <http://www.lchclearnet.com/members-clients/members/fees-ltd/custody-services>

1.2 **Documentation**

1.2.1 *~~Form-Deed~~ of Charge*

Clearing Members wishing to transfer non-cash Collateral to the Clearing House must complete and maintain a Deed-Form of Charge ~~document~~ for the relevant type of Collateral (e.g. securities). This document establishes a fixed charge over the Clearing Member's interests pursuant to the custody relationship which arises upon specified non-cash Collateral being transferred into an account with the Clearing House by the Clearing Member. The document is required to be executed in accordance with the instructions which accompany it. The Form-Deed of Charge ~~document~~ covers non-cash Collateral that is transferred to the Clearing House via bilateral settlement or via triparty arrangements. For triparty arrangements using US domiciled custodians an equivalent to the Form-Deed of Charge is incorporated within the relevant triparty agreement documentation. To operate triparty arrangements with the Clearing House an additional Collateral Services Agreement (or equivalent) must also be executed with the relevant triparty provider.

Charge documentation is available from the Clearing House Risk Department and should be returned on completion to that department. Where a Clearing Member transfers Collateral to the Clearing House to cover both a Proprietary Account and a Client Account it must execute two separate Deeds of Charge.

1.2.2 *Segregation Rules*

Instructions relating to transfers and requests for the return of Collateral must indicate the particular account to which they relate. Any Collateral transferred

to the Clearing House will be applied against the Clearing Member's (proprietary or client) margin liabilities as per the relevant documentation.

Collateral transferred to the Clearing House in respect of a Clearing Member's Client Account will not be applied by the Clearing House to the Clearing Member's ~~his~~ liabilities on a Proprietary Account (see Regulation 10(d) (*Accounts*)) or on another Client Account, except in the case of Cross-ISA Client Excess Deduction or pursuant to Rule 15(a)(ii) of the Default Rules or any Insufficient Resources Determination Rule.

Collateral transferred to the Clearing House in respect of a Clearing Member's Proprietary Account may be applied by the Clearing House towards the payment of any sum whatsoever due by the Clearing Member to the Clearing House, save that, subject to Rule 8(d) of the Default Rules and any Insufficient Resources Determination Rule, no Collateral (other than House Excess and, to the extent not already included in the relevant Clearing Member Current Collateral Balance, Client Buffer) ~~charged-transferred~~ in respect of a Clearing Member's Proprietary Account shall be applied on or towards payment or satisfaction of any of the Clearing Member's liabilities to the Clearing House on any of the Clearing Member's Client Accounts.

1.2.3 Clearing Client Collateral

Where a Clearing Member wishes to transfer a Clearing Client's Collateral to the Clearing House, the Clearing Member must, *inter alia*, ensure that at all times it remains expressly agreed with the Clearing Client that the Clearing Member may charge the Collateral to the Clearing House, on the Clearing House's terms and free of the Clearing Client's or another owner's interest, to secure the Clearing Member's obligations to the Clearing House.

Where a Clearing Client's Collateral is to be transferred to the Clearing House, the Clearing Member must ensure that a *Client Consent Form* is completed by the beneficial owner (see Schedule 1).

The Clearing House gives no undertaking that, on the default of a Clearing Member, it will not utilise Clearing Clients' Collateral which has been transferred to it by a Clearing Member, before utilising any other form of Collateral the Clearing House may hold.

Section 7 of the Deed of Charge prohibits the existence of any other charge or security interest, whether created before or after the Clearing House's interest, without the Clearing House's prior written consent (except a deferred charge in favour of the Clearing Member himself). The Clearing House consents to certain such other charges as follows.

Where a Clearing Member accepts business from a non-clearing broker and transfers to the Clearing House as Collateral securities belonging to a client of that broker with the client's express agreement, Section 7(2) of the Deed of Charge will allow the Clearing Member to have a security interest in the securities deferred to that of the Clearing House. In addition, by the notification issued under Section 7(1) of the Deed of Charge, the Clearing

1.4 **Settlement Procedures – Securities ~~p~~Provided by a Clearing Member to the Clearing House on a ~~b~~Bilateral ~~b~~Basis**

All transactions to transfer ~~securities-non-cash~~ Collateral ~~from a Clearing Member to or from the~~ Clearing House or from the Clearing House to a Clearing Member will be executed free of payment.

1.4.1 *Instruction Deadlines*

Clearing Members may input security instructions via the CMS at any time. Instructions will only be actioned by the Clearing House during operational hours.

The Collateral Team operational hours are: Monday —to Friday 08:00 – 21:00~~hrs~~ UK time.

For settlement in Austraclear, the Collateral Team in Sydney are available from 09:00 – 16:30 (AEST).

Instruction deadlines for same day settlement:

<u>CSD/eCustodian</u>	<u>Deadline for instructions</u>
Euroclear UK/IE (CREST)	14:00 (UK time)
Euroclear internal	17:00 (UK time)
Fedwire - Citi and BNYMellon	19:00 (UK time)
Austraclear	15:30 (AEST)

The Clearing House will input matching instructions to the relevant CSD/custodian for same day settlement when the instructions are received prior to the deadlines above.

1.4.2 *Deliveries to and from Local Markets*

The Clearing House is bound by the settlement deadlines of the relevant CSD/custodian. Clearing Members should refer to the relevant CSD/custodian for these deadlines. Note that for transactions from local markets the settlement deadline may be earlier than the Clearing House hours of operation and should therefore be instructed the day before the settlement date (i.e. on S-1). Instructions to the Clearing House must be provided at least one hour before the market deadline for same day settlement.

For example:

<u>Deliveries from Local Market</u>	<u>Custodian Deadline</u>	<u>Instruction Deadline to Clearing House (UK time)</u>
Japan	07.55	17.00 on S-1
Belgium	14.50	13.50 on S
Italy	15.00	14.00 on S

1.4.3 *Transfer of Securities from a Clearing Member to the Clearing House*

Instructions for the transfer of securities from a Clearing Member to the Clearing House must be input via the CMS prior to the deadlines above for same day settlement. Settled transactions will be taken into account for the purposes of calculating the Clearing Member's Current Collateral Value following settlement.

Transfer instructions for future settlement dates will be instructed same day if received prior to the deadlines. Instructions received after the deadlines will be instructed the following day.

1.4.4 *Transfer of Securities from the Clearing House to a Clearing Member*

(a) *Release where Sufficient Collateral is Available*

Instructions to release existing securities Collateral of a Clearing Member that are input via the CMS prior to the deadlines above for same day settlement will be actioned and the Collateral specified in those instructions will no longer be included when calculating the Clearing Member's Current Collateral Value (in each case subject to Section 1.1.2) on confirmation of those instructions by the Clearing House.

(b) *Release where Sufficient Collateral is Unavailable*

Instructions to release existing securities Collateral of a Clearing Member must be input via the CMS before 09:30 UK time. The Clearing Member will then be requested to transfer additional cash Collateral. Following confirmation of the cash call, the settlement instruction will, subject to Section 1.1.2, be sent to the CSD/custodian by the Clearing House and the Collateral specified in those instructions will, subject to Section 1.1.2, no longer be included when calculating the Clearing Member's Current Collateral Value.

1.4.5 *Substitutions*

Substitution instructions may be input via the CMS, and will, subject to Section 1.1.3 and to confirmation of those instructions by the Clearing House, be actioned on the same day if input prior to the deadlines above.

Clearing Members may obtain originals of forms W-8BEN and W-9 from Treasury Operations.

Note: The Clearing House's arrangements with its custodians only allow for securities holdings of US corporations or foreign (i.e. non-US) entities or individuals. Clearing Members who wish to discuss the possibility of lodging securities belonging to owners excluded from this arrangement should contact Treasury Operations.

Unless the Clearing House has already received the appropriate tax form, transfers into A/c #090401 or #735136 must be accompanied by form W-9 and transfers into A/c #090372 or #735137 normally by form W-8BEN.

The Clearing House's acceptance of US securities does not indicate any responsibility for the adequacy or otherwise of tax documentation. Any queries in relation to these tax forms should be referred to your company accountant or professional advisers.

Completed tax forms should be returned to Treasury Operations for onward transmission to the Custodians.

1.5.2 *Italian Securities*

For tax purposes the Clearing House operates an account with Euroclear Bank specifically for deliveries of Italian securities from a Clearing Member – account 91737.

This account is operated by the Clearing House in accordance with "Euroclear Procedures to Obtain Exemption from Italian Withholding Tax on Italian Domestic Debt Securities".

Beneficial owners are entitled to exemption at source from Italian Withholding Tax on Italian securities if they are:

- (a) resident in a country that has entered into a double taxation agreement with Italy (except black list countries/countries that do not have a tax treaty with Italy); or
- (b) a corporation resident in Italy; or
- (c) a supranational organisation recognised by Italian law.

Beneficial owners are required to supply duly completed and executed official forms as proof of eligibility to the exemption and where applicable supply additional documentation, before a delivery can be made into this account.

Official forms are available on request from the Treasury Operations Department.

Original forms are to be received by the Clearing House before Italian securities can be accepted within the gross account 91737.

1.8 Triparty Service with Euroclear, Clearstream and BNY Mellon

1.8.1 General Information

In order for a Clearing Member to transfer securities to the Clearing House using a triparty arrangement, such Clearing Members, the relevant triparty agent and the Clearing House must have completed and signed the relevant documentation. Please contact Treasury Operations on +44 (0)207 426 7237 for more information.

Clearing Members may execute a 'Triparty' trade denominated in Euro, Sterling or United States dollars to cover initial margin requirements at the Clearing House. Triparty instructions must be provided to the Clearing House via the CMS.

Instructions for Euroclear Bank and Clearstream may be input for future settlement dates. Instructions with BNY Mellon must be for same day settlement.

The Clearing House supports triparty arrangements at BNY Mellon using their US domestic platform and only for US eligible securities.

Under the triparty arrangement, beneficial ownership for all securities must belong to the Clearing Member.

In the event that Clearing Members are unable to make triparty instructions via the Collateral Management System (CMS), it will be possible to instruct using the relevant triparty contingency forms found in the appendices of this section.

Triparty transactions must be a minimum of one million GBP, EUR or USD.

Note: In these procedures, "S" refers to the settlement day, and "S-1" to the working day before the settlement day.

1.8.2 Lodgement and Increase Procedure

Last instruction deadline to the Clearing House for (UK Time):			
	Euroclear Bank	Clearstream	BNY Mellon
Same day settlement	17.00	18.00	22.30
Next day settlement	17.00 (S-1)	18.00 (S-1)	N/A

1.8.3 Decrease and Closing Procedure

Last instruction deadline to the Clearing House for (UK Time):			
	Euroclear Bank	Clearstream	BNY Mellon
Same day settlement	17.00	18.00	22.30
Next day settlement	17.00 (S-1)	18.00 (S-1)	N/A

Sufficient Collateral:

Where the Clearing Member has sufficient Collateral available, the release or closure of the triparty transaction will be processed on the same day and the reduction will be taken into account for the purpose of calculating the Clearing Member's Current Collateral Value.

Insufficient Collateral:

Where the Clearing Member has insufficient Collateral to release the triparty transaction, the Clearing Member's Current Collateral Value will be deemed to be decreased overnight. The following morning the Clearing House will only release the triparty transaction after 09.00 when any PPS cash calls have been confirmed.

Triparty deficits:

In the event that the Clearing House determines that a shortfall exists under a triparty arrangement, whether because of a decrease in the value of securities provided or otherwise, and such shortfall has not been made good by the inclusion of additional securities, the Clearing House shall be entitled to make one or more PPS cash calls in respect of such shortfall. Cash calls in relation to shortfalls will be called in accordance with paragraph 1.3 (*Protected Payments System (PPS)*) of Section 3 of the Procedures (*Financial Transactions*) ~~and held in a separate account~~. Such cash shall either be credited to the Clearing Member upon the Clearing Member or the relevant Custodial Segregated Client making good the deficit pursuant to the triparty arrangement or retained as Collateral if the Clearing Member or a relevant Custodial Segregated Client does not make good the deficit.

1.9 Custodial Segregated Accounts

A Clearing Member may, in respect of a Custodial Segregated Account, affirm an increase or decrease of the transaction amount of a triparty transaction between the Clearing House, the relevant Custodial Segregated Client (or its custodian) and the triparty agent in the circumstances set out in the relevant Collateral Management Agreement.

A Clearing Member may, via the CMS, elect to make such affirmation either manually ("Manual Affirmation") or using the auto-affirmation options in CMS. If a Clearing Member has elected Manual Affirmation, then the deadline by which it may affirm an increase or decrease of the transaction amount of a triparty transaction, via the CMS, is as follows:

<u>Manual Affirmation deadline</u>	<u>17:00 (UK time)</u>
------------------------------------	------------------------

~~1.9~~ **Intentionally Left Blank**

1.10 Client Excess Spreadsheet

A SwapClear Clearing Member can transfer non-cash Client Excess in respect of a Client Account or request that the Clearing House calls Client Excess in the form of cash directly from the SwapClear Clearing Member.

The SwapClear Clearing Member is responsible for maintaining a record of the Client Excess held on behalf of each Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) or a group of Combined Omnibus Gross Segregated Clearing Clients (see Client Excess Spreadsheet, Schedule 15).

The Client Excess Spreadsheet submitted by a SwapClear Clearing Member to the Clearing House is the primary record of the Client Excess held on behalf of each Omnibus Gross Segregated Clearing Client or group of Combined Omnibus Gross Segregated Clearing Clients (as applicable) in an Omnibus Gross Segregated Account. A SwapClear Clearing Member must provide an updated version to the Clearing House whenever Client Excess is utilised to discharge margin obligations relating to an Omnibus Gross Segregated Clearing Client in an Omnibus Gross Segregated Account.

1.11 SwapClear Intra-Day Margin Call: Collateral Management

For the avoidance of doubt, this Section 1.11 applies only in respect of the SwapClear Service.

1.11.1 General – Intra-day Margining

Following an intra-day margin call and unless notified otherwise by a SwapClear Clearing Member at the time of an intra-day margin call, the Clearing House will deduct cash, in the appropriate currency, directly from the relevant SwapClear Clearing Member's PPS account to cover that intra-day margin call.

Standard Clearing House rules as to the currencies in which cash Collateral may be transferred to the Clearing House to satisfy an intra-day Collateral requirement will apply.

**SCHEDULE 4
CONTINGENCY MEMBER TRIPARTY LODGEMENT FORM**



**MEMBER TRIPARTY
LODGEMENT FORM
EUROCLEAR**

Version 1: July 2007

To LCH.Clearnet Limited ("the Clearing House")

LCH.Clearnet Limited Ref No: 00001ATS

From Clearing Member (full name)

House/Client* Mnemonic * Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of
The Clearing Member

1.
(Signature) (Print Name) (Position)
2.
(Signature) (Print Name) (Position)

Date:

**SCHEDULE 5
CONTINGENCY MEMBER TRIPARTY AMENDMENT FORM**



**MEMBER TRIPARTY
AMENDMENT FORM
EUROCLEAR**

Version 1: May 2007

To LCH.Clearnet Limited ("the Clearing House")

From Clearing Member (full name)

House/Client* Mnemonic * Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

Execution Date	Lodgement Number	Increase/Decrease	Amount of Increase/Decrease	Currency	New Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of
The Clearing Member

1.
(Signature) (Print Name) (Position)
2.
(Signature) (Print Name) (Position)

Date:

**SCHEDULE 6
CONTINGENCY MEMBER TRIPARTY CLOSING FORM**



**MEMBER TRIPARTY CLOSING
FORM
EUROCLEAR**

Version 1: May 2007

To LCH.Clearnet Limited ("the Clearing House")

From Clearing Member (full name)

House/Client* Mnemonic * Please delete as appropriate

Lodgement Number	Closing Date & Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of
The Clearing Member

1.
(Signature) (Print Name) (Position)

2.
(Signature) (Print Name) (Position)

Date:

**SCHEDULE 7
CONTINGENCY MEMBER TRIPARTY LODGEMENT FORM**



**MEMBER TRIPARTY
LODGEMENT FORM
CLEARSTREAM**

Version 1: July 2007

To LCH.Clearnet Limited ("the Clearing House")

LCH.Clearnet Limited Ref No:

From Clearing Member (full name)

House/Client* Mnemonic * Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Clearstream clearance system subject to the fungibility regime organised by the Luxembourg Law of 1 August 2001 on the circulation of securities and other financial instruments as amended from time to time.

Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of
The Clearing Member

1.
(Signature) (Print Name) (Position)
2.
(Signature) (Print Name) (Position)

Date:

**SCHEDULE 8
CONTINGENCY MEMBER TRIPARTY AMENDMENT FORM**



**MEMBER TRIPARTY
AMENDMENT FORM
CLEARSTREAM**

Version 1: May 2007

To LCH.Clearnet Limited ("the Clearing House")

From Clearing Member (full name)

House/Client* Mnemonic * Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Clearstream clearance system subject to the fungibility regime organised by the Luxembourg Law of 1 August 2001 on the circulation of securities and other financial instruments as amended from time to time..

Execution Date	Lodgement Number	Increase/Decrease	Amount of Increase/Decrease	Currency	New Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of
The Clearing Member

1.
(Signature) (Print Name) (Position)

2.
(Signature) (Print Name) (Position)

Date:

**SCHEDULE 9
CONTINGENCY MEMBER TRIPARTY CLOSING FORM**



**MEMBER TRIPARTY CLOSING
FORM
CLEARSTREAM**

Version 1: May 2007

To LCH.Clearnet Limited ("the Clearing House")

From Clearing Member (full name)

House/Client* Mnemonic * Please delete as appropriate

Lodgement Number	Closing Date & Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of
The Clearing Member

1.
(Signature) (Print Name) (Position)

2.
(Signature) (Print Name) (Position)

Date:

**SCHEDULE 10
CONTINGENCY MEMBER TRIPARTY LODGEMENT FORM**



**MEMBER TRIPARTY
LODGEMENT FORM
BNY Mellon US domestic platform
(GSCX)**

Version 1: Mar 2014

To LCH.Clearnet Limited ("the Clearing House")

LCH.Clearnet Limited Ref No:

From Clearing Member (full name)

House/Client* Mnemonic * Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator.

Execution Date	Currency (USD only)	Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of
The Clearing Member

1.
(Signature) (Print Name) (Position)

2.
(Signature) (Print Name) (Position)

Date:

**SCHEDULE 11
CONTINGENCY MEMBER TRIPARTY AMENDMENT FORM**



**MEMBER TRIPARTY
AMENDMENT FORM
BNY Mellon US domestic platform
(GSCX)**

Version 1: Mar 2014

To LCH.Clearnet Limited ("the Clearing House")

From Clearing Member (full name)

House/Client* Mnemonic * Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator.

Execution Date	CMS Reference	Increase/Decrease	Currency	New Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of
The Clearing Member

1.
(Signature) (Print Name) (Position)

2.
(Signature) (Print Name) (Position)

Date:

**SCHEDULE 12
CONTINGENCY MEMBER TRIPARTY CLOSING FORM**



**MEMBER TRIPARTY CLOSING
FORM
BNY Mellon US domestic platform
(GSCX)**

Version 1: Mar 2014

To LCH.Clearnet Limited ("the Clearing House")

From Clearing Member (full name)

House/Client* Mnemonic * Please delete as appropriate

CMS Reference	Closing Date & Execution Date	Currency	Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of
The Clearing Member

1.
(Signature) (Print Name) (Position)
2.
(Signature) (Print Name) (Position)

Date:

SCHEDULE 13 CONTINGENCY COLLATERAL LODGEMENT FORM



CONTINGENCY COLLATERAL LODGEMENT FORM

Version 1: December 2011

To: LCH.Clearnet Limited (the "Clearing House") LCH.Clearnet Limited Ref No:
 From: Clearing Member (full name)

House/Client/Buffer* Mnemonic:..... ***Please delete as appropriate**

We are/A client is* entitled to the entire beneficial interest in these securities. (If a client is entitled to the entire beneficial interest, a Client Consent Form must be completed by the client and submitted to the Clearing House.)

***Please delete as appropriate**

Beneficial Owner Name (full name) _____

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to the fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security
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Delivery from: Depository/Agent

(for US Securities, Broker Code):

Account Holder:

Account Number:

Beneficial Owner Italian Tax ID:

Delivery to:


BONY (US Owners)	BONY (Non-US Owners)	Citibank (US Owners)	Citibank (Non-US Owners)	Euroclear Bank (Global)	Euroclear Bank (Italian)	Euroclear UK & Ireland (Crestco)
735136	735137	090401	090372	91205	91737	5165

Signatories for and on behalf of The Clearing Member

- | | | | |
|----|-------------|--------------|------------|
| 1. | (Signature) | (Print Name) | (Position) |
| 2. | (Signature) | (Print Name) | (Position) |

Date:

SCHEDULE 14 CONTINGENCY COLLATERAL RELEASE FORM

 LCH The Markets' Partner														
<p>CONTINGENCY COLLATERAL RELEASE FORM</p> <p>Version 1: February 2011</p> <p>To: LCH.Clearnet Limited (the "Clearing House")</p> <p>From: Clearing Member (full name)</p> <p>House/Client/Buffer* Mnemonic: *Please delete as appropriate</p> <p>We hereby request you to release the securities described below.</p>														
Security Code Number (e.g.: ISIN)	Delivery Date	Trade Date	Amount/Nominal Value (Issue - Coupon - Maturity)	Description of Security										
<p>(The Clearing House Ref No: (from lodgement form))</p> <p>Delivery to: Depository/Agent</p> <p>US Securities, Broker Code</p> <p>Account Holder:</p> <p>Account Number</p>														
<p>Signatories for and on behalf of The Clearing Member</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">1.</td> <td style="width: 20%;">(Signature)</td> <td style="width: 20%;">(Print Name)</td> <td style="width: 20%;">(Position)</td> </tr> <tr> <td></td> <td style="text-align: center;">2.</td> <td>(Signature)</td> <td>(Print Name)</td> <td>(Position)</td> </tr> </table> <p>Date:</p>						1.	(Signature)	(Print Name)	(Position)		2.	(Signature)	(Print Name)	(Position)
	1.	(Signature)	(Print Name)	(Position)										
	2.	(Signature)	(Print Name)	(Position)										
<p>To: THE ABOVE-NAMED CLEARING MEMBER</p> <p>The release of the above-mentioned securities is agreed.</p> <p>For and on behalf of LCH.Clearnet Limited Date Time</p> <p>(Authorised Signatory)</p>														

Registered in England No. 25932 Registered Office: Aldgate House, 33 Aldgate High Street, London EC3N 1EA
Recognised as a Clearing House under the Financial Services and Markets Act 2000.LCH.

**SCHEDULE 16
INTRA-DAY HOUSE CASH EXCESS TRANSFER FORM**



Version 2: 2013

Completed forms should be sent to the Clearing House Treasury Department (scmcollateral@lchclearnet.com).

From: Clearing Member (full name) House Account: _____

To: **Client Account** **Mnemonic:** _____

We wish to transfer the following amount of cash Collateral from our Proprietary Account to the Client Account as detailed above. We confirm that we are duly authorised, on behalf of the Clearing Member detailed above, to instruct the Clearing House to make this transfer.

Amount

Signatories for and on behalf of the Clearing Member:

1. _____
(Signature) (Print Name) (Position)

2. _____
(Signature) (Print Name) (Position)

Date: _____

SCHEDULE 17
CONTINGENCY CUSTODIAL SEGREGATED ACCOUNT AFFIRMATION FORM



CUSTODIAL SEGREGATED ACCOUNT
AFFIRMATION FORM

To LCH.Clearent Limited ("the Clearing House")

From Clearing Member (full name)

Mnemonic: _____ Sub Account: _____ Client ID: _____

<u>Agent Reference</u>	<u>Execution Date</u>	<u>Currency</u>	<u>New Amount</u>	<u>Collateral Giver Account Number</u>	<u>Collateral Taker Account Number</u>	<u>Set Code</u>

<u>We confirm that we:</u> <u>(please circle the action you wish to take)</u>	<u>affirm the new triparty transaction amount specified above under "New Amount"</u>	<u>do not affirm the new triparty transaction amount specified above under "New Amount"</u>
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Signatories for and on behalf of the Clearing Member

1. _____
 (Signature) (Print Name) (Position)

2. _____
 (Signature) (Print Name) (Position)

Date: _____

[PLEASE NOTE – THIS FORM IS TO BE COMPLETED BY THE CLEARING HOUSE AND SENT TO THE CLEARING MEMBER FOR SELECTION OF THE APPLICABLE OPTION AND SIGNING]