

# SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) LCHLTD Date: September 13, 2013

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

**ORGANIZATION** LCH.Clearnet Limited

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

## TYPE OF FILING

- **Rules and Rule Amendments**

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

- **Products**

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

## RULE NUMBERS

See attached Appendix A-1, Rulebook Matrix

## DESCRIPTION

Self-certification pursuant to §40.6(a) to implement LSOC with Excess, tax wording and other ancillary rule changes.

**Via Electronic mail**

September 13, 2013

Ms. Melissa Jurgens  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581

**RE: Changes to LCH.Clearnet Limited's Rules and Regulations – LSOC with Excess<sup>1</sup>**

Dear Ms. Jurgens:

Pursuant to §40.6(a) of the Commission Regulations, LCH.Clearnet Limited (“LCH.Clearnet”), a Derivatives Clearing Organization registered with the Commodity Futures Trading Commission (“CFTC”), hereby submits proposed changes to its rules pursuant to Commission Regulation §40.6. As detailed more fully below, LCH.Clearnet proposes to implement the changes to its rulebook.

LCH.Clearnet introduced the Legally Segregated, Operationally Commingled (LSOC) Accounts described as “LSOC without Excess” on November, 13 2012 and is now planning to implement “**LSOC with Excess**” for the SwapClear (with effect from September 30, 2013) and ForexClear (expected launch no later than March 31, 2014) services.

Finally, some changes to the provisions with regards to withholding tax and other rule changes as described below will be made with effect from September 30, 2013.

**Part I: Explanation and Rationale for the Amendments**

**(i) LSOC with Excess**

LCH.Clearnet now seeks to amend its rules and related procedures in order to implement the LSOC with Excess model which will be offered in addition to the LSOC without Excess model.

**Establishing the FCM Client Sub Account Balance**

Under “LSOC with Excess”, the FCM is required in accordance with CFTC regulation 22.13, at least once per day, to provide LCH.Clearnet with details of how much of the post haircut collateral value at the DCO should be allocated to each customer. In turn, LCH.Clearnet will base each FCM Client Sub Account balance on the amount of collateral allocated to the customer via the FCM’s most recent Collateral Value Report (CVR).

The protection provided to a FCM Client Sub Account balance under the “LSOC with Excess” model is the same as it is in “LSOC without Excess”. A FCM Client Sub Account balance is used only to meet the initial margin requirements of that customer, and can be used to cover the losses of that

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<sup>1</sup> Subject to the regulatory approval by the Bank of England

customer only, in the event of a default. FCMs will be able to choose whether to adopt the “LSOC with Excess” model or the existing “LSOC without Excess” model.

### **The Collateral Value Report (CVR)**

In the daily CVR, an FCM will list a single USD value for each individual customer. The DCO will implement this post haircut amount as the FCM Client Sub Account balance for each customer. In order to determine if a CVR that an FCM has delivered is compliant, LCH.Clearnet will calculate the sum of all FCM Client Sub Account balances as reported by the FCM. This total must be no greater than the post-haircut value of all customer collateral delivered by the FCM, at that time, to LCH.Clearnet. Essentially, LCH.Clearnet will determine the post-haircut value of all cleared swaps customer collateral delivered and it is up to the FCM to allocate that value to its clients. If an FCM has allocated more collateral to clients than it has actually delivered to LCH.Clearnet, the report will be rejected and the existing allocation maintained. Reports will also be rejected if client allocations are reduced to the point where a client would be under-margined and a margin call would be needed. It should be noted that FCMs are permitted to provide an updated CVR to LCH.Clearnet at any time throughout the operating day, as long as the report is compliant. CVRs must also contain details of the value of the FCM’s buffer.<sup>2</sup> This “buffer” amount must always be less than or equal to the amount of the FCM’s own assets that it has placed into segregation. Any value that is not allocated to a customer or the firm buffer is treated as Unallocated Excess.

### **Margining**

When an initial margin settlement is run, LCH.Clearnet will call for additional funds to the extent that customers are undercollateralized. On an intraday basis, the customer’s FCM Client Sub Account balance, the FCM’s buffer and any available tolerance provided to the FCM are available for the purpose of determining if a customer has sufficient cover to register new transaction. If not the trade submitted for clearing will be rejected. However, initial margin calls made as part of the end-of-day settlement will not be decreased by any tolerance, as FCMs must meet their gross margin requirement as part of the EOD margin settlement process each morning.

When initial margin is collected as part of a call, it must be immediately available to LCH.Clearnet to cover any potential losses, even if a CVR has not been provided. Therefore, the amount of margin called by LCH.Clearnet will be subject to an assumed allocation until a CVR is provided by the FCM. The assumed allocation is necessary so that LCH.Clearnet is able to use the called amount in the event that an FCM were to default prior to delivering a CVR that allocates the called amount. The assumed allocation will be tracked separately from a FCM Client Sub Account balance so that it is clear in the DCO’s records to what extent the customer’s margin requirement is covered by the assumed collateral allocation and not collateral allocated by the FCM in a CVR. In the event of an FCM default, this delineation would be made apparent to the FCM’s Trustee.

The called amount will be allocated rateably to undermargined customers (based on the extent to which they are undermargined), and may be reallocated immediately by the FCM via delivery of a CVR. Until the FCM updates the CVR, LCH.Clearnet will treat the called amount allocated to each customer as “assumed customer property.” This means that in the event of a default, the called amount could be used only to cover that customer’s losses, but whatever was not required for covering losses would be treated as Unallocated Excess and returned to the Trustee of the defaulted FCM to be distributed.

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<sup>2</sup> Preamble section of CFTC regulation Part 22, IV

## **(ii) Tax wording & other rule changes**

Regulations 3.4 and 4.2 of the General Regulations and Section 2C.20.9 of the Clearing House Procedures will be amended to reflect changes in tax provisions and to reflect current market practice. The definition of “SwapClear Clearing Agreement” will be amended to clarify that a client can enter into Master agreements other than ISDA agreements. At Regulation 52B (f)(i) a reference to a specific clause in a specific set of client clearing documents will be deleted.

### **Part II: Amendments to the Rules & Regulations of LCH.Clearnet**

The changes described above are reflected in changes to numerous provisions of each of the following documents, as explained on the document “Rulebook Matrix”, which is attached as Appendix A-1:

- Default Rules at Appendix A-2
- FCM Procedures at Appendix A-3
- FCM Regulations at Appendix A-4
- General Regulations at Appendix A-5
- Section 2C of the Clearing House Procedures at Appendix A-6

### **Part III: Certification by LCH.Clearnet**

LCH.Clearnet certifies to the CFTC, in accordance with CFTC Regulation §40.6, that the planned changes comply with the Commodity Exchange Act and the CFTC Regulations promulgated thereunder. LCH.Clearnet further certifies that, upon the submission of this material, in compliance with §39.21 of the Commission’s regulations, LCH.Clearnet will post a notice of pending certification with the CFTC and a copy of the submission on LCH.Clearnet’s website at

[http://www.lchclearnet.com/rules\\_and\\_regulations/ltd/proposed\\_rules.asp](http://www.lchclearnet.com/rules_and_regulations/ltd/proposed_rules.asp)

### **Part IV: Compliance with Core Principles**

The rule amendments and other changes described above relate primarily to LCH.Clearnet’s compliance with Core Principles D (Risk Management), E (Settlement Procedures) and F (Treatment of Funds). LCH.Clearnet has concluded that its compliance with Core Principles would not be adversely affected by these changes. The changes reflected herein will ensure continued compliance with the Core Principles.

Specifically, the implementation of the LSOC with Excess changes described above will continue LCH.Clearnet’s compliance with CFTC Part 22.

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

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

**Certification**

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

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

Sincerely yours,



Julian Oliver, Director Compliance and Public Affairs  
LCH Clearnet Limited

cc: Adam Cohen, CFTC  
Bob Wasserman, CFTC  
Jay Iyer, LCH.Clearnet Limited  
Susan Milligan, LCH.Clearnet LLC

Exhibit A-1  
Rulebook Matrix

**Rulebook Matrix: Explanation of Changes to the LCH.Clearnet Limited (“LCH”) rulebook in connection with the LSOC with Excess model and certain other changes.**

<b>Rulebook Reference:</b>	<b>Nature of change:</b>	<b>Additional Commentary:</b>
<b>Default Rules</b>		
Rule 8(a)(ii)	Clarifying change.	<i>Additional wording to state that netting occurs at the client sub-account level.</i>
Rule 8(d)	Correction.	<i>Correction of defined terms.</i>
Rule 8(e)	Correction.	<i>Correction of defined terms.</i>
Rule 8(f)	Correction and clarifying change.	<i>Correction of defined term and broadening of provision to include general reference to ‘applicable law’.</i>
Rule 8(g)	Correction and clarifying change.	<i>Correction of defined term and broadening of provision to include general reference to ‘applicable law’.</i>
Rule 8(h)	Correction and clarifying change.	<i>Correction of defined term and broadening of provision to include general reference to ‘applicable law’.</i>
Rule 8(h)	Clarifying changes.	<i>Certain clarifying changes relating to the delivery and holding of collateral have been introduced throughout the FCM Rulebook in response to historic feedback from the CFTC and clearing members and following a more general legal review. These changes are referred to herein as ‘Collateral terminology’ changes.</i>
Rule 9A	Rewrite of existing rule.	<i>Historically, LCH.Clearnet made certain commitments to make gross variation margin payments directly to clients. As a result of further legal advice commissioned in the US and as a result of industry feedback, the scope of this commitment has been reduced in order to reduce the level of legal risk and to more accurately reflect the development of the LSOC model.</i>
Rule 10(a)(i)	Correction.	<i>Correction of defined terms.</i>
Rule 10(b)	Correction.	<i>Correction of defined terms.</i>
Rule 10(c)	Corrections.	<i>Correction of defined terms.</i>
<b>FCM Procedures</b>		

1.2.2	Conforming change.	<i>Collateral terminology.</i>
1.5.3	Conforming changes.	<i>Collateral terminology and further conforming changes.</i>
1.6	Conforming changes.	<i>Collateral terminology.</i>
2A.3.2	Conforming changes.	<i>Collateral terminology..</i>
2A.3.3	Conforming change.	<i>Collateral terminology.</i> <i>Note: 'Applied Buffer' is now called 'Encumbered Buffer'.</i>
2A.3.5.1	Certain additional conforming changes.	<i>Collateral terminology.</i>
2A.3.5.2	Certain additional conforming changes.	<i>Collateral terminology.</i>
2A.3.7	Conforming change.	<i>Collateral terminology.</i>
2A.5.1	Introduction of new account for payment of variation margin.	<i>The 'L' account was included as part of the LSOC project. However, a reference was not included in the Procedures. This has now been included.</i>
2A.6.1	Conforming changes.	<i>Collateral terminology.</i>
2A.8	Conforming changes.	<i>Collateral terminology.</i>
2A.8.1	Introduction of new wording to state that liquidity multipliers are applied at an FCM Client's sub-account level.	<i>None.</i>
2A.9.1	Conforming changes.	<i>Collateral terminology.</i>
2A.12	Terminology and drafting change.	<i>None.</i>
2A.12.2	Conforming changes.	<i>Collateral terminology.</i>
2A.12.3	Conforming changes.	<i>Collateral terminology.</i>
2A.12.4	Conforming changes.	<i>Collateral terminology.</i>
2A.12.5	Introduction of new paragraphs dealing with: <ul style="list-style-type: none"> <li>(i) Transfers of defaulting clients between client accounts and proprietary accounts.</li> <li>(ii) The entering into of transactions on behalf of defaulted clients.</li> <li>(iii) The entering into of transactions on behalf of defaulted affiliates.</li> </ul>	<i>Defaults may be managed through an FCM Clearing Member entering into a SwapClear Transaction on behalf of a defaulted client or affiliate. SwapClear Contracts may also be transferred to another Clearing Member.</i>  <i>As a result of the introduction of Part 22, it will not be possible to transfer a client's assets to a Proprietary account in case the FCM Clearing Member subsequently becomes insolvent and the client's assets become part of the</i>

	(iv) Transfers from an FCM clearing member to an SCM clearing member.	<i>insolvent estate, which might result in a breach of Part 22.</i>
2A.13	Conforming changes.	<i>In addition, the FIA/ISDA have introduced standard documentation for the US market to deal with closing out a defaulting client and the wording in this section has been introduced to ensure the mechanisms work under those template documents.</i>
2A.15.6	Clarifying changes describing when the clearing house will liquidate clients of a defaulting clearing member.	<i>None.</i>
Appendix 2A.A	Conforming changes. Operational change.	<i>Collateral Terminology.</i> <i>Amendment introduced in response to CFTC feedback.</i>
Appendices 2A.B, 2A.C and 2A.D.	Clarifying and conforming changes.	<i>Collateral Terminology.</i> <i>Correction of timings applicable to PPS opening and registration of backloaded trades.</i>
2B.5.2	Conforming change.	<i>Clarifying change relates to the scope of the representation provided by a client in connection with the porting of contracts. In addition, reference to Traiana as an ATSS has been included and references to MarkitWire in the context of closing out defaulted affiliates and clients has been removed.</i>
2B.6.2	Conforming change.	<i>Collateral Terminology.</i>
2B.7	Conforming changes and typographical error.	<i>Collateral Terminology.</i>
2B.8	Correction of defined terms.	<i>None.</i>
2B.11	Conforming changes.	<i>Collateral Terminology.</i>
2B.12	Conforming change.	<i>Collateral Terminology.</i>
2B.14	Conforming changes.	<i>Collateral Terminology.</i>
2B.15	Conforming changes.	<i>Collateral Terminology.</i>
2B.18	Conforming changes.	<i>Collateral Terminology.</i>
	Inclusion of changes described above in the context of SwapClear.	<i>Equivalent provisions have been included for ForexClear as have been included for SwapClear.</i>
2B.20	Conforming changes.	<i>Collateral Terminology.</i>

2B.21.1	Conforming changes.	<i>Collateral Terminology.</i>
2B.22	Conforming changes.	<i>Collateral Terminology.</i>
2B.23.6	Inclusion of changes described above in the context of SwapClear.	<i>Equivalent provisions have been included for ForexClear as have been included for SwapClear.</i>
Appendices 2B.A to 2B.C	Inclusion of changes described above in the context of SwapClear.	<i>Equivalent provisions have been included for ForexClear as have been included for SwapClear.</i>
2C.1.8	Conforming changes.	<i>Collateral Terminology.</i>
2C.1.13	Correction.	<i>Typographical error.</i>
2C.1.16	Conforming changes.	<i>None.</i>
2C.1.20	Inclusion of changes described above in the context of SwapClear.	<i>Collateral Terminology.</i>
2C.1.21	Inclusion of changes described above in the context of SwapClear.	<i>Equivalent provisions have been included for EnClear as have been included for SwapClear.</i>
Section 3 – Financial Transactions	Certain conforming changes and amendments to reflect operational updates.	<i>Equivalent provisions have been included for EnClear as have been included for SwapClear.</i>
3.2.1(d), 3.3.1 and 3.5.3	New provision clarifying that sections do not apply to client accounts.	<i>Changes in this section relate primarily to terminology changes relating to the delivery and holding of collateral. In addition, as a result of feedback from Ops teams, certain sections have been updated.</i>
Section 4 – Collateral	Certain conforming changes and amendments to reflect operational updates.	<i>None.</i>
4.8	Inclusion of a new section dealing with the delivery and effect of the Collateral Valuation Report and the process for a clearing member to switch from a 'with excess' to a 'without excess' LSOC model.	<i>Changes in this section relate primarily to terminology changes relating to the delivery and holding of collateral. In addition, as a result of feedback from Ops teams, certain sections have been updated.</i>
7.4.4	Correction.	<i>On a daily basis, clearing members are required to deliver a collateral valuation report (CVR) which details the value of collateral in each sub-account of the clearing member. 4.8 sets out the requirements in relation to the CVR and the associated obligations. In addition, 4.8.3 sets out the process for a clearing member to switch between the two types of available LSOC models.</i>
7.6.3	Correction.	<i>None.</i>
		<i>None.</i>

FCM Regulations		
Regulation 1(a)	Changes to clarify the nature of the relationship between the clearing house and FCM Clearing Members	<i>LCH.Clearnet commissioned legal advice to address the nature of the relationship between the clearing house and a clearing member. This section has been updated to reflect that advice.</i>
Regulation 3(c)(ix)	Clarifying change.	<i>None.</i>
Regulation 4(d)	Conforming changes.	<i>Further terminology changes relating to the delivery and holding of collateral. In addition, certain other terminology has been refreshed in connection with Part 22 ('LSOC') of the CFTC Rules.</i>
Regulation 4(e)	Conforming changes.	<i>Collateral Terminology.</i>
Regulation 4(f)	Conforming changes.	<i>Collateral Terminology.</i>
Regulation 4(g)	Conforming changes.	<i>Collateral Terminology.</i>
Regulation 4(h)	Conforming changes.	<i>Former section 4(h) has been removed as a result of the introduction of a new Regulation 9A which deals with both LSOC with Excess and LSOC without Excess.</i>
Regulation 4(i)	Conforming changes.	<i>Collateral Terminology.</i>
Regulation 5(c)	Conforming changes.	<i>Collateral Terminology..</i>
Regulation 5(i)	Correction.	<i>Further post implementation LSOC terminology changes and other conforming changes.</i>
Regulation 5(j)	Conforming changes.	<i>None.</i>
Regulation 7	Conforming change.	<i>Collateral Terminology.</i>
Regulation 8	Conforming changes.	<i>Collateral Terminology..</i>
Regulation 8(h)	Conforming change.	<i>Collateral Terminology.</i>
Regulation 9	Conforming changes.	<i>Collateral Terminology.</i>
Regulation 9(g)	Additional clarity around the margining of affiliates.	<i>Conforming changes plus deletion of the paragraph dealing with LSOC without Excess (which is now included in Regulation 9A).</i>
Regulation 9A	New section dealing with the LSOC with Excess	<i>9(g) has been expanded to provide additional flexibility surrounding an FCM Clearing Member's margining of affiliates.</i> <i>The former rules dealing with LSOC without Excess have been combined with LSOC with Excess and included in Regulation 9A.</i>

Regulation 24	and LSOC without Excess and the provisions relating to both models. Minor corrections.	<i>None.</i>
Regulation 25	Conforming changes and terminology updates.	<i>Further conforming changes relating to the delivery and maintenance of collateral and certain other terminology has been refreshed in connection with Part 22 ('LSOC') of the CFTC Rules.</i>
Regulation 25(b)(vi)	Provision to state that the clearing house has no direct obligations to FCM Clients.	<i>With the introduction of LSOC and individual client protection, it was considered prudent to clarify that the clearing house has no direct nexus with or obligation to FCM Clients.</i>
Regulation 26	Provision to state that the clearing house has no direct obligations to FCM Clients or Affiliates. Other conforming changes.	<i>See 25(b)(vi) above.</i>
Regulation 30	Conforming changes.	<i>None.</i>
Regulation 30(p)	Amendments to 'bunched orders' provisions.	<i>In response to market feedback, certain changes have been made to this section in order to try and clarify how bunched orders are registered both pre and post allocation.</i>
Regulation 31	Conforming change.	<i>Collateral Terminology.</i>
Regulation 40	Conforming change.	<i>Collateral Terminology.</i>
Regulation 42	Conforming changes.	<i>Collateral Terminology.</i>
Schedule A (Part B) (f)	Insertion of eligibility criteria including how backloaded trades are dealt with in the context of that criteria.	<i>Wording has been inserted to state how up-front fees are dealt with (in terms of eligibility) by SwapClear. In addition, information on how backloaded trades are dealt with in this context is also included.</i>
<b>Clearing House Procedures – 2C SwapClear</b>		
2C.20.9	New paragraph outlining the Clearing House's and SwapClear Clearing Members' obligations in connection with the provision of tax forms.	<i>Amendment included addressing the withholding of tax in connection with a SwapClear Contract.</i>
<b>UK General Regulations</b>		

Regulation 48	Removal on restriction of compression of dealer to dealer transactions.	<i>Where an SCM transacts with an SCM, it was historically not possible to compress the resulting SwapClear Contracts. This restriction has been removed.</i>
Regulation 52B(f)(i)	Deletion of reference to specific clause reference.	<i>At Regulation 52B (f)(i) a reference to a specific clause in a specific set of client clearing documents has been deleted. This deletion has been made as a client may use client clearing documents other than those containing the clause previously referred to in Regulation 52B (f)(i).</i>
SCHEDULE TO THE SWAPCLEAR REGULATIONS: Part A Section 3.4	Expansion of provisions describing withholding tax and the relationship between clearing members and the Clearing House.	<p><i>The Regulations dealing with the withholding of tax have been amended to ensure that they are all aligned, and worded to ensure LCH is protected against any tax risk. This is equally for withholding tax risks and any VAT risks.</i></p> <p><i>The rulebook contained references to LCH's reporting requirements to HMRC that were potentially onerous to members, and were based on an agreement that LCH had made with HMRC many years ago, under tax legislation that no longer existed. Pursuant to a request from clearing members, LCH.Clearnet Limited has confirmed with HMRC that LCH.Clearnet is no longer required to retain that information for reporting and the rulebook has been updated to reflect this.</i></p>
SCHEDULE TO THE FOREXCLEAR REGULATIONS Part A ForexClear Contract Terms	Expansion of provisions describing withholding tax and the relationship between clearing members and the Clearing House.	<i>As above but applied to the ForexClear service.</i>

Exhibit A-2  
Default Rules

7. (a) Where the Clearing House declares the defaulter's rights and liabilities under an open contract subject to tender discharged under Rule 6(k):
- (i) those rights and liabilities and the rights and liabilities of the Clearing House under the open contract shall be discharged, and,
  - (ii) there shall arise between the defaulter and the Clearing House in respect of the open contract an obligation to account, as directed by the Clearing House, for a settlement amount determined by the relevant Board under this Rule.
- (b) The settlement amount referred to in paragraph (a) shall be an amount which, at the request of the Clearing House, the relevant Board determines to represent adequate compensation (in the circumstances known to the Board) for the discharge of the mutual rights and liabilities of the defaulter and the Clearing House under the open contract. The Board's determination shall be conclusive. The Clearing House shall direct how the settlement amount is to be accounted for between the defaulter and itself.
- (c) Neither the Clearing House nor any relevant Board or Exchange shall have any liability whatsoever for anything done or omitted in the determination of a settlement amount under this Rule.
8. Upon the discharge of the defaulter's rights and liabilities under or in respect of all Contracts to which it is party the following process shall, subject to any contrary provision in Rule 16, be completed by the Clearing House:
- (a) there shall be brought into account all sums payable:
    - (i) by or to a defaulter in respect of Contracts (other than FCM Contracts); any other sum due under the Regulations; any sum due in respect of any breach of the Regulations; ~~except~~, if the Clearing House so determines at its discretion, any sum payable under a Contract as the price for the commodity the subject of such Contract delivered or to be delivered to the Clearing House by or on behalf of the defaulter); and/or any amount due from the defaulter to the Clearing House in respect of any Treasury Contract;
    - (ii) by or to a defaulter in respect of FCM Contracts (and in accordance with paragraph (e) below); any other sum due under the FCM Regulations; and/or any sum due in respect of any breach of the FCM Regulations;
  - (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 10;
  - (c) such net sum, or each such net sum:
    - (i) if payable by the defaulter to the Clearing House, shall be set off against any cover standing to the credit of the defaulter's account so as to produce a further net sum, or shall be aggregated with any debit balance of the defaulter's account, or
    - (ii) if payable by the Clearing House to the defaulter, shall be aggregated with any cover standing to the credit of the defaulter's account, or shall

be set off against any debit balance of the defaulter's account 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 LCH, including any FCM Omnibus Clearing Product Client Account with LCH (and any FCM Client ~~Segregated~~ 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 LCH, including any FCM Omnibus Clearing Product Client Account with LCH (and any FCM Client ~~Segregated~~ Sub-Accounts therein) in any way in which the Clearing House may determine;
- (e) notwithstanding anything to the contrary in the foregoing, in the case where the defaulter is an FCM Clearing Member, a net sum shall be calculated in respect of each applicable FCM Client ~~Segregated~~ 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 ~~Segregated~~ Sub-Accounts where there is inadequate cover (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 ~~Applied~~Encumbered FCM Buffer in setting off any such amounts payable to the Clearing House;
- (f) in the event that the Clearing House elects to close out and liquidate FCM SwapClear Contracts attributable to FCM Clients of the defaulter (in accordance with the SwapClear 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 ~~Segregated~~ Sub-Accounts that are held in the defaulter's FCM Omnibus SwapClear Client Account with LCH, in the manner set out in Section 2A.15.6 of the FCM Procedures and in accordance with ~~Part~~Parts 22 and ~~Part~~190 of the CFTC Regulations and any other applicable law;
- (g) in the event that the Clearing House elects to close out and liquidate FCM ForexClear Contracts attributable to FCM Clients of the defaulter (in accordance with the ForexClear DMP Annex), the Clearing House shall allocate any costs associated with such closing out and liquidation process (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 ~~Segregated~~ Sub-Accounts that are held in the defaulter's FCM Omnibus ForexClear Client Account with LCH, in the manner set out in Section 2B.23.6 of the FCM Procedures and in accordance with ~~Part~~Parts 22 and ~~Part~~190 of the CFTC Regulations and any other applicable law; and
- (h) in the event that the Clearing House elects to close out and liquidate FCM EnClear Contracts attributable to FCM Clients of the defaulter, 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 ~~Segregated~~ Sub-Accounts that are held in

the defaulter's FCM Omnibus EnClear Client Account with LCH, in the manner set out in Section 2C.1.20 of the FCM Procedures and in accordance with ~~Part~~Parts 22 and ~~Part~~ 190 of the CFTC Regulations and any other applicable law.

For the purposes of paragraph (a) of this Rule the Clearing House may assess the sum payable by or to the defaulter in respect of any breach of the Regulations or the FCM Regulations (as the case may be) in such reasonable manner as it thinks fit; provided, that in the case of breaches of the FCM Regulations, the assessment by the Clearing House shall not be in violation of the CFTC Regulations (including Part 22 thereof).

With respect to any Unallocated Excess ~~deposited~~maintained in the Unallocated Excess Sub-Account of the defaulter, the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the defaulter to the Clearing House (on behalf of the defaulter's FCM Clients or otherwise) or take any such Unallocated Excess into account for purposes of determining net sums under this Rule 8, except to the extent required or permitted by applicable law or directed by the applicable bankruptcy trustee or Regulatory Body in accordance with applicable law.

9. The sum, or each sum, finally payable by the defaulter to the Clearing House or by the Clearing House to the defaulter (including any sums payable to the defaulter for the benefit of one or more of its FCM Clients), or the fact that no sum is finally payable by either such party to the other, as the case may be upon completion of the process set out in Rule 8, shall be forthwith certified by the Clearing House. The certificate of the Clearing House under this Rule shall be conclusive as to the discharge of the defaulter's rights and liabilities in respect of the Contracts to which it relates. The Clearing House shall, as soon as practicable after issuing a Default Notice in respect of a Clearing Member, appoint a day on which any net sums certified under this Rule to be due to the defaulter are to be paid by the Clearing House. The day so appointed may fall before or after the effective date of termination of the defaulter's Clearing Membership Agreement but shall not fall on a day before the process specified in Rule 8 can be completed.

~~9A — This Rule 9A pertains to certain treatment of Variation Margin in connection with FCM Contracts attributable to FCM Clients of a defaulter (which is an FCM Clearing Member).~~

~~(i) — Where an FCM Contract held on behalf of an FCM Client is transferred to a transferee FCM Clearing Member (in accordance with FCM Regulation 8(f) and these Default Rules) for such FCM Client, the Clearing House shall, subject to the limitations of Rule 9A(c) below, ensure that an amount equal to the net Variation Margin that has accrued in favor of the FCM Client under such FCM Contract (including before and after the relevant default) through the time such FCM Contract is transferred, but which has not yet been paid by the Clearing House, is credited (but not yet paid or transferred to the defaulter, the FCM Client or any other person) by the Clearing House on its books for the benefit of the relevant FCM Client. Upon the transfer of all relevant FCM Contracts of an FCM Client to a transferee FCM Clearing Member, the Clearing House shall attribute any amounts (in respect of Variation Margin) so credited on the books of the Clearing House to the relevant FCM Client Segregated Sub-Account(s) of such FCM Client with the applicable transferee FCM Clearing Member; provided that the FCM Client~~

~~has provided instructions, in form and substance reasonably satisfactory to the Clearing House, for payment and completed or supplied any agreement, form, representation or other information that the Clearing House may reasonably require in its sole discretion.~~

~~(m) — Where an FCM Contract held on behalf of an FCM Client is closed out and liquidated in accordance with the FCM Rulebook (including the Default Rules and Sections 2A.15.6, 2B.23.6 and 2C.1.20 of the FCM Procedures, as applicable), the Clearing House shall, subject to the limitations of Rule 9A(c) below, ensure that an amount equal to the net Variation Margin that has accrued in favour of the FCM Client under such FCM Contract (including before and after the relevant default) through the time the relevant FCM Contract is closed out and liquidated, but which has not yet been paid by the Clearing House, is credited (but not yet paid or transferred to the defaulter, the FCM Client or any other person) by the Clearing House on its books for the benefit of such FCM Client. Following certification pursuant to Rule 9 of the net sum payable in respect of the relevant FCM Client Segregated Sub-Account of such FCM Client in which some or all of the FCM Contracts are closed out and liquidated, where (i) such FCM Client is not in default as described in Rule 9A(c)(i) below, and (ii) the Clearing House has credited, in the aggregate (netting all payments due or payable in respect of such FCM Client's Segregated Sub-Account and any Variation Margin accrued but not paid in respect of such FCM Client), a positive value (i.e., payable by the Clearing House) of accrued but unpaid Variation Margin on its books for the benefit of the FCM Client pursuant to this Rule 9A(b), the Clearing House shall, subject to the limitations of Rule 9A(c) below, pay an amount equal to any Variation Margin so credited for the benefit of the FCM Client directly to such FCM Client; provided, that the FCM Client has provided instructions, in form and substance reasonably satisfactory to the Clearing House, for payment and completed or supplied any agreement, form, representation or other information that the Clearing House may reasonably require in its sole discretion.~~

~~(n) — Certain Limitations:~~

~~(i) — Where an FCM Client has defaulted with respect to its obligations to the defaulter, the Clearing House may determine, in its sole discretion, to make, or to refuse to make, any payments or credits to or on behalf of such FCM Client in respect of Variation Margin pursuant to this Rule 9A, or may retain such amounts to the extent necessary to offset any unsatisfied obligations of such FCM Client to the defaulter or of the defaulter to the Clearing House in respect of such FCM Client, or any other obligations in respect of FCM Clients of the defaulter to the extent permitted by applicable law.~~

~~(ii) — For the avoidance of doubt, where FCM Contracts in respect of an FCM Client are closed out and liquidated and/or are transferred to a Hedged Account, and the gains and losses (including hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) that are allocated to such FCM Client in connection therewith (pursuant to the FCM Rulebook, including Sections 2A.15.6, 2B.23.6 and 2C.1.20 of the FCM Procedures and including Rule 8 of the Default Rules) exceed the amount of cover deposited with the Clearing House on behalf of such FCM Client, the Clearing House shall be permitted to set off (in whole~~

~~or in part, as applicable) any payments or credits in respect of Variation Margin owed by the Clearing House in respect of such FCM Client under this Rule 9A against any such excess costs.~~

~~(d) Notwithstanding anything to the contrary in the FCM Rulebook, each FCM Client of a defaulter is hereby expressly made a third-party beneficiary of the provisions of this Rule 9A, solely for purposes of the Clearing House's obligations to such FCM Clients under this Rule 9A.~~ Variation Margin Payments Following Default of FCM Clearing Member: 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.

10. (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 ~~Segregated~~ Sub-Account of an FCM Client may be combined with any other account, including any FCM Client ~~Segregated~~ Sub-Account of another FCM Client, any FCM Omnibus Clearing Product Client Account with LCH or any Proprietary Account; provided, that in the event that an FCM Client were to have two FCM Client ~~Segregated~~ Sub-Accounts with the same defaulter, and both such accounts cleared the same Product, then such FCM Client ~~Segregated~~ Sub-Accounts may be combined;
  - (ii) no account which is an FCM Omnibus Clearing Product Client Account with LCH of the defaulter may be combined with any other account, including any other FCM Omnibus Clearing Product Client Account with LCH or any Proprietary Account, except as provided in paragraph (iii) below;
  - (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 8(d) and 10(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 or an Omnibus Net Segregated Account of the defaulter be combined with any other account of the defaulter.

- (b) For the purposes of this Rule 10, each Individual Segregated Account of the defaulter, each Omnibus Net Segregated Account of the defaulter and the FCM Client ~~Segregated~~ Sub-Account(s) of a particular FCM Client within a particular FCM Omnibus Clearing Product Client Account with LCH of the defaulter 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 not an 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 shall be

Exhibit A-3  
FCM Procedures

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If an FCM Clearing Member has not been active in a market for a continuous period of three months, it will be asked to confirm that they intend to utilize their FCM Clearing Member status and, failing a satisfactory response, they may be required to resign their FCM Clearing Member status.

FCM Clearing Members are required to notify promptly or pre-notify the Clearing House of any changes which may result in non-compliance with the FCM Clearing Member status criteria as stated in the FCM Regulations and these FCM Procedures.

## **1.2 Net Capital**

### **1.2.1 Net Capital Requirements**

FCM Clearing Members are required to maintain a minimum level of net capital as set out in the FCM Regulations.

### **1.2.2 Additional Net Capital Requirements**

Additional resources will be required when, in the Clearing House's assessment, an FCM Clearing Member's Net Capital is not commensurate with its level of business.

The Clearing House shall, on a daily basis, compare the market risk associated with each FCM Clearing Member's FCM Contracts with their level of net capital as reported to the Clearing House in order to ascertain whether, in the Clearing House's opinion, such FCM Clearing Member is sufficiently capitalized to support the level of risk associated with the FCM Contracts to which they are counterparty. In determining whether an FCM Clearing Member is sufficiently capitalized, the Clearing House may also consider:

1. the ratio of FCM Contracts entered into on behalf of an FCM Client compared to those entered for its own account or that of an Affiliate;
2. the FCM Clearing Member's aggregate exposure to other clearing providers and other entities; and
3. the total amount of ~~cover~~Margin and Collateral deposited with, transferred to or otherwise delivered to the Clearing House by the FCM Clearing Member.

In the event that the Clearing House considers that the FCM Clearing Member is not sufficiently capitalized to support the level of risk associated with its open FCM Contracts, the Clearing House may perform one or more of the following:

1. require that the relevant FCM Clearing Member furnish the Clearing House with additional cover; or
2. prevent or limit the extent to which an FCM Clearing Member may register additional FCM Contracts; or
3. require that the FCM Clearing member provide the Clearing House with additional information relating to its exposure to other clearing providers or other entities.

- (vii) notice if the FCM Clearing Member becomes the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or any other event to which it is required to notify the Clearing House under the FCM Clearing Membership Agreement or the FCM Rulebook.

In addition, and upon request from the Clearing House or the CFTC, each FCM Clearing Member shall promptly provide the information detailed in (v) above directly to the CFTC.

#### 1.4.2 **Reduction in Net Capital**

All FCM Clearing Members must immediately notify the Clearing House of any significant reduction (usually 10% or more), from the figures shown in their last financial returns, in:

- (a) shareholders' funds;
- (b) net capital.

### 1.5 **Additional Requirements**

#### 1.5.1 **Notification of Changes of Ownership**

FCM Clearing Members are required to notify or pre-notify the Clearing House of changes in controlling holdings (defined as the exercise or control of 20% or more of the voting power of the firm). In cases of changes in ownership, and particularly where those potentially acquiring a dominant stake in an FCM Clearing Member are not known to the Clearing House, FCM Clearing Members are required to pre-notify the Clearing House of their plans. The proposed change of ownership may be subject to an approval process involving the Risk Committee and Board of the Clearing House (LCH.Clearnet Limited).

1.5.2 Each FCM Clearing Member shall maintain current written risk management policies and procedures which address the risks that the relevant FCM Clearing Member may pose to the Clearing House, including any policies and procedures that the Clearing House may reasonably request be incorporated therein. Upon the request of the Clearing House, an FCM Clearing Member shall promptly provide the Clearing House with a copy of its current policies and procedures for review by the Clearing House.

1.5.3 Pursuant to, and in accordance with, FCM Regulation 9(p), where an FCM Client enters into an FCM Transaction that is non-hedging in nature, the relevant FCM Clearing Member shall collect from that FCM Client additional ~~collateral at a level of~~ FCM Client Funds with a value that is:

- (i) in respect of FCM SwapClear Contracts, 10% above the amount that the Clearing House would normally require for such contracts;
- (ii) in respect of FCM ForexClear Contracts, 10% above the amount that the Clearing house would normally require for such contract;
- (iii) in respect of FCM EnClear Contracts, 10% above the amount that the Clearing House would normally require for such contracts; and

(iv) [reserved].

~~In connection with~~ For the avoidance of doubt, this Section 1.5.3 and FCM Regulation 9(p) and this Section 1.5.3, do not require that FCM Clearing Members ~~are not required to lodge Initial Margin with~~ furnish the Clearing House ~~which is in excess of the Required~~ with Excess Margin.

## 1.6 Other Conditions

The Clearing House may, at any time, impose additional conditions relating to continued FCM Clearing Member status, and at any time vary or withdraw any such conditions. These conditions may include, but are not limited to, a requirement to ~~deposit~~ furnish additional security in cash or other ~~e~~ Collateral as determined by the Clearing House.

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

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

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

## **2A.2 Operating Times And Calendars**

### **2A.2.1 Opening Days**

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

### **2A.2.2 Opening Hours**

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

07:30 to 24:00 hours, London time (a "**Business Day**").

However, FCM Clearing Members should note that FCM Acceptances of an FCM Notification submitted during a Business Day shall be accepted by the Clearing House until 00:01 on the following day. The Clearing House will notify FCM Clearing Members in the event that the FCM SwapClear clearing system is scheduled for closure for operational or other reasons (including compression runs).

### **2A.2.3 FCM SwapClear Clearing System Calendars**

The FCM SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. This will require all FCM Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM SwapClear clearing system, will be available online for inspection and for file download from FCM Clearing Member Reporting (see Section 2A.1.3).

## **2A.3 Registration**

### **2A.3.1 Submission for Registration**

The Clearing House receives details of a new eligible FCM SwapClear Transaction using agreed format messages via an FCM Approved Trade Source System. The FCM Approved Trade Source System will send these trades to the Clearing House once they have been bi-laterally agreed by two Executing Parties and will confirm which FCM Clearing Member(s) has been elected to register the FCM SwapClear Transaction.

### 2A.3.2 Clearing House Notification

Following receipt of information from the FCM Approved Trade Source System, the Clearing House will notify the relevant FCM Clearing Member(s), via member reports, the SwapClear API or otherwise, that an Executing Party has elected it to register the FCM SwapClear Transaction with the Clearing House (the “**FCM Notification**”).

Following receipt of the FCM Notification, an FCM Clearing Member may choose to accept or refuse to register the FCM SwapClear Transaction on behalf of the Executing Party.

Where an FCM Clearing Member accepts registration of the FCM SwapClear Transaction and notifies the Clearing House of such acceptance, (such acceptance, the “**FCM Acceptance**”), the FCM Clearing Member shall, pursuant to FCM Regulation 30(b), be deemed to have presented the FCM SwapClear Transaction for clearing.

It is a condition for registration of an FCM SwapClear Transaction that, where both Executing Parties intend to register the FCM SwapClear Transaction through an FCM Clearing Member, both FCM Clearing Members accept the FCM Notification (or where such Executing Parties nominate the same FCM Clearing Member and such FCM Clearing Member accepts both acceptances) and therefore submit the FCM SwapClear Transaction to the Clearing House. In accordance with Section 2A.3.5 of these FCM Procedures, it is a precondition for registration of an FCM SwapClear Contract that, no later than the Clearing House’s receipt of an FCM Acceptance, the applicable FCM Clearing Member has complied with all requirements to ~~provide~~furnish sufficient ~~cover~~Margin (taking into account available SwapClear Tolerance, if any) in respect of such FCM SwapClear Contract. For the avoidance of doubt, in respect of ~~the registration~~the registration of an FCM SwapClear Transaction, both FCM Clearing Members must have complied with all requirements to ~~provide~~furnish sufficient ~~cover~~Margin (taking into account available SwapClear Tolerance, if any) at the time of the Clearing House’s receipt of the second FCM Acceptance in accordance with the foregoing.

### 2A.3.3 Trade Registration Facilitation: SwapClear Tolerance and Minimum Excess Requirement (“MER”)

In order to facilitate the registration of new FCM SwapClear Transactions by FCM Clearing Members, the Clearing House may require the ~~delivery~~furnishing of additional ~~cover~~Margin from those FCM Clearing Members participating in the MER Arrangements (as defined below) at the relevant time and may offer SwapClear Tolerance on a daily basis, as further described below.

The Clearing House will set MER requirements (where applicable) and SwapClear Tolerance Limits (as defined below) based on a number of factors, including an FCM Clearing Member’s credit rating, and risk profile, an analysis of the incremental risk registered by an FCM Clearing Member during an historic look-back period and, in the case of the overall value of the SwapClear Tolerance which may be made available to an FCM Clearing Member, whether the FCM Clearing Member is a participant in the MER Arrangements at the relevant time. However, the Clearing House sets MER requirements and SwapClear Tolerance Limits in its sole discretion, and may modify its methodologies at any time or may vary it across different FCM Clearing Members.

SwapClear Tolerance:

If an FCM Clearing Member has not ~~delivered~~furnished sufficient ~~cover~~Margin to enable the registration of an FCM SwapClear Contract, then the Clearing House may provide such FCM Clearing Member with temporary “tolerance” in the form of Initial Margin forbearance (“**SwapClear Tolerance**”) to enable such registration. An FCM Clearing Member may utilize SwapClear Tolerance in between margin runs on a one-to-one basis to the value of the ~~initial margin~~Initial Margin that would have been required to cover that FCM Clearing Member’s Initial Margin requirements for newly registered FCM SwapClear Contracts registered in between margin runs. For the avoidance of doubt, SwapClear Tolerance is provided in the form of temporary Initial Margin forbearance and an FCM Clearing Member’s utilization of SwapClear Tolerance does not give rise to any payment or transfer of ~~e~~Collateral by the Clearing House or result in any use of Default Fund resources (except following a default).

The Clearing House will determine, in its sole discretion, the maximum value of the SwapClear Tolerance (which may be zero) (the “**SwapClear Tolerance Limit**”) which it will make available to an FCM Clearing Member at any particular time. SwapClear Tolerance is made available by the Clearing House to an FCM Clearing Member at the Clearing House’s sole discretion. The Clearing House may adjust the value of an FCM Clearing Member’s SwapClear Tolerance Limit, and/or require an FCM Clearing Member to provide Initial Margin in respect of any utilized SwapClear Tolerance, at any time and without prior notice to the relevant FCM Clearing Member. The Clearing House will provide each FCM Clearing Member with information regarding its SwapClear Tolerance Limit and will, as promptly as reasonably practicable, notify it following any adjustment to the amount of its SwapClear Tolerance Limit. Subject to the above, an FCM Clearing Member will typically be required to ~~deliver~~furnish Initial Margin in respect of any SwapClear Tolerance utilized by it in the margin run immediately following the time of the relevant registration of an FCM SwapClear Contract where SwapClear Tolerance was utilized.

Any failure of an FCM Clearing Member to satisfy an Initial Margin call relating to utilized SwapClear Tolerance may give rise to a default by such FCM Clearing Member — just as any failure by an FCM Clearing Member to satisfy any other type of Initial Margin call may give rise to a default.

Minimum Excess Requirement (“MER”):

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

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

FCM SwapClear Clearing Members are not required to participate in the MER Arrangements unless and until they elect to do so. In the event that an FCM Clearing Member wishes to change its participation status (the “**Participation**”

**Status**") from opting in to the MER Arrangements to opting out, or vice versa, it should contact the Clearing House to request applicable documentation (swapclear.clientservices@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. An FCM Clearing Member's Participation Status will remain unchanged until the Business Day following the day that the Clearing House confirms via email that the change in Participation Status has been processed. The Clearing House shall be entitled to treat the Participation Status of an FCM Clearing Member as continuing unchanged from month to month until such time as appropriate notice is received from such FCM Clearing Member and processed by the Clearing House in accordance with the provisions of this paragraph.

Each FCM Clearing Member participating in the MER Arrangements will be called for MER Cover separately in respect of its Proprietary Account and/or its FCM Omnibus SwapClear Client Account with LCH. MER Cover is part of an FCM Clearing Member's required Initial Margin. Hence, for the avoidance of doubt, failure to ~~deliver~~furnish MER Cover when required by the Clearing House will constitute a breach of these FCM Procedures and the FCM Regulations. MER Cover deposited to an FCM Omnibus SwapClear Client Account with LCH is credited to its FCM Buffer ~~sub-account~~Sub-Account, and treated as FCM Buffer. Any FCM Buffer (but not including ~~Applied~~Encumbered FCM Buffer) maintained in an FCM Omnibus SwapClear Client Account with LCH at End of Day is credited towards the satisfaction of any MER requirements applicable to such account during the End of Day margin run.

As FCM SwapClear Contracts are registered to an FCM Clearing Member's relevant accounts, the Clearing House will apply any available MER Cover (which is treated as FCM Buffer when held in an FCM Omnibus SwapClear Client Account with LCH) as Initial Margin in respect of such newly registered FCM SwapClear Contracts prior to utilizing any available SwapClear Tolerance (if any).

At each End of Day margin run, the Clearing House will recalculate and call, on an account by account basis, Required Margin in respect of the MER requirements applicable to each FCM Clearing Member participating in the MER Arrangements on such day.

#### 2A.3.4 **SwapClear FCM Approved Trade Source Systems**

Currently the FCM Approved Trade Source Systems designated by the Clearing House for SwapClear are MarkitWire, Bloomberg and Tradeweb. Where the Clearing House approves additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.

FCM SwapClear Transactions submitted through an FCM 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 FCM Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM SwapClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such

matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System.

The Clearing House will process any FCM SwapClear Transaction reported to it by an FCM Approved Trade Source System on an “as is” basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM SwapClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant Executing Parties.

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

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

### 2A.3.5 Registration of New Trades and Backloaded Trades

#### 2A.3.5.1 New Trades:

As a precondition of registering an FCM SwapClear Contract, the Clearing House will require the FCM Clearing Member in whose name such FCM SwapClear Contract is to be registered to ~~provide~~furnish to the Clearing House no later than the Clearing House’s receipt of the relevant FCM Acceptance (and thereafter maintain) sufficient ~~cover for initial and variation margin~~Margin in respect of such ~~contract.~~FCM Contract. In determining whether sufficient ~~cover~~Margin for registration is available, the Clearing House will take into account any ~~a~~Aavailable FCM Buffer, MER and SwapClear Tolerance. Available FCM Buffer or MER will always be applied prior to taking into account any available SwapClear Tolerance.

Upon an FCM SwapClear Transaction being submitted to the Clearing House for registration and the conditions to registration specified in FCM Regulation 30 having been satisfied in respect of the related FCM SwapClear Contract(s), the SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear Clearing Member

reporting system (see Section 2A.1.3) on the SwapClear Clearing Member reporting account.

### ~~Backloaded Trades~~

#### 2A.3.5.2 Backloaded Trades:

An FCM SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of submission is considered a backloaded trade by the Clearing House (a “**backloaded trade**”). Due to the nature of backloaded trades, FCM Clearing Members should note that a relatively large amount of cover is required in order to register such trades. The Clearing House provides the facility for FCM Clearing Members to load such eligible existing FCM SwapClear Transactions, through an FCM Approved Trade Source System (currently only MarkitWire). Where the Clearing House approves additional FCM Approved Trade Source Systems for these purposes, it will notify FCM Clearing Members via member circular. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, of the full particulars required by the Clearing House for each such FCM SwapClear Transactions. Following acceptance, the backloaded trade shall be deemed to have been presented by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, for registration by the Clearing House. In any backloading of transactions where one leg is to be registered as a Non-FCM SwapClear Contract, the UK General Regulations will apply with respect to such registration of a Non-FCM SwapClear Contract.

It is a pre-condition for registration of any backloaded trades that sufficient ~~cover~~ Margin for ~~initial~~ Initial Margin and ~~variation margin~~ Variation Margin is provided. In determining whether sufficient ~~cover~~ Margin for registration is available, the Clearing House will take into account any ~~a~~ Available FCM Buffer, MER and SwapClear Tolerance. Available FCM Buffer or MER will always be applied prior to taking into account any available SwapClear Tolerance.

#### 2A.3.6 Notification

The Clearing House will notify FCM Clearing Members of the registration or rejection of FCM SwapClear Transactions, or contracts purported as such, via the SwapClear FCM Clearing Member Reporting System (see Section 2A.1.3) and the originating FCM Approved Trade Source System messaging service for onward transmission to the submitting FCM Clearing Member.

#### 2A.3.7 Rejected Trades

Trades submitted for registration that do not meet the product or other eligibility criteria prescribed from time to time by the Clearing House or which contain invalid or incomplete message data, or with respect to which the Clearing House has not ~~received~~ been furnished with sufficient ~~cover~~ Margin (taking into account available SwapClear Tolerance, if any), will be rejected. If, at any time, the Clearing House does not register a trade presented for registration it will notify the contracting parties of the reasons for rejection.

## 2A.4 Position Accounts

### 2A.4.1 FCM Accounts

For identification purposes each FCM Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to FCM SwapClear Contracts. An FCM Clearing Member's position and financial information are further identified by a single character code: C for client business; and H for house business.

### 2A.4.2 Position-Keeping Accounts

FCM Clearing Member Accounts

The account types are: H for house business (Proprietary Account); and C for segregated client business (an FCM Omnibus SwapClear Client Account with LCH). An FCM Clearing Member's FCM SwapClear Contract positions are also recorded within the FCM SwapClear clearing system in SwapClear accounts.

All registered FCM SwapClear Contracts will be identifiable to FCM Clearing Members via SwapClear FCM Clearing Member Reporting (see Section 2A.1.3). All registered FCM SwapClear Contracts will be maintained only in SwapClear accounts (identified as such by a unique three letter mnemonic). Each FCM SwapClear Contract will also be assigned a unique trade identifier. The SwapClear FCM Clearing Member Reporting functionality also allows each FCM Clearing Member to identify all FCM SwapClear Contracts registered in its name.

## 2A.5 Financial Accounts

FCM Clearing Member accounts have financial accounts associated with them. These are, inter alia, used to record cash balances and securities/ documentary credits. Information contained within position-keeping accounts is consolidated into financial accounts, as follows:

### 2A.5.1 Relationship with Position-Keeping Accounts

Trading Account	Financial Account		
H	House	H	Proprietary Account
C	Client	C	LCH SwapClear Client Segregated Depository Account used for Initial Margin Flows

Client L

LCH SwapClear Client Segregated Depository Account used for Variation Margin Flows

### 2A.5.2 Other Financial Accounts

At the Clearing House's discretion, further financial accounts, used only to record financial balances, may be opened as follows:

## Code

Additional Margin accounts (House), used for holding additional cash in relation to Proprietary business B

Additional Margin account (Client), used for holding additional cash in relation to FCM Client Business E

### 2A.5.3 Default Fund (DF) Account

Each FCM Clearing Member's Contribution is held in a separate financial account. The DF account code is "F".

## 2A.6 FCM SwapClear Contract Valuation

### 2A.6.1 Net Present Value

The Clearing House will calculate the Net Present Value (NPV) of each eligible FCM SwapClear Contract using the Clearing House's zero coupon yield curves.

It is a condition of registration that sufficient ~~cover~~ Margin, as determined by the Clearing House, is ~~held with~~ furnished to the Clearing House to cover ~~both the NPV and Initial Clearing House's~~ Margin of requirements for each FCM SwapClear Transaction (taking into account, for these purposes, available SwapClear Tolerance, if any).

All FCM SwapClear Contracts credited to an FCM Clearing Member will, on submission to the Clearing House, be marked-to-market, in accordance with FCM Regulation ~~12(d)~~. The ~~Net Present Value~~ NPV so determined must, subject to Intra-day Registration (see Section 2A.3.5), be paid by the FCM Clearing Member in cash in the currency of the FCM SwapClear Contract. Where an FCM SwapClear Transaction is registered intra-day, and the NPV is covered with non-cash ~~e~~ Collateral, the Clearing House will, the following Business Day, require payment of the full cash amount.

### 2A.6.2 Zero Coupon Yield Curve Construction

The Clearing House will determine, at its sole discretion, appropriate instruments, points and market prices for the construction of zero coupon curves and portfolio valuation. Details of the construction method and Instruments used are available on request from the Clearing House Risk Management Department at +44 (0)20 7426 7549, but may be subject to change without prior notification.

### 2A.6.3 Official Quotations

Zero Coupon Yield curves will use prices and rates taken at:

All times quoted, are London time.

AUD	12:00
CAD	20:00
CHF LIBOR & OIS	16:15
CZK	16:15

DKK	16:15
EURO	
LIBOR	16:15
GBP	
LIBOR	16:15
HKD	12:00
HUF	16:15
JPY	12:00
NOK	16:15
NKD	12:00
PLN	16:15
SEK	16:15
SGD	12:00
USD	
LIBOR & OIS	20:00
ZAR	16:15
EURO	
OIS	18:15
GBP	
OIS	17:15

Zero coupon yield curves used for daily marking to market will be published on the Clearing House's Member Reporting website after the end of each Business Day.

#### 2A.6.4 Variation Margin

On the date of registration, the Net Present Value of an FCM SwapClear Contract will be credited to or debited from the applicable FCM Clearing Member's financial accounts in cash in denomination currency.

On all subsequent days, the change in the Net Present Value from one Business Day to the next will be credited to or debited from such FCM Clearing Member's financial accounts in cash in denomination currency.

#### 2A.6.5 Price Alignment Interest

In order to compensate for the payment of changes in NPV on a daily basis for FCM SwapClear Transactions cleared through the Clearing House, the Clearing House will for each FCM Clearing Member either charge interest on cumulative variation margin received, or pay interest on cumulative variation margin paid (see

effective federal funds rate determined by the Federal Reserve as the weighted average of the rates on brokered trades).

- (bb) “EUR-EONIA-OIS-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in Section 2A.7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Euro-zone interbank euro money market).

In the event of no rate being available the Clearing House will, at its sole discretion, determine an applicable rate.

#### 2A.7.13 **Applying Reset Rate**

The Clearing House will identify the reset dates of floating legs that require the application of a Reset Rate. The Reset Rate will be applied to the appropriate floating legs and the coupon payments calculated.

The coupon payments will be adjusted to fall on actual Business Days according to the Calendar(s) and Business Day Convention specified.

#### 2A.7.14 **Negative Interest Rate Method**

FCM Clearing Member should note the provisions of Section 3.3 of Part A of Schedule A to the FCM Regulations regarding the applicability of the Negative Interest Rate Method, to an FCM SwapClear Contract. FCM Clearing Members may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative interest Rate Method.

### 2A.8 **Initial Margin**

The Clearing House will require FCM Clearing Members to ~~post~~[furnish it with](#) Initial Margin. 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 FCM SwapClear Contracts.

Separate Initial Margin calculations are performed for an FCM Clearing Member’s house “H” and client “C” accounts.

The Clearing House reserves the right to require additional amounts of ~~cover~~[Margin](#) from a specific FCM Clearing Member or from all FCM Clearing Members in accordance with FCM Regulation 9.

#### 2A.8.1 **Liquidity Multiplier**

Risk Management applies a liquidity multiplier based on Worst Case Loss (WCL) exceeding certain thresholds on the FCM Clearing Member’s whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an on-going basis. [FCM Client accounts are treated as independent accounts for purposes of liquidity and will be called only in the event that the individual account exceeds the relevant threshold.](#)

## 2A.8.2 Intra-day Margin Calls

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls can be called at any time throughout the Business Day. Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section 2A.9).

In certain circumstances the Clearing House may wish to make a call for additional funds after the closure of London PPS facilities at 16:00 hours, London time. In this event the Clearing House will require payment of additional funds through PPS facilities in the USA (see Section 3.2.1). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

## 2A.8.3 Calculation of Initial Margin

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

The PAIRS calculation is a VAR based approach based on historical simulations. All positions in each currency are re-valued under a series of cross portfolio yield curve scenarios to estimate the highest forecast loss and therefore the Initial Margin requirement. Further details of this method are available upon request and are detailed in the PAIRS TIP document. The PAIRS document and further information relating to Initial Margin calculations can be obtained from the Rates team at +44 (020) 7426 6325 or +44 (020) 7426 7428.

## 2A.8.4.4. Tenor Basis Risk Margin Add-on

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

## 2A.9 Intra-Day Margin Call: Collateral Management

### 2A.9.1 General – Intra-day Margining

Following an intra-day margin call and unless notified otherwise by an FCM 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 FCM Clearing Member's PPS account to cover [the Margin needed to meet](#) that intra-day margin call.

Cash payments in respect of intra-day ~~cover~~[Margin requirements](#) are accepted only in USD by the Clearing House.

It is the responsibility of the FCM to ensure that they have sufficient cash funds in place with their PPS Bank(s) in order to avoid any intra-day liquidity issues.

## 2A.10 Declearing and Compression

Pursuant to FCM Regulation 30(o), an FCM Clearing Member may compress existing FCM SwapClear Contracts in accordance with that FCM Regulation. There are two options available to an FCM Clearing Member that wishes to compress existing FCM SwapClear Contracts:

- (a) An FCM Clearing Member can request that all FCM SwapClear Contracts entered into (i) on behalf of a designated FCM Client, (ii) on behalf of a designated Affiliate or (iii) on such FCM Clearing Member's own behalf be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the FCM Clearing Member by 19:00 hours, New York City time, on each applicable day) until the FCM Clearing Member notifies the Clearing House to discontinue such compression of FCM SwapClear Contracts. FCM Clearing Members should contact the Clearing House's Membership Department to request such a compression of FCM SwapClear Contracts.
- (b) An FCM Clearing Member may notify the Clearing House directly through the SwapClear API, specifying which FCM SwapClear Contracts should be compressed. The FCM Clearing Member will be notified by 19:00 hours, New York City time, on the applicable day whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

In order to declare an FCM SwapClear Contract, an FCM Clearing Member must register with an FCM Approved Trade Source System an offsetting FCM SwapClear Contract and shall then follow the process for compression as set out above.

The Clearing House shall process the compression of all FCM SwapClear Contracts as notified to it prior to 18:00 hours, New York City time, shortly after 18:00 hours, New York City time, and shall notify the applicable FCM Clearing Member by 19:00 hours, New York City time, of the result of such compression procedure. A notification received after 18:00 hours, New York City time, shall be treated as if such notification was submitted on the following day prior to 18:00 hours, New York City time, and as such shall be considered shortly after 18:00 hours, New York City time, on such following day and the results notified to the applicable FCM Clearing Member by 19:00 hours, New York City time, on such following day.

Following the compression process described above and as further set out in FCM Regulation 30(o), the applicable FCM Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed FCM SwapClear Contracts as notified to the FCM Clearing Member by the Clearing House.

#### **2A.11 Affiliate Clearing**

Under FCM Regulation 4(c), FCM Clearing Members are permitted to clear for Affiliates through their Proprietary accounts.

#### **2A.12 Transfer~~Transfers~~ of FCM Clients; Defaulting FCM Clients and Affiliates**

In certain circumstance the Clearing House will transfer FCM SwapClear Contracts from one ~~Carrying~~ FCM Clearing Member to ~~a~~ Receiving another FCM Clearing Member ~~on behalf of an FCM Client and~~, pursuant to and in accordance with FCM Regulation 8 ~~(b) or 8(e)~~ and these FCM Procedures.

### 2A.12.1 **Partial Transfers of FCM Clients**

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of a portion of such FCM Client's portfolio of FCM SwapClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Partial Transfer Form (see Appendix 2A.B), signed on behalf of the relevant FCM Client. Such form shall list all of the FCM SwapClear Contracts that are to be transferred pursuant to this procedure. Following receipt of an FCM Client Partial Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM SwapClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in Section 2A.12.4.

In the event that any of the conditions set forth in FCM Regulation 8(c) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM SwapClear Contracts.

### 2A.12.2 **Full Transfers of FCM Clients**

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of such FCM Client's entire portfolio of FCM SwapClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Full Transfer Form (see Appendix 2A.C), signed on behalf of the relevant FCM Client. Such form shall confirm that all FCM SwapClear Contracts attributable to the applicable FCM Client shall be transferred pursuant to this procedure. Where a Receiving FCM Clearing Member submits an FCM Client Full Transfer Form, it must confirm whether or not the FCM Client also wishes to transfer the ~~cover held by~~ Collateral furnished to the Clearing House in respect of the transferring FCM SwapClear Contracts. Following receipt of an FCM Client Full Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM SwapClear Contracts. All full transfers shall take place in accordance with the timing and notice requirements set out in Section 2A.12.4.

In the event that any of the conditions set forth in FCM Regulation 8(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM SwapClear Contracts or the transfer of ~~Account Assets~~ Collateral (when applicable).

Following receipt of a Full Transfer Form, the Carrying FCM Clearing Member shall not be permitted to register additional FCM SwapClear Contracts on behalf of the FCM Client whose FCM SwapClear Contracts are subject to transfer, until such transfer (and the transfer of the related ~~Account Assets~~ Collateral, if applicable) is actually effected or is rejected.

### 2A.12.3 **Collateral Transfers**

Where a Receiving FCM Clearing Member notifies the Clearing House that an FCM Client wishes to transfer ~~cover~~ Collateral from a Carrying FCM Clearing Member to a Receiving FCM Clearing Member, the Clearing House shall notify the Carrying FCM Clearing Member of such transfer in accordance with the timetable below.

Following such notification and upon request from the Clearing House, the Carrying FCM Clearing Member shall confirm to the Clearing House (using the Carrying Member Response form at Appendix 2A.D) which ~~cover~~Collateral is attributable to the transferring FCM Client and the associated FCM SwapClear Contracts. In the event that the Carrying FCM Clearing Member fails to do so in accordance with the timetable below, the Clearing House shall transfer sufficient cash or non-cash ~~cover~~Collateral from the FCM Clearing Member's FCM Omnibus SwapClear Client Account with LCH (such ~~cover~~Collateral as selected in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the ~~cover~~Collateral that is to be transferred, it shall notify the Carrying FCM Clearing Member and the Receiving FCM Clearing Member of the ~~cover~~Collateral that will be transferred in accordance with the timetable below.

In the event that any of the conditions set forth in FCM Regulation 8(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the related ~~cover~~Collateral. In such circumstances, the Clearing House will notify the Receiving FCM Clearing Member that the associated ~~cover~~Collateral will not be transferred and, in order to proceed with the transfer of the associated FCM SwapClear Contracts, the Receiving FCM Clearing Member will have to ~~provide~~furnish to the Clearing House ~~with~~ sufficient ~~cover~~Collateral in respect of the transferring FCM SwapClear Contracts.

In the event that the Clearing House transfers ~~cover~~Collateral pursuant to these FCM Procedures and the FCM Regulations, it will also transfer the aggregate Variation Margin and next day settlement coupons and fees associated with the transferring FCM SwapClear Contracts.

#### 2A.12.4 Timetable for FCM Client Transfer

<u>Time</u> (all references below are to New York City time)	<u>Partial Transfer</u>	<u>Full Transfer (with <del>collateral</del><u>Collateral</u>)</u>	<u>Full Transfer (without <del>collateral</del><u>Collateral</u>)</u>
Day 0: 15:00	Deadline for receipt from Receiving FCM Clearing Member of FCM Client Partial Transfer Form.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form and confirmation that <del>cover</del> <u>Collateral</u> is to be transferred.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form.
Day 1: 05:00	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer certain FCM SwapClear Contracts pursuant to a request from the Receiving	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.

Time (all references below are to New York City time)	<u>Partial Transfer</u>	<u>Full Transfer (with <del>collateral</del>Collateral)</u>	<u>Full Transfer (without <del>collateral</del>Collateral)</u>
	FCM Clearing Member.		
Day 2: 09:00	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(c)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.  Deadline for confirmation from Carrying FCM Clearing Member of the <del>collateral</del> Collateral which is to be ported to the Receiving FCM Clearing Member.	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.
Day 2: 09:00 to 10:00		LCH notifies the Receiving FCM Clearing Member of the <del>collateral</del> Collateral that will be transferred or that <del>collateral</del> Collateral will not be transferred.  Where <del>collateral</del> Collateral will not be transferred, transfer is treated as a full transfer (without <del>collateral</del> Collateral).	

<u>Time</u> (all references below are to New York City time)	<u>Partial Transfer</u>	<u>Full Transfer (with <del>collateral</del>Collateral)</u>	<u>Full Transfer (without <del>collateral</del>Collateral)</u>
Day 2: 14:30	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer and associated <del>collateral</del> Collateral from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.
Day 3: 03:00	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional <del>cover</del> Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional <del>cover</del> Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional <del>cover</del> Collateral is required to enable the transfer.
Day 3: 04:00	Deadline for receipt by Clearing House of any additional <del>cover</del> Collateral from the Carrying FCM Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional <del>cover</del> Collateral from the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional <del>cover</del> Collateral from the Receiving FCM Clearing Member required to enable the transfer.
Day 3: 04:00	Clearing House transfers FCM SwapClear Contracts.	Clearing House transfers FCM SwapClear Contracts and associated <del>collateral</del> Collateral.	Clearing House transfers FCM SwapClear Contracts.

The timings and processes listed in the table above may be amended from time to time by the Clearing House in its full discretion via Member Circular.

#### [2A.12.5 Transactions in Respect of FCM Clients and Affiliates in Default to FCM Clearing Member](#)

[This Section describes certain transactions that, under certain conditions, can be carried out by an FCM Clearing Member in respect of one of its FCM Clients or one of its Affiliates that has defaulted in its obligations to the FCM Clearing Member.](#)

[A request or instruction from an FCM Clearing Member to the Clearing House to carry out a transaction described in Sections 2A.12.5.1, 2A.12.5.2 or 2A.12.5.3 below shall in every case be deemed a representation by the FCM Clearing](#)

Member to the Clearing House that (i) the affected FCM Client or Affiliate is in default of its obligations to the FCM Clearing Member, (ii) the FCM Clearing Member has provided and will provide (as applicable) any required notices to the FCM Client or Affiliate of its default and the FCM Clearing Member's transactions effected under Sections 2A.12.5.1, 2A.12.5.2 and/or 2A.12.5.3 below, and (iii) the FCM Clearing Member is permitted by its agreements with the FCM Client or Affiliate and applicable law, and has authority to effect the transactions specified in the FCM Clearing Member's requests and/or instructions to the Clearing House in respect of such FCM Client or Affiliate. FCM Clearing Members are not permitted to effect or attempt to effect a transaction described in Sections 2A.12.5.1, 2A.12.5.2 or 2A.12.5.3 below where the preceding representations are not satisfied.

Notwithstanding anything to the contrary contained in this Section 2A.12.5, the transactions described in this section are subject to all applicable provisions of the CEA and the CFTC Regulations (including without limitation Part 22 thereof).

#### **2A.12.5.1 Transfers between Proprietary Accounts and Client Accounts of the Same FCM Clearing Member**

Pursuant to FCM Regulation 8(g), an FCM Clearing Member may, in connection with a defaulted FCM Client, transfer an FCM SwapClear Contract from the applicable FCM Client Sub-Account to its Proprietary Account provided that the following conditions are met (in addition to any other generally applicable provisions of the FCM Rulebook):

- (a) the representations described above in Section 2A.12.5 are not or would not be breached;
- (b) satisfactory evidence of the FCM Client's default in its obligations to the FCM Clearing Member is presented to the Clearing House, which evidence may be, to the extent permitted by the Clearing House in its sole discretion, nothing other than the FCM Clearing Member's instruction to effect the transfer (provided that the Clearing House shall be entitled to request additional evidence in its discretion);
- (c) at all times the FCM Clearing Member maintains sufficient Margin in its Proprietary Account and the applicable FCM Client Sub-Account, taking into account that Collateral transfers may not be requested by the FCM Clearing Member in connection with a transfer of an FCM SwapClear Contract from an FCM Client Sub-Account to the Proprietary Account; and
- (d) on demand from the Clearing House, an indemnity from the FCM Clearing Member in a form suitable to the Clearing House is provided to the Clearing House.

The Clearing House will typically (but shall not be required to) transfer the relevant FCM SwapClear Contract within 24 hours of receipt of the above.

An FCM SwapClear Contract transferred in this manner shall be through novation, from the FCM Client to the FCM Clearing Member in the case of a transfer from an FCM Client Sub-Account to the Proprietary Account.

#### **2A.12.5.2 FCM SwapClear Contracts Entered into on Behalf of Defaulted Clients**

An FCM Clearing Member may register, in the name of a defaulted FCM Client but without the direction of such FCM Client, FCM SwapClear Contracts (including hedging and/or compression transactions) to such FCM Client's FCM Client Sub-Account under the following conditions (in addition to any other generally applicable provisions of the FCM Rulebook):

- (a) the representations described above in Section 2A.12.5 are not or would not be breached;
- (b) at all times the FCM Clearing Member maintains sufficient Margin in the applicable FCM Client Sub-Account; and
- (c) on demand from the Clearing House, an indemnity from the FCM Clearing Member in a form suitable to the Clearing House is provided to the Clearing House.

Such an FCM SwapClear Contract submitted for registration in the name of a defaulted FCM Client must reference the applicable FCM Client and FCM Client Sub-Account as would ordinarily occur; however, the transaction may be submitted using either the FCM Client's MarkitWire identification number or an alternative MarkitWire identification number other than that of the FCM Client (e.g., the FCM Clearing Member's or one of its Affiliate's MarkitWire identification numbers), as applicable. Where the transaction is submitted using an alternative MarkitWire identification number other than that of the FCM Client, the Clearing House may in its discretion request satisfactory evidence of the FCM Client's default in its obligations to the FCM Clearing Member and an indemnity from the FCM Clearing Member in a form suitable to the Clearing House.

#### 2A.12.5.3 FCM SwapClear Contracts Entered into on Behalf of Defaulted Affiliates

An FCM Clearing Member may register, in the name of a defaulted Affiliate but without the direction of such Affiliate, FCM SwapClear Contracts (including hedging and/or compression transactions) to such Affiliate through the Proprietary Account under the following conditions (in addition to any other generally applicable provisions of the FCM Rulebook):

- (a) the representations described above in Section 2A.12.5 are not or would not be breached;
- (b) at all times the FCM Clearing Member maintains sufficient Margin in its Proprietary Account; and
- (c) on demand from the Clearing House, an indemnity from the FCM Clearing Member in a form suitable to the Clearing House is provided to the Clearing House.

Such an FCM SwapClear Contract submitted for registration in the name of a defaulted Affiliate must reference the applicable Affiliate as would ordinarily occur; however, the transaction may be submitted using either the Affiliate's MarkitWire identification number or an alternative MarkitWire identification number other than that of the Affiliate (e.g., the FCM Clearing Member's or one of its other Affiliate's MarkitWire identification numbers), as applicable. Where the transaction is submitted using an alternative MarkitWire identification number other than that of the Affiliate, the Clearing House may in its discretion request satisfactory evidence of the Affiliate's default in its obligations to the FCM Clearing Member and an indemnity from the FCM Clearing Member in a form suitable to the Clearing House.

### 2A.12.6 Transfers of FCM SwapClear Contracts of FCM Clients to the Proprietary Account of a Different FCM Clearing Member or a SwapClear Clearing Member

FCM Clearing Members are permitted under certain conditions to transfer Open Contracts registered on behalf of their FCM Clients to the Proprietary Account of a different FCM Clearing Member or a SwapClear Clearing Member. FCM Clearing Members interested in providing these services to their FCM Clients should contact the Clearing House's SwapClear Client Services department.

### **2A.13 Proprietary Account Position Transfers**

The FCM SwapClear clearing system provides functionality for the transfer of positions from an FCM Clearing Member's Proprietary Account, either in respect of FCM SwapClear Contracts held on an FCM Clearing Member's own behalf or in respect of FCM SwapClear Contracts held on behalf of an Affiliate, to another FCM Clearing Member or SwapClear Clearing Member. In either case, any such transfer may only occur if the ~~Receiving~~-FCM Clearing Member or SwapClear Clearing Member receiving the transfer is an Affiliate of the ~~Carrying~~transferring FCM Clearing Member.

An FCM Clearing Member ~~who~~that wishes to effect a position transfer to another FCM Clearing Member or to a SwapClear Clearing Member should contact the Clearing House's Risk Management Department. Transfers will only be effected once adequate ~~cover~~Margin has been provided by both parties to the transfer. ~~Transfers of Affiliate positions shall not be permitted to another FCM Clearing Member's Proprietary Account unless such Affiliate is an Affiliate of the FCM Clearing Member receiving the~~ transferred position.

#### **2A.13.1 Legal Documentation**

The Clearing House will provide standard legal documentation for the transfer of positions. The transfer must be authorized by both parties and by individuals with appropriate signing authority.

#### **2A.13.2 Position Transfer Notice Period**

The Clearing House will usually require five Business Days' notice ahead of an intended transfer.

### **2A.14 Amendment of Trade References**

Sometimes FCM Clearing Members wish to change their own trade reference numbers/codes by which they identify trades registered in the FCM SwapClear Service. Subject to any such FCM Clearing Member meeting all the Clearing House's requirements including under these FCM Procedures, the Clearing House will, as part of its service to FCM Clearing Members, amend its records in order to reflect any such change. Such change has no effect whatsoever on the terms of any registered FCM SwapClear Contract or any other obligations of the FCM Clearing Member party to such contract.

#### **2A.14.1 Trade Reference Amendment Request Form**

Other than in exceptional circumstances and in the Clearing House's sole discretion, an LCH Approved Outsourcing Agent may not act on behalf of more than three clearing members.

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

#### 2A.15.5 SwapClear DMG

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

Each FCM Clearing Member who makes available a representative to serve on the SwapClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the SwapClear DMG complies with Appendix 2A.E covering confidentiality, non-disclosure and other terms.

#### 2A.15.6 Procedures for Liquidation of FCM SwapClear Contracts of FCM Clients

Upon the default of an FCM Clearing Member, the Clearing House has the power and authority, pursuant to the FCM Rulebook, the CEA and the CFTC Regulations, to liquidate the FCM SwapClear Contracts of FCM Clients which, pursuant to the FCM Rulebook, would be conducted in accordance with the SwapClear DMP Annex. This section sets forth certain supplementary procedures (in addition to the Default Rules and other applicable provisions of the FCM Rulebook) that will apply under such circumstances.

~~When the Clearing House determines that part or all of an FCM Client's FCM Client Segregated Sub Account holding FCM SwapClear Contracts is non-transferable and such FCM Client Segregated Sub Account and any or all of the FCM SwapClear Contracts held in such FCM Client Segregated Sub Account will be liquidated.~~ In certain circumstances the Clearing House may deem, in its sole discretion, that one or more of the FCM SwapClear Contracts attributable to an FCM Client's FCM Client Sub-Account should be liquidated. Such determination may result from factors including: (i) the Clearing House determining that the FCM Client poses too great a risk to the Clearing House and should therefore be liquidated, (ii) the Clearing House becoming aware of the FCM Client becoming insolvent or otherwise failing in its obligations to the defaulting FCM Clearing Member, (iii) the relevant FCM Client requesting that it be liquidated, or (iv) a request or instruction from a Regulatory Body, whether orally or in writing. In the event of such liquidation the Clearing House shall transfer (either physically or by book-entry) such FCM Client's FCM SwapClear Contracts to be liquidated into an account ~~of~~ of the Clearing House established for purposes of liquidating the FCM SwapClear Contracts of FCM Clients of the defaulter (such account, a "**Hedged Account**"). The Clearing House shall establish a separate Hedged Account for

each currency of FCM SwapClear Contracts that are non-transferable and will be subject to liquidation and will include in each such Hedged Account the FCM SwapClear Contracts in the applicable currency that are to be liquidated, regardless of the FCM Clients for which such FCM SwapClear Contracts are held. The provisions of this section shall apply equally to any such Hedged Account. Additionally, no FCM Contracts other than FCM SwapClear Contracts will be transferred into a Hedged Account established for liquidating FCM SwapClear Contracts.

An FCM Client whose FCM SwapClear Contracts are transferred into a Hedged Account is referred to as a “**Non-Porting Client**”. The Clearing House shall hold the ~~Account—Assets~~relevant Collateral in respect of ~~each~~ Non-Porting Clients (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in ~~its applicable~~the relevant FCM Omnibus SwapClear Client ~~Segregated Sub-Account with LCH~~ until the liquidation of the entire Hedged Account and all FCM SwapClear Contracts and other positions therein, as described below. At the time that the FCM SwapClear Contracts of a Non-Porting Client are transferred into a Hedged Account, any outstanding and accrued but unpaid Variation Margin in respect of such FCM SwapClear Contracts shall be discharged as of the time such FCM SwapClear Contracts are transferred into the Hedged Account, by (i) in the event that Variation Margin is accrued but unpaid in favor of the Clearing House, debiting the FCM Client ~~Segregated~~ Sub-Account of such FCM Client, or (ii) in the event that Variation Margin is accrued but unpaid in favor of the FCM Client, crediting the FCM Client ~~Segregated~~ Sub-Account of such FCM Client.

*Administration of a Hedged Account.* The Clearing House may enter into hedge transactions and liquidate and/or auction the FCM SwapClear Contracts and hedges ~~in a~~for the account of the Hedged Account, and may take related actions with respect to a Hedged Account (and the positions held therein), in its sole discretion as permitted by the FCM Rulebook, the CEA and the CFTC Regulations, or as directed by an applicable Regulatory Body.

*Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients.* The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs including the gains and losses associated with hedging transactions, and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:

- (i) At the time an FCM Client becomes a Non-Porting Client, such Non-Porting Client is assigned a risk factor (a “**Risk Factor**”) which is equal to such Non-Porting Client’s ~~Initial Required~~ Margin requirement with respect to its FCM SwapClear Contracts that are transferred into the Hedged Account at the time such FCM Client became a Non-Porting Client (*i.e.*, at the time of transfer into the Hedged Account).
- (ii) On the first day that FCM Clients become Non-Porting Clients, gains and losses in the Hedged Account on such day shall be allocated on a pro rata basis among such Non-Porting Clients based on their individual Risk Factors. The allocation of gains and losses on subsequent days shall be made in the same manner until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account. Additional Non-Porting Clients that are included in the Hedged Account on a subsequent

day, until further additional Non-Porting Clients are included in the Hedged Account on a further subsequent day, are referred to as “**New Non-Porting Clients**”.

- (iii) On a day when one or more New Non-Porting Clients are included in the Hedged Account, the Clearing House shall calculate a combined risk factor (the “**Existing Non-Porting Clients Combined Risk Factor**”) in respect of the Non-Porting Clients that were previously included in the Hedged Account and are not New Non-Porting Clients (such existing Non-Porting Clients, “**Existing Non-Porting Clients**”). The Existing Non-Porting Clients Combined Risk Factor shall be based on the amount of ~~Initial~~Required Margin associated with the Hedged Account with respect to all positions (including all FCM SwapClear Contracts, hedges or other positions) held in the Hedged Account, at the beginning of the day on which New Non-Porting Clients are included in the Hedged Account (*i.e.*, at a time prior to the transfer of the FCM SwapClear Contracts of New Non-Porting Clients into the Hedged Account). For the avoidance of doubt, the Existing Non-Porting Clients Combined Risk Factor is calculated without respect to the ~~Initial~~Required Margin ~~requirements~~ applicable to the transferred FCM SwapClear Contracts of the New Non-Porting Clients.
- (iv) On any day on which New Non-Porting Clients are included in the Hedged Account, gains and losses in the Hedged Account that are incurred on that day will be allocated among the Existing Non-Porting Clients (as a group) and the New Non-Porting Clients (individually) on a pro rata basis based on the Existing Non-Porting Clients Combined Risk Factor (with respect to the Existing Non-Porting Clients as a group) and the individual Risk Factors of each New Non-Porting Client (with respect to each such New Non-Porting Client individually). The gains and losses allocated in such manner to the Existing Non-Porting Clients as a group shall be further allocated to each individual Existing Non-Porting Client on a pro rata basis based on the Risk Factor of each such Existing Non-Porting Client. The allocation of gains and losses on subsequent days shall occur in the same manner as set forth in this paragraph (iv) until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account and thus become the New Non-Porting Clients. In such a case, (A) the Existing Non-Porting Clients shall continue to be treated as Existing Non-Porting Clients, (B) the Non-Porting Clients previously constituting the New Non-Porting Clients shall then constitute Existing Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), (C) the additional Non-Porting Clients included in the Hedged Account constitute the New Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), and (D) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Risk Factor and the allocation of gains and losses shall be in accordance with paragraph (iii) above and this paragraph (iv).
- (v) Upon the liquidation of the Hedged Account and all FCM SwapClear Contracts and other positions therein, by auction or otherwise, any gains or losses associated with such auction/liquidation shall be

allocated among all Non-Porting Clients on a pro rata basis based on the “unit value” of each FCM SwapClear Contract of each Non-Porting Client transferred into the Hedged Account, as adjusted by a “auction value adjustment”. For purposes of this clause (v), (1) “**unit value**” means the value applied to each FCM SwapClear Contract, based on the net present value and outstanding notional value associated with each such FCM SwapClear Contract, and (2) “**auction value adjustment**” means a ratio applied to an FCM SwapClear Contract based on the aggregate auction/liquidation costs incurred in auctioning/liquidating the Hedged Account and the aggregate notional value of all FCM SwapClear Contracts in the Hedged Account, each of clauses (1) and (2) as determined by the Clearing House. The allocations described in this clause (v) are without reference to any Risk Factor or Existing Non-Porting Clients Combined Risk Factor.

*Settlement of Non-Porting Clients Following Liquidation of Hedged Account.* Following the liquidation of a Hedged Account, the Clearing House shall allocate the appropriate gains and losses (as determined in accordance with the above provisions) to each Non-Porting Client’s relevant FCM Client ~~Segregated~~-Sub-Account.

#### **2A.16 Payment of Stamp Tax**

Each FCM Clearing Member shall pay any stamp tax or duty levied or imposed upon it or in respect of its execution or performance of the FCM Clearing Membership Agreement, the FCM Default Fund Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM SwapClear Contract) by a jurisdiction in which it is incorporated, organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction and shall indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House or in respect of the Clearing House’s execution or performance of the FCM Clearing Membership Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM SwapClear Contract) by any such jurisdiction.

#### **2A.17 Section 696, Corporation Tax Act 2009**

The FCM Clearing Member agrees that should a situation arise where HM Revenue and Customs (“HMRC”) raises an enquiry, or makes an information request, to the Clearing House regarding an FCM Transaction or FCM Contract that the FCM Clearing Member is submitting (or has submitted) to the Clearing House, and that enquiry or information request is in respect of the application of s696 - s697 Corporation Tax Act 2009, the FCM Clearing Member will use its reasonable endeavours to provide such information and support as the Clearing House may reasonably require in order to respond to and effectively deal with the queries raised by HMRC.

## APPENDIX 2A.A

## SWAPCLEAR PROCESSING SCHEDULE

This table outlines the daily processes and timetable of the FCM SwapClear operation and constitutes a “Business Day” for the purpose of the FCM Regulations. FCM Clearing Members will be informed of changes to this timetable via member circular. All times shown are in London time.

SWAPCLEAR PROCESSING SCHEDULE	
Time	
07:30	SwapClear Opens
<del>by 09:30</del>	<del>Registration of Backloaded trades and confirmation of deleted trades from T-1 (see Section 2A.3.5)</del>
<del>1621:00</del>	Deadline for PPS calls in London
24:00	SwapClear Closes



**Signatories for and on behalf of the Receiving FCM Clearing Member:**

We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member

1.

(Authorized Signatory)	Name	Position	Date

2.

(Authorized Signatory)	Name	Position	Date

**Signatories for and on behalf of the transferring FCM Client:**

To: Receiving FCM Clearing Member

We acknowledge and confirm:

the request to transfer as detailed above;

that LCH.Clearnet will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;

that, in accordance with the FCM Rulebook, LCH.Clearnet is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;

that the transfer detailed above may require that additional ~~cover~~Margin be ~~paid~~furnished to LCH.Clearnet (and/or by us to the Receiving FCM Clearing Member listed above and/or our Carrying FCM Clearing Member), and that LCH.Clearnet is not required to affect the transfer if it has not received adequate ~~cover~~Margin in respect of the transfer or if any of the other conditions set forth in the FCM Rulebook applicable to the transfer are unsatisfied;

that the FCM Client is not insolvent and has no outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates in respect of FCM SwapClear Contracts; and

that we are authorized to make these acknowledgements and confirmations and do so on behalf of the FCM Client listed above in accordance with the FCM Regulations.

For and on behalf of the FCM Client:

Authorized signatory	Authorized signatory
Date	Date

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.

Email: [swapclearclientservices@lchclearnet.com](mailto:swapclearclientservices@lchclearnet.com)

Telephone: +44 (0) 207 426 7651 or +1 212 513 8265

SwapClear Client Services  
Aldgate House  
33 Aldgate High Street  
London EC3N 1EA

SwapClear Client Services  
17 State Street  
New York NY 10005

APPENDIX 2A.C
FCM CLIENT – FULL TRANSFER FORM



FCM CLIENT - FULL TRANSFER FORM

V.1.0: November 2011

Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein

To: LCH.Clearnet Limited

From: Receiving FCM Clearing Member

Date:

We, .....[insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member") have received a request from ..... [insert name of transferring FCM Client] (the "FCM Client") to transfer its entire portfolio of FCM SwapClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM SwapClear Contracts as identified below pursuant to FCM Regulation 8(b) and the FCM Procedures.

Please insert EITHER:

i. Name of Carrying FCM Clearing Member:

.....

OR

ii. the LCH trade IDs of the transferring FCM SwapClear Contracts (using the Schedule on the next page).

In order to enable LCH.Clearnet to identify the relevant FCM SwapClear Contracts that are to be transferred.

Please tick the relevant box below to confirm whether the FCM Client wishes to transfer the associated Accounts Assets Collateral in accordance with FCM Regulation 8(d).

The FCM Client wishes to transfer Account Assets Collateral

The FCM Client does NOT wish to transfer Account Assets Collateral

Signatories for and on behalf of the Receiving FCM Clearing Member:

We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member

1. \_\_\_\_\_ (Authorized Signatory) \_\_\_\_\_ Name \_\_\_\_\_ Position \_\_\_\_\_ date

2. \_\_\_\_\_ (Authorized Signatory) \_\_\_\_\_ Name \_\_\_\_\_ Position \_\_\_\_\_ date

**Signatories for and on behalf of the transferring FCM Client:**

To: Receiving FCM Clearing Member

We acknowledge and confirm:

- i. the request to transfer as detailed herein;
- ii. that we will be unable to submit further FCM SwapClear Contracts through our Carrying FCM Clearing Member from the date that this form is received by LCH.Clearnet until the transfer has been effected;
- iii. that LCH.Clearnet will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;
- iv. that, in accordance with the FCM Rulebook, LCH.Clearnet is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;
- v. that the transfer detailed above may require that additional ~~cover~~Margin be paidfurnished to LCH.Clearnet (and/or by us to the Receiving FCM Clearing Member listed above) even where ~~Account-Assets~~Collateral are transferred, and that LCH.Clearnet is not required to affect the transfer if it has not received adequate ~~cover~~Margin in respect of the transfer or if any of the other conditions set forth in the FCM Rulebook applicable to the transfer are unsatisfied;
- vi. that, where we have requested the transfer of ~~Account-Assets~~Collateral, (x) we should contact our Carrying FCM Clearing Member to ensure that they contact LCH.Clearnet to identify the correct ~~Account-Assets~~Collateral to be transferred, and (y) while LCH.Clearnet will attempt to transfer the specified ~~Account-Assets~~Collateral to the Receiving FCM Clearing Member LCH.Clearnet is permitted to transfer alternative ~~e~~Collateral as it deems appropriate in accordance with the FCM Rulebook;
- vii. that the FCM Client is not insolvent; and has no outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates in respect of FCM SwapClear Contracts; and
- viii. that we are authorized to make these acknowledgements and confirmations and do so on behalf of the FCM Client listed above in accordance with the FCM Regulations.

For and on behalf of the FCM Client:

_____ Authorized signatory	_____ Authorized signatory
_____ Date	_____ Date

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.

Insert email: [swapclearclientservices@lchclearnet.com](mailto:swapclearclientservices@lchclearnet.com)

Insert telephone number: +44 (0) 207 426 7651

SwapClear Client Services  
 Aldgate House  
 33 Aldgate High Street  
 London EC3N 1EA  
 UNITED KINGDOM

SwapClear Client Services  
 17 State Street  
 New York NY 10005  
 USA

Schedule of transferring FCM SwapClear Contracts:

\*\*Please insert the LCH trade ID and Approved Trade Source (ATS) ID of one or more transferring FCM SwapClear Contracts in order that LCH.Clearent can determine the identity of the relevant Carrying FCM Clearing Member.

LCH Trade ID	ATS Trade ID

APPENDIX 2A.D

FCM CLIENT TRANSFER – CARRY FCM CLEARING MEMBER REPOSSES FORM



FCM CLIENT TRANSFER - CARRYING FCM CLEARING MEMBER RESPONSE FORM

V.1.0: November 2011

Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein

To: LCH.Clearnet Limited

From: Carrying FCM Clearing Member

Date:

We, .....[insert name of Carrying FCM Clearing Member] (the "Carrying FCM Clearing Member") have received a request from LCH.Clearnet Limited in relation to .....’s [insert name of transferring FCM Client] (the "FCM Client") request to transfer [its entire/part of its\*] portfolio of FCM SwapClear Contracts held by us. We are writing to inform you that:

\* Delete as appropriate

(Please tick if applicable)

The transferring FCM Client has become insolvent and its FCM SwapClear Contracts should therefore not be transferred in accordance with FCM Regulation 8(b)(i) or FCM Regulation 8(c)(i), as applicable.

(Please tick if applicable)

The transferring FCM Client has outstanding obligations that are due and payable to us and/or our Affiliates and therefore its FCM SwapClear Contracts should not be transferred in accordance with FCM Regulation 8(b)(v) or FCM Regulation 8(c)(v), as applicable.

(Please tick if applicable)

The transferring FCM Client has asked that ~~Account Assets~~Collateral be transferred and the relevant ~~Account Assets~~Collateral are described in the schedule below.

Schedule of ~~Account Assets~~Collateral:

The ~~Account Assets~~Collateral of the FCM Client consists solely of cash in the following amount and currency:

CASH AMOUNT & CURRENCY

The ~~Account Assets~~Collateral of the FCM Client consists of the following cash and non-cash eCollateral:

CASH AMOUNT & CURRENCY

ISIN	Notional Value

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.

Email: [swapclearclientservices@lchclearnet.com](mailto:swapclearclientservices@lchclearnet.com)

Telephone: +44 (0) 207 426 7651 or +1 212 513 8265

Fax: +1 212 513 8290

SwapClear Client Services  
 Aldgate House  
 33 Aldgate High Street  
 London  
 EC3N 1EA  
 UNITED KINGDOM

SwapClear Client Services  
 17 State Street  
 New York  
 NY 10005  
 USA

**Signatories for and on behalf of the Carrying FCM Clearing Member:**

We acknowledge and confirm the above and that we are authorized to sign for and on behalf of the Carrying FCM Clearing Member:

1.

\_\_\_\_\_  
 (Authorized Signatory)      Name      Position      Date

2.

\_\_\_\_\_  
 (Authorized Signatory)      Name      Position      Date

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*Opening Hours:*

The FCM ForexClear Service will be open between 20:00 hours, London time, Sunday night and 01:00 hours, London time, Saturday morning (“**Opening Hours**”). The FCM ForexClear Service will not accept FCM ForexClear Transactions outside of these hours.

**2B.5 Position Accounts**

**2B.5.1 FCM Accounts**

For identification purposes each FCM Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to FCM ForexClear Transactions and FCM ForexClear Contracts. An FCM Clearing Member’s position and financial information are further identified by a single character code: C for client business; and H for house business.

**2B.5.2 Position-Keeping Accounts**

*FCM Clearing Member Accounts:*

The account types are: H for house business (Proprietary Account); and C for segregated client business (FCM Omnibus ForexClear Client Account with LCH). An FCM Clearing Member’s FCM ForexClear Contract positions are also recorded within the FCM ForexClear Clearing System in ForexClear accounts.

All registered FCM ForexClear Contracts will be identifiable to FCM Clearing Members via ForexClear Reporting (see Section 2B.21). All registered FCM ForexClear Contracts will be maintained only in ForexClear accounts (identified as such by a unique three letter mnemonic) and separate from all accounts containing FCM Contracts attributable to other Business Categories of FCM Contracts (provided that FCM Contracts attributable to any Business Categories of FCM Contracts and related ~~cover~~Collateral may be physically commingled in the same depository accounts, subject to the requirements of the Rulebook to properly segregate all FCM Client assets). Each FCM ForexClear Contract will also be assigned a unique trade identifier. The FCM Clearing Member Reporting functionality also allows each FCM Clearing Member to identify all FCM ForexClear Contracts registered in its name.

Sub-accounts within the FX FCM’s Proprietary Account may be set up (e.g., for branches or Affiliates). Each such sub-account will carry the unique Bank Identifier Code (“**BIC**”) (or equivalent unique identifier) of the relevant branch/ Affiliate (see Section 2B.5.4 below).

Sub-accounts within the FX FCM’s Proprietary Account will be associated with the House financial account of the FX FCM and information contained across the Proprietary Account sub-accounts is consolidated into the House financial account of each FX FCM.

**2B.5.3 Clients**

Where an FX FCM enters into an agreement with an FCM Client in accordance with FCM Regulation 4(a), the FX FCM must submit an “**FCM Client Static Data**” form to the Clearing House’s membership department. Positions of an FCM Client

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## 2B.6.2 Other Financial Accounts

At the Clearing House's discretion, further financial accounts, used only to record financial balances, may be opened as follows:

Code

Additional Margin accounts (House), used for holding additional cash in relation to Proprietary business B

Additional Margin account (Client), used for holding additional cash in relation to FCM Client Business E

Unallocated Excess account (Client), used for holding excess cash and non-cash ~~e~~Collateral in relation to FCM Client Business U

## 2B.6.3 Default Fund (DF) Account

Each FCM Clearing Member's Contribution is held in a separate financial account. The Default Fund account code is "F". Each FCM Clearing Member's ForexClear Contribution is held in an account that is separate from any financial account containing such FCM Clearing Member's Contribution relating to any other Business Categories of FCM Contracts.

## 2B.7 Novation and Registration

An NDF is an FCM ForexClear Transaction (i.e., eligible for registration as an FCM ForexClear Contract) if it satisfies the FCM ForexClear Eligibility Criteria (set out in Part B of the Schedule B to the FCM Regulations) at the Registration Time. The Clearing House will register (or reject) an FCM ForexClear Contract in respect of an FCM ForexClear Transaction presented for registration as quickly as would be technologically practicable if fully automated systems were used (i.e. the standard required in Part 39 of the CFTC Regulations).

Where an FX FCM accepts registration of the FCM ForexClear Transaction and notifies the Clearing House of such acceptance, the FX FCM shall, pursuant to FCM Regulation 40(b), (i) be deemed to have presented the FCM ForexClear Transaction for clearing and (ii) become obliged to ~~pay~~furnish all ~~cover~~Margin required by the Clearing House in connection with the registration of the FCM ForexClear Transaction upon request of the Clearing House. It is a condition for registration of an FCM ForexClear Transaction that, where both Executing Parties intend to register the FCM ForexClear Transaction through an FX FCM, both FX FCMs accept the FCM Notification (or where such Executing Parties nominate the

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same FX FCM, such FX FCM accepts both acceptances) and therefore submit the FCM ForexClear Transaction to the Clearing House.

Prior to registering an FCM ForexClear Contract, the Clearing House will require the FX FCM in whose name such FCM ForexClear Contract is to be registered to provide and maintain sufficient ~~cover~~Margin for its Liabilities (as defined in Section 2B.17) (or its estimated Liabilities) (taking into account any MER Buffer (as defined in Section 2B.12.2) and any MCE (as defined in Section 2B.12.3) made available by the Clearing House, if any) as a precondition to registration. This ~~cover~~Margin check process is referred to as the “Incremental Risk Check” (as defined in Section 2B.8.2).

If any FX FCM does not have sufficient ~~cover~~Margin for its Liabilities or estimated Liabilities (taking into account any MER Buffer and MCE provided by the Clearing House, if any) at the time of the relevant Incremental Risk Check, then any submitted and unregistered FCM ForexClear Transaction to which it is a party and that is subject to such Incremental Risk Check will be rejected.

Once the FCM ForexClear Transaction has passed the Validation Checks (as defined in Section 2B.8.1), the Clearing House will send, via the FCM Approved Trade Source System, a message confirming the registration of the FCM ForexClear Transaction as two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable) and ~~and~~ including a ~~datestamp~~date stamp of the relevant registration time. For the purpose of the Part III of the FCM Regulations, the time of dispatch of such message shall be the “**Registration Time**” of such FCM ForexClear Contract(s).

The definitive report of a registered FCM ForexClear Contract will be shown on the “All Open Contracts” report issued by ForexClear Reporting (as defined in Section 2B.21).

If an FX FCM is declared a defaulter, the Clearing House will not register any ForexClear Transactions to which the defaulter was a party. ForexClear Transactions between non-defaulting FX FCMs will continue to be registered (assuming sufficient ~~cover~~Margin for their Liabilities or estimated Liabilities has been provided).

#### 2B.7.1 Trade Capture

Once the FCM Approved Trade Source System receives the trade instructions from the FXPs who are parties to the trade, the FCM Approved Trade Source System matches both instructions (a “**trade**”). The FCM Approved Trade Source System validates the trade using the FCM ForexClear Product Eligibility Criteria as set forth in Part B to Schedule B to the FCM Regulations (the “**FCM ForexClear Eligibility Criteria**”) and will, if appropriate, submit a single message containing the names of the FXPs who are parties to the trade and the terms of the trade to the Clearing House for registration and clearing, such matched trade being known as an “**FCM ForexClear Transaction**”. Once the Clearing House receives the FCM ForexClear Transaction message, it will send a message of acknowledgement back via the FCM Approved Trade Source System that the trade has been matched and accepted for clearing. Instructions which show that one or both sides of the trade do not meet the Validation Checks are rejected. Rejections are reported back to the FCM Approved Trade Source System.

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The Clearing House will provide FCM ForexClear Transaction/FCM ForexClear Contract (as applicable) updates as and when these change (e.g., for acceptance, rejection and novation).

#### 2B.7.2 **ForexClear FCM Approved Trade Source Systems**

Currently the FCM Approved Trade Source System designated by the Clearing House for ForexClear [isare](#) [MarkitSERV](#) [and Traiana](#). Where the Clearing House approves additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.

FCM ForexClear Transactions submitted through an FCM 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 FCM Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM ForexClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System and the terms of such relationship may entitle the FCM Approved Trade Source System to suspend the ability of an FX FCM to make submissions from time to time.

FX FCMs must not submit instructions to the Clearing House for trades which will not meet the FCM ForexClear Eligibility Criteria. The Clearing House will process any FCM ForexClear Transaction reported to it by an FCM Approved Trade Source System on an "as is" basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM ForexClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM ForexClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM ForexClear Contract, unless the FCM ForexClear Contract is subsequently cancelled in accordance with FCM Regulation 41.

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

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## 2B.8 Trade Validation and Registration

### 2B.8.1 Process flow description

The Clearing House performs a validation check on each trade submitted by FXPs to ensure that each such trade meets the FCM ForexClear Eligibility Criteria and the Counterparty Technical Validation Check (as defined below) and Incremental Risk Checks (as defined in Section 2B.8.2) required for FCM ForexClear Transactions (together the “**Validation Checks**”).

The fields checked are as follows:

- **Counterparties:** (a) are both parties submitting trade particulars FXPs and (b) has each FXCCM in whose name the FCM ForexClear Contract is to be registered not been declared a defaulter by the Clearing House? (together, the “**Counterparty Technical Validation Check**”);
- **Trade type:** is the instrument type an NDF?
- **Economic Terms:** does the trade include all the Economic Terms (as defined in Part A of Schedule B to the FCM Regulations)?
- **Currency Pairs:** are the Reference Currency and the Settlement Currency a Currency Pair (as defined in Schedule B to the FCM Regulations)?
- **Settlement Currency:** is the Settlement Currency USD?
- **Trade tenor eligibility:** does the scheduled Settlement Date fall on a date: (a) not earlier than three ~~business days~~Business Days immediately following the date on which the trade is submitted to the Clearing House for registration (the “**Submission Date**”) and (b) not later than the date falling two calendar years plus two ~~business days~~Business Days immediately following the Submission Date? If the FCM ForexClear Transaction arrives after the ForexClear date roll (22.00 hours, London time), the Submission Date is defined as the next good business day.

- **Valuation Date and Settlement Date:** do the Valuation Date and Settlement Date for the FCM ForexClear Transaction fall on a valid Business Day for the Currency Pair to which the FCM ForexClear Transaction relates? Does the Settlement Date fall on a Business Day after the Valuation Date? The table below shows the relevant Business days for determining the Valuation Date and Settlement Date:<sup>1</sup>

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

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

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

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

As provided in Section 2B.7, in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that FCM ForexClear Contract.

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

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

#### 2B.8.2 Incremental Risk Checks

The Clearing House will apply an “Incremental Risk Check” to each individual FCM ForexClear Transaction. The Incremental Risk Check uses a suitable approximation methodology to estimate an FX FCM’s Liabilities (including the new FCM ForexClear Transaction) against available [coverMargin](#) (taking into account any MER Buffer and MCE made available by the Clearing House, if any). However, any FCM ForexClear Transaction submitted by that FXCCM that is risk reducing (i.e. results in a reduction of that FX FCM’s Liabilities) will always pass the Incremental Risk Check, even if the FX FCM does not have sufficient [coverMargin](#) for its Liabilities.

Both FXCCMs to the FCM ForexClear Transaction must pass the Incremental Risk Check in order for the Clearing House to register two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable) in those FXCCM’s names.

If either (or both) FXCCM(s) to an FCM ForexClear Transaction fail(s) the Incremental Risk Check(s), then the FCM ForexClear Transaction will be rejected immediately, and a rejection message will be issued to the FCM Approved Trade Source System indicating which (or both) FXCCM(s) has failed the Incremental Risk Check(s).

#### 2B.8.3 Registration

Once it is confirmed that the transaction has passed the Validation Checks for the relevant FXCCMs, the Clearing House:

- 
- (a) registers the FCM ForexClear Transaction as two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable) and changes the status for the FCM ForexClear Transaction to “NOVATED” and informs the FCM Approved Trade Source System; and
- (b) in respect of relevant FCM ForexClear Contracts being cancelled, cancels the relevant FCM ForexClear Contracts and changes the FCM ForexClear Contract status of each relevant FCM ForexClear Contract to “CANCELLED”.

The Clearing House acknowledges the FCM ForexClear Contract status and sends a message to the FCM Approved Trade Source System that the FCM ForexClear Transaction/FCM ForexClear Contract (as the case may be) is either “NOVATED” or “CANCELLED” as appropriate.

#### **2B.8.4 Manual Trade Rejection, Novation and Cancellation (Exceptional Event)**

From time to time, as an exceptional event, it may be necessary for the Clearing House to: (i) reject a trade submitted for registration; (ii) register an FCM ForexClear Transaction; or (iii) accept or reject a cancellation request for an FCM ForexClear Contract or an FCM ForexClear Transaction, in each case manually prior to a Margin Run, (e.g., in the case of a default event, when an FCM ForexClear Transaction needs to be registered immediately to expedite the hedging and auction process or to reject an FCM ForexClear Transaction received from a defaulted FX FCM).

The Clearing House acknowledges the action and sends a status message to the FCM Approved Trade Source System of either “REJECTED” in respect of trades being manually rejected; “NOVATED” in respect of trades being manually registered; and “CANCELLED” in respect of an FCM ForexClear Contract or an FCM ForexClear Transaction being manually cancelled, as appropriate.

#### **2B.8.5 Trade Cancellation**

The Clearing House accepts cancellation messages from Executing Parties against both non-novated trades (FCM ForexClear Transactions) and novated trades (FCM ForexClear Contracts).

With respect to any FCM ForexClear Contract, cancellation messages may be submitted via the FCM Approved Trade Source System until such FCM ForexClear Contract is “fixed” (i.e., when its Settlement Rate has been determined on the relevant Valuation Date).

A successful cancellation message results in a “CANCELLED” status message if the FCM ForexClear Transaction or the FCM ForexClear Contract (as the case may be) is cancelled during the Opening Hours. The status messages are sent from the Clearing House to the FX FCM via the FCM Approved Trade Source System.

#### **2B.8.6 Process flow description**

The Clearing House accepts trade cancellation instructions from the FCM Approved Trade Source System for FCM ForexClear Transactions or FCM

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ForexClear Contracts (as the case may be) that have previously been submitted to the FCM ForexClear Service. Cancellation instructions must include the ForexClear ID.

The Clearing House checks that the cancellation instruction contains a valid ForexClear ID which relates to: (a) an FCM ForexClear Transaction or FCM ForexClear Contract (as the case may be) that has not been previously cancelled; and (b) in the case of an FCM ForexClear Contract only, an FCM ForexClear Contract with respect to which the relevant Valuation Date has not yet occurred.

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

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

#### 2B.8.7 Trade Amendment

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

#### 2B.8.8 Valuation Date Event Management

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

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

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

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

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

<b>Currency Pair</b>	<b>Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)</b>
USD-BRL	BRL PTAX (BRL09)
USD-CLP	CLP DÓLAR OBS (CLP10)
USD-CNY	CNY SAEC (CNY01)
USD-COP	COP TRM (COP2)
USD-IDR	IDR ABS (IDR01)
USD-INR	INR RBIB (INR01)
USD-KRW	KRW KFTC18 (KRW02)
USD-MYR	MYR ABS (MYR01)
USD-PHP	PHP PDSPEO (PHP06)
USD-RUB	RUB CME-EMTA (RUB03)
USD-TWD	TWD TAIFX1 (TWD03)

The Clearing House applies the Settlement Rate to all relevant FCM ForexClear Contracts at a predefined time (see Section 2B.8.8 below) following its publication.

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

#### 2B.8.9 Valuation Date Event Management: Process flow description

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

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

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

#### 2B.8.10 Settlement

With respect to each FCM ForexClear Contract, the Settlement Currency Amount is calculated by the application of the Settlement Rate to the Notional Amount in accordance with the FCM ForexClear Contract Terms (see Part A of Schedule B to the FCM Regulations).

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From (and including) the Registration Time to (and including) the Business Day immediately preceding the Settlement Date, changes in the daily value of open FCM ForexClear Contracts will have resulted in VM credits and debits between the parties (as set out in Section 2B.10.2). With respect to each FCM ForexClear Contract, on the Business Day immediately preceding the Settlement Date, the Clearing House nets the Settlement Currency Amount against the aggregate net VM which has been paid/received through the term of the FCM ForexClear Contract, the result of which is a Net Settlement Amount (“NSA”), which will be reflected in the FX FCMs’ cash accounts with the Clearing House on the Settlement Date. As such, with respect to each FCM ForexClear Contract, the payment in full of all the VM required during the term of such FCM ForexClear Contract shall satisfy the relevant party’s obligation to pay the Settlement Currency Amount on the Settlement Date of such FCM ForexClear Contract. For the purpose of providing Nostro reconciliation, to the relevant parties, the Clearing House will provide Reporting (as defined in Section 2B.21 of these FCM Procedures) which will reflect an entry for the “Settlement Currency Amount” and a separate entry for the reversal of the aggregate net Variation Margin which has been paid/received through the term of the FCM ForexClear Contract. This paragraph applies even if the Settlement Date has been adjusted in accordance with the FCM ForexClear Contract Terms.

#### 2B.8.11 Reference Data

##### *Holiday Event Calendar:*

For the FCM ForexClear Service the Clearing House uses the SwapsMonitor Financial Calendar (as published by Swaps Monitor Publications, Inc.) the (“**SwapsMonitor Financial Calendar**”) in order to determine holidays. This requires all FX FCMs to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM ForexClear Service, will be available online for inspection and for file download from Clearing Member Reporting. SwapsMonitor is used on a daily basis across all calendars.

##### *Date Adjustment:*

When a new holiday is declared in a particular jurisdiction, an update to the holiday calendar is required.

The Valuation Date and/or the Settlement Date of the affected [FCM](#) ForexClear Contracts will automatically be adjusted in accordance with the provisions of the EMTA Template for the relevant Currency Pair.

The Clearing House may accede to a request from FX FCMs to suspend processing of adjustments to the relevant affected Valuation Dates and Settlement Dates so as to allow FX FCMs to cancel and rebook any FCM ForexClear Contracts following any such adjustment. In such case, the Clearing House will inform FX FCMs as to the timing and duration of any such suspension.

#### 2B.9 Market Data

##### 2B.9.1 Sources used by FCM ForexClear Service

The FCM ForexClear Service collates instrument quotes for the following from multiple market sources (as detailed in Section 2B.9.2) in relation to each Currency Pair:

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*Components:*

- PAI Rate (annualized interest applied to an FX FCM's MTM).
- MTM
- Accrual Factor (factor used to convert the PAI Rate from an annual rate to a daily rate, on a basis of a year of 360 days).

So:

- $PAI_T = PAI_T \text{ Rate} \times MTM_{T-1} \times \text{Accrual Factor}$ .

The Clearing House uses the PAI Rate from the relevant EOD overnight index swap curves, which is sourced from the Clearing House.

#### 2B.10.6 **VM/PAI Adjustment**

With respect to each FX FCM, the Clearing House makes the following adjustment to the VM at EOD:

- if, with respect to its portfolio of open FCM ForexClear Contracts, such FX FCM has (to but excluding the relevant EOD) paid an amount in VM greater than the amount of VM it has received, such FX FCM will receive PAI; and
- if, with respect to its portfolio of open FCM ForexClear Contracts, such FX FCM has (to but excluding the relevant EOD) received an amount in VM greater than the amount of VM it has paid, such FX FCM will pay PAI.

#### 2B.11 **Initial Margin ("IM")**

The Clearing House will require FX FCMs to ~~post~~[furnish it with](#) IM. This amount will be calculated within the day and at EOD on each business day as part of each Margin Run. With respect to each FX FCM, it is calculated for the portfolio of open FCM ForexClear Contracts and FCM ForexClear Transactions using ForexClear's Portfolio Analysis and Risk ("**FxPAR**") margining model. FxPAR is based on a modified historical simulation value-at-risk methodology. All open FCM ForexClear Contracts and FCM ForexClear Transactions in each Currency Pair are re-valued under a series of cross portfolio yield curve scenarios to estimate the potential portfolio profit and loss and therefore the IM requirement.

These scenarios will be continually monitored and reviewed periodically or on an ad hoc basis according to market conditions. FX FCMs will usually be notified by the Clearing House of alterations to margin parameters no later than the day before calls are made based on the new parameters. Further details of this method are available upon request from the ForexClear Risk team.

FxPAR uses market data submitted by FXCCMs pursuant to Section 2B.9.

Separate Initial Margin calculations are performed for an FX FCM's house "H" and client "C" accounts.

The Clearing House reserves the right to require additional amounts of ~~cover~~[Margin](#) from a specific FX FCM or from all FX FCMs in accordance with FCM Regulation-9.

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### 2B.11.1 Credit Risk Multiplier (“CRiM”)

The CRiM applied will consider the FX FCM’s credit worthiness, Initial Margin level and/or stress testing exposures in accordance with LCH.Clearnet Credit Risk Policy.

### 2B.11.2 Liquidity Risk Multiplier (“LRMM”)

Where an FXCCM has an exposure above set thresholds in a particular Currency Pair or tenor of FCM ForexClear Contracts, the LRMM is applied and additional IM is charged. The LRMM is calculated in accordance with parameters set by the ForexClear Default Management Group (the “FXDMG”) according to tenor and notional concentration. The thresholds are reviewed quarterly and use prevailing perceptions of market conditions as seen by the FXDMG.

LRMM increases IM called due to concentrated Currency Pair exposure by tenor of FCM ForexClear Contracts. Additional IM is called to mitigate the risk of a position not being closed out in seven days and/or the extra hedging costs that may be incurred.

The Clearing House calculates and applies LRMM as part of each Margin Run, based on the IM for each Currency Pair in the FX FCM’s house position-keeping account.

### 2B.11.3 Sovereign Risk multiplier (“SRM”)

An SRM is applied when there is a perceived risk of sovereign default or a change in a country’s currency regime which would impact FCM ForexClear Contracts transacted in certain Reference Currencies. The SRM takes into account:

- i. the probability of sovereign default or a regime change event occurring; and
- ii. the depreciation or appreciation risk of the Reference Currencies.

The SRM sovereign default probability is calculated by assessing the three month probability of default for the different sovereign countries, based on the country’s 5-year credit default swap (CDS) spread. The probability of a regime change event is estimated based on historical events and publicly available data for the different sovereign countries. The country CDS spreads are reviewed and updated weekly.

The Clearing House calculates and applies the SRM as part of each Margin Run, for each Currency Pair in the FX FCM’s house position-keeping account.

## 2B.12 Additional Margin, MER Buffer, MCE and Intraday Margin Calls

### 2B.12.1 Additional Margin

The Clearing House may require an FX FCM to ~~pay~~[furnish](#) additional amounts ~~of~~[Margin](#) (in addition to Initial Margin and Variation Margin) as security for the performance by an FX FCM of its obligations to the Clearing House in respect of FCM ForexClear Contracts to which such FX FCM is a party in accordance with FCM Regulation-9. This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in FCM ForexClear Contracts to which such FX FCM is a party not adequately covered by Initial Margin or Variation

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Margin. This may cover instances where stress testing losses under various scenarios provided in the ForexClear Default Fund Rules have increased.

#### 2B.12.2 Minimum Excess Requirement Buffer (“MER Buffer”)

To facilitate the intraday registration of FCM ForexClear Contracts, at each EOD Margin Run, the Clearing House will call from each FX FCM, separately in respect of its Proprietary Account and each of its FCM Client ~~Segregated~~ Sub-Accounts, an amount of IM referred to as “Minimum Excess Requirement Buffer” (“**MER Buffer**”) in respect of that FX FCM’s and its FCM Clients’ potential intraday Liabilities (as defined below in Section 2B.17) for the following day. MER Buffer is part of the FX FCM’s Required Margin. An FCM’s MER Buffer is calculated in respect of an FCM’s Proprietary Account and each of its FCM Client ~~Segregated~~ Sub-Accounts, and ~~cover-posted~~ Margin furnished in respect of MER Buffer is credited to each account (as applicable) as IM.

The required amount of MER Buffer for each applicable account of an FX FCM is expressed as a percentage of start-of-day portfolio IM for such account. The MER Buffer for each account is calibrated daily based on recent activity within the relevant account such that higher levels of intraday trade volumes lead to a proportionally higher MER Buffer requirement and vice versa. The MER Buffer percentage is calculated as a given percentile of intraday peak relative IM changes over a given number of historical business days.

The parameters of the MER Buffer model are: MER percentile, MER ~~lookback~~ look-back period, relative MER cap and absolute MER floor. The values of these parameters are calibrated based on the quantitative analysis of the FX FCM’s IM history across the ForexClear Service.

As FCM ForexClear Contracts are registered in an FX FCM’s relevant accounts, the Clearing House will, in accordance with the Margin Run process, calculate the FX FCM’s intraday Liabilities (or, in the case of an Incremental Risk Check, the FX FCM’s estimated Liabilities), taking into account any IM posted as MER Buffer in the applicable account.

At each EOD Margin Run, the Clearing House will recalculate and call the FCM’s Required Margin, which includes MER Buffer for all accounts.

#### 2B.12.3 Mutualized Credit Extension (“MCE”)

If an FX FCM has insufficient ~~cover~~ Margin attributed to an account to enable the registration of further FCM ForexClear Contracts in ~~a-relevant~~ such FCM Client ~~Segregated~~ Sub-Account or its Proprietary Account, then the Clearing House may make available to an FX FCM intraday credit (in the form of intraday Initial Margin forbearance) by way of a Mutualized Credit Extension (“**MCE**”) to enable the FX FCM to register further FCM ForexClear Contracts. An FX FCM may utilize MCE intraday on a one-to-one basis to the value of the IM that would have been required to cover that FX FCM’s Liabilities (or, in the case of Incremental Risk Checks, the FX FCM’s estimated Liabilities). The amount of the MCE made available to an FX FCM in aggregate during any one day must not exceed an amount that is the lesser of: (a) 50% of the ForexClear MCE Default Fund Buffer; or (b) the sum of the FX FCM’s IM and ForexClear Contribution. The amount of the “**ForexClear MCE Default Fund Buffer**” is currently zero and therefore the Clearing House will not provide MCE to any FX FCM until further notice.

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For the avoidance of doubt, MCE is provided in the form of intraday Initial Margin forbearance and an FX FCM's utilization of MCE does not give rise to any payment or transfer of [eCollateral](#) by the Clearing House nor does it result in any use of the ForexClear Fund Amount (except in events of default).

All MCE credit extended on any given day shall be revoked at the close of business on such day (unless revoked earlier in accordance with the following paragraph). As part of each EOD Margin Run, the Clearing House will call IM from each FX FCM to replace any utilized MCE and that FX FCM's MCE will be reset for the following day (assuming such FX FCM has satisfied any margin calls). Any failure of an FCM Clearing Member to satisfy an IM call relating to the replacement of MCE constitutes a default by such FCM Clearing Member—just as any failure by an FCM Clearing Member to satisfy any other type of IM call constitutes a default.

The MCE is made available at the Clearing House's sole discretion. In particular (but without limitation), the Clearing House may refuse to extend MCE to any or all FX FCMs on risk management grounds, and may at any time require an FXCCM to provide IM in place of any utilized MCE.

#### 2B.12.4 Intra-day Margin Calls

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for [paymentfurnishing of Margin on](#) the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls can be called 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 2B.22.3).

In certain circumstances the Clearing House may wish to make a call for additional [fundsCollateral](#) after the closure of London PPS facilities at 16:00 hours, London time. In this event the Clearing House will require payment of additional funds through PPS facilities in the USA (see Section 3.2.2). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

#### 2B.13 Initial Margin Management Events Service ("IMMES")

IMMES aims to find risk and IM reducing FCM ForexClear Contracts and ForexClear Contracts amongst participating FXCCMs. IMMES can be run on all Currency Pairs that are cleared through the FCM ForexClear Service, although the primary focus will be on those Currency Pairs that contribute to the largest IM requirement. IMMES is available in respect of an FX FCM's house account only.

FX FCMs who wish to obtain further information about, or to participate in, IMMES should contact ForexClear Business Operations at 0207 426 7527. To be eligible to participate in IMMES, an FX FCM must enter into an IMMES agreement with the Clearing House (the "**IMMES Agreement**").

##### 2B.13.1 Step-by-step details

The Clearing House usually conducts the IMMES at least monthly.

A reminder that there is an IMMES run taking place is sent out the week before to each FXCCM which is a party to an IMMES Agreement with LCH and each FXCCM is asked to confirm their participation.

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On the day of the scheduled IMMES run, the Clearing House analyses all participating FXCCMs' profiles to find FCM ForexClear Contracts and ForexClear Contracts with equivalent and opposite delta values by tenor and Currency Pair to compile a list of offsetting suggested trades that are mutually beneficial in terms of IM reduction (the "IMMES Trades").

The Clearing House then analyses the relevant FX FCM's FCM ForexClear Contract portfolios with the IMMES Trades and determines the change in NPV, IM, delta and zero yield sensitivity from the IMMES Trades.

The FXCCMs on either side of the trades are advised of the economic details of the IMMES Trades.

If the two FXCCMs agree to undertake the IMMES Trades, the Clearing House will then put them in touch with each other. The FXCCMs will enter into the bilateral IMMES Trades and submit them to the Clearing House through the FCM Approved Trade Source System for registration.

## **2B.14 Intra-Day Margin Call: Collateral Management**

### **2B.14.1 General – Intra-day Margining**

Following an intra-day margin call (except as notified otherwise by an FX FCM at the time of an intra-day margin call), the Clearing House will deduct cash, in the appropriate currency, directly from the relevant FX FCMs PPS account to cover that intra-day margin call.

Cash payments in respect of intra-day ~~cover~~[Margin](#) are accepted only in USD by the Clearing House.

Each FCM Clearing Member must ensure that it has sufficient cash funds in place with their PPS Bank(s) in order to avoid any intra-day liquidity issues.

## **2B.15 General Margining Process**

A "**Margin Run**" is the process by which the Clearing House calculates an FX FCM's Initial Margin requirement (if any) and, during an EOD Margin Run, its Variation Margin requirement and PAI adjustment (if required) (together its "**Margin Requirements**") and applies that FX FCM's ~~cover~~[Margin](#) to satisfy the Margin Requirements for that FX FCM in respect of the FCM ForexClear Contracts within that FX FCM's portfolio.

## **2B.16. Types of Margin Runs**

There are three types of Margin Run:

### **2B.16.1 ITD / Ad Hoc – Day Margin Run**

ITD/Ad-hoc London daytime Margin Runs are initiated as and when dictated by the schedule published by the Clearing House and notified to FX FCMs from time to time (the "**Schedule**") or as necessary, and are performed in the time period during which a PPS call can be made (the "**ITD/Ad-hoc Day Margin Run**"). PPS times are published on the Clearing House's website at: [http://www.lchclearnet.com/risk\\_management/ltd/pps/](http://www.lchclearnet.com/risk_management/ltd/pps/).

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ITD/Ad-hoc Margin Runs are calls in respect of Initial Margin only. Variation Margin and PAI are not included in ITD/Ad-hoc Margin Runs.

#### 2B.16.2 **EOD Margin Run**

The EOD Margin Run is the final ITD/Ad-hoc Day Margin Run that completes by 24:00 hours, London time, on that business day (the “**EOD Margin Run**”).

EOD Margin Runs are calls in respect of Initial Margin as well as Variation Margin, NSA and PAI.

#### 2B.16.3 **ITD / Ad Hoc - Night Margin Run**

ITD/Ad-hoc London overnight Margin Runs are initiated as and when dictated by the Schedule or as necessary, and are performed in the time period during which a PPS call cannot be made (the “**ITD/Ad-hoc Night Margin Run**”).

ITD/Ad-hoc Night Margin Runs are calls in respect of Initial Margin only. Variation Margin, NSA and PAI are included in ITD/Ad-hoc Night Margin Runs, but only as a component of IM.

#### 2B.17 **Margin Run Process**

Margin Runs cover all registered FCM ForexClear Contracts with the status “NOVATED”.

Margin runs will be carried out for each FCM ForexClear Contract and FCM ForexClear Transaction (as the case maybe) until (and including) the later of:

- EOD Margin Run on the Settlement Date; or
- EOD Margin Run after the Settlement Rate is published.

During every Margin Run the Clearing House calculates the Initial Margin required and (where applicable) the Variation Margin and PAI required to cover each FX FCM’s relevant open FCM ForexClear Contracts and FCM ForexClear Transactions (each a “**Liability**” and together the “**Liabilities**”).

Each FX FCM’s Liability is offset against that FX FCM’s non-cash eCollateral account (being a sub-account of the FX FCM’s financial account) (for IM only) or funds in that FX FCM’s cash account (being a sub-account of the FX FCM’s financial account) (for VM/PAI/IM). Initial Margin will always be a Liability (payable to the Clearing House) and Variation Margin, NSA and PAI may be a cash posting or a Liability (payable by, or to, the Clearing House, respectively).

FX FCMs are informed via email of their Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash eCollateral account(s)) and are directed to the ForexClear Services portal (being a secure website made available to FXCCMs) (the “**ForexClear Service Portal**”) which provides reports (at the times specified in Section 7.1) informing FX FCMs of their (i) total Liabilities under the FCM ForexClear Service; (ii) current total cover posted with the Clearing House for the FCM ForexClear Service (including any MCE, if any); and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a

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percentage of the aggregate cover in their cash and non-cash [eCollateral](#) account(s)).

If following a Margin Run an FX FCM is required to provide additional [eCollateral](#), this is also indicated by email and via the ForexClear Service Portal. In the case of ITD/Ad-hoc Margin Runs, where an FX FCM's Liabilities exceed its available cover and any MCE then the Clearing House will issue a margin call for the amount of the shortfall plus 50% of the FX FCM's MER Buffer amount.

## **2B.18 Transfer of FCM Clients: Defaulting FCM Clients and Affiliates**

In certain circumstance the Clearing House will transfer FCM ForexClear Contracts from one ~~Carrying~~ FCM Clearing Member to ~~a Receiving~~ [another](#) FCM Clearing Member ~~on behalf of an FCM Client and~~, pursuant to [and in accordance with](#) FCM Regulation 8 ~~(b) or 8(e)~~, [and these FCM Procedures](#).

### **2B.18.1 Partial Transfers of FCM Clients**

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of a portion of such FCM Client's portfolio of FCM ForexClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Partial Transfer Form (see Appendix 2B.A), signed on behalf of the relevant FCM Client. Such form shall list all of the FCM ForexClear Contracts that are to be transferred pursuant to this procedure. Following receipt of an FCM Client Partial Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM ForexClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in Section 2B.18.4.

In the event that any of the conditions set forth in FCM Regulation 8(c) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM ForexClear Contracts.

### **2B.18.2 Full Transfers of FCM Clients**

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of such FCM Client's entire portfolio of FCM ForexClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Full Transfer Form (see Appendix 2B.B), signed on behalf of the relevant FCM Client. Such form shall confirm that all FCM ForexClear Contracts attributable to the applicable FCM Client shall be transferred pursuant to this procedure. Where a Receiving FCM Clearing Member submits an FCM Client Full Transfer Form, it must confirm whether or not the FCM Client also wishes to transfer the ~~cover~~ [Collateral](#) held by the Clearing House in respect of the transferring FCM ForexClear Contracts. Following receipt of an FCM Client Full Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM ForexClear Contracts. All full transfers shall take place in accordance with the timing and notice requirements set out in Section 2B.18.4.

In the event that any of the conditions set forth in FCM Regulation 8(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form (see

Appendix 2B.C) the Clearing House shall not proceed with the transfer of the FCM ForexClear Contracts or the transfer of ~~Account-Assets~~Collateral (when applicable).

Following receipt of a Full Transfer Form, the Carrying FCM Clearing Member shall not be permitted to register additional FCM ForexClear Contracts on behalf of the FCM Client whose FCM ForexClear Contracts are subject to transfer, until such transfer (and the transfer of the related ~~Account-Assets~~Collateral, if applicable) is actually effected or is rejected.

**2B.18.3 Collateral Transfers**

Where a Receiving FCM Clearing Member notifies the Clearing House that an FCM Client wishes to transfer ~~cover~~Collateral from a Carrying FCM Clearing Member to a Receiving FCM Clearing Member, the Clearing House shall notify the Carrying FCM Clearing Member of such transfer in accordance with the timetable below.

Following such notification and upon request from the Clearing House, the Carrying FCM Clearing Member shall confirm to the Clearing House (using the Carrying Member Response Form at Appendix 2B.C) which ~~cover~~Collateral is attributable to the transferring FCM Client and the associated FCM ForexClear Contracts. In the event that the Carrying FCM Clearing Member fails to do so in accordance with the timetable below, the Clearing House shall transfer sufficient cash or non-cash ~~cover from~~Collateral attributed to the FCM Clearing Member's FCM Omnibus ForexClear Client Account with LCH (such ~~cover~~Collateral as selected in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the ~~cover~~Collateral that is to be transferred, it shall notify the Carrying FCM Clearing Member and the Receiving FCM Clearing Member of the ~~cover~~Collateral that will be transferred in accordance with the timetable below.

In the event that any of the conditions set forth in FCM Regulation-8(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the related ~~cover~~Collateral. In such circumstances, the Clearing House will notify the Receiving FCM Clearing Member that the associated ~~cover~~Collateral will not be transferred and, in order to proceed with the transfer of the associated FCM ForexClear Contracts, the Receiving FCM Clearing Member will have to provide the Clearing House with sufficient ~~cover~~Margin in respect of the transferring FCM ForexClear Contracts.

In the event that the Clearing House transfers ~~cover~~Collateral pursuant to these FCM Procedures and the FCM Regulations, it will also transfer the aggregate Variation Margin and next day Variation Margin and Net Settlement Amount associated with the transferring FCM ForexClear Contracts.

**2B.18.4 Timetable for FCM Client Transfer**

<b>Time</b>	<b>Partial Transfer</b>	<b>Full Transfer (with <del>e</del><u>Collateral</u>)</b>	<b>Full Transfer (without <del>e</del><u>Collateral</u>)</b>
(all references below are to New York time, unless stated otherwise)			

<u>Time</u> (all references below are to New York time, unless stated otherwise)	<u>Partial Transfer</u>	<u>Full Transfer (with <del>e</del>Collateral)</u>	<u>Full Transfer (without <del>e</del>Collateral)</u>
Day 0: 15:00	Deadline for receipt from Receiving FCM Clearing Member of FCM Client Partial Transfer Form.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form and confirmation that <del>ever</del> Collateral is to be transferred.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form.
Day 1: 05:00	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer certain FCM ForexClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM ForexClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM ForexClear Contracts pursuant to a request from the Receiving FCM Clearing Member.
Day 2: 09:00	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(c)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.	<p>Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.</p> <p><del>Deadline for confirmation from Carrying FCM Clearing Member of the collateral which is to be ported to the Receiving FCM Clearing Member.</del></p> <p><u>Deadline for confirmation from Carrying FCM Clearing Member of the Collateral which is to be ported to the Receiving FCM Clearing Member.</u></p>	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.

<b>Time</b> (all references below are to New York time, unless stated otherwise)	<b>Partial Transfer</b>	<b>Full Transfer (with <del>e</del>Collateral)</b>	<b>Full Transfer (without <del>e</del>Collateral)</b>
Day 2: 11:00		LCH notifies the Receiving FCM Clearing Member of the <del>e</del> Collateral that will be transferred or that <del>e</del> Collateral will not be transferred.  Where <del>e</del> Collateral will not be transferred, transfer is treated as a full transfer (without <del>e</del> Collateral).	
Day 2: 17:00	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer and associated <del>e</del> Collateral from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.
Day 3: 07:00	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional <del>ever</del> Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional <del>ever</del> Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional <del>ever</del> Collateral is required to enable the transfer.
Day 3: 08:00	Deadline for receipt by Clearing House of any additional <del>ever</del> Collateral from the Carrying FCM Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional <del>ever</del> Collateral from the Carrying FCM Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional <del>ever</del> Collateral from the Carrying FCM Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.
Day 3: 08:15	Clearing House performs the transfer process of certain FCM ForexClear Contract(s) to be included within the 14:00 (London time) Risk Run, providing both FCM are sufficiently collateralised to enable the transfer.	Clearing House performs the transfer process of certain FCM ForexClear Contract(s) to be included within the 14:00 (London time) Risk Run, providing both FCM are sufficiently collateralised to enable the transfer.	Clearing House performs the transfer process of certain FCM ForexClear Contract(s) to be included within the 14:00 (London time) Risk Run, providing both FCM are sufficiently collateralised to enable the transfer.
Day 3: 09:00	Clearing House transfers FCM ForexClear Contracts.	Clearing House transfers FCM ForexClear Contracts and associated <del>e</del> Collateral.	Clearing House transfers FCM ForexClear Contracts.

<u>Time</u> (all references below are to New York time, unless stated otherwise)	<u>Partial Transfer</u>	<u>Full Transfer (with eCollateral)</u>	<u>Full Transfer (without eCollateral)</u>
Day 3: 10:00	Clearing House will publish to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member the relevant transfer reporting in relation to the transferred FCM ForexClear Contracts	Clearing House will publish to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member the relevant transfer reporting in relation to the transferred FCM ForexClear Contracts	Clearing House will publish to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member the relevant transfer reporting in relation to the transferred FCM ForexClear Contracts

The timings and processes listed in the table above may be amended from time to time by the Clearing House in its full discretion via Member Circular.

## 2B.18.5 Transactions in Respect of FCM Clients and Affiliates in Default to FCM Clearing Member

This Section describes certain transactions that, under certain conditions, can be carried out by an FCM Clearing Member in respect of one of its FCM Clients that has defaulted in its obligations to the FCM Clearing Member.

A request or instruction from an FCM Clearing Member to the Clearing House to carry out a transaction described in Sections 2B.18.5.1, 2B.18.5.2 or 2B.18.5.3 below shall in every case be deemed a representation by the FCM Clearing Member to the Clearing House that (i) the affected FCM Client is in default of its obligations to the FCM Clearing Member, (ii) the FCM Clearing Member has provided and will provide (as applicable) any required notices to the FCM Client of its default and the FCM Clearing Member's transactions effected under Sections 2B.18.5.1, 2B.18.5.2 and/or 2B.18.5.3 below, and (iii) the FCM Clearing Member is permitted by its agreements with the FCM Client and applicable law, and has authority to effect the transactions specified in the FCM Clearing Member's requests and/or instructions to the Clearing House in respect of such FCM Client. FCM Clearing Members are not permitted to effect or attempt to effect a transaction described in Sections 2B.18.5.1, 2B.18.5.2 or 2B.18.5.3 below where the preceding representations are not satisfied.

Notwithstanding anything to the contrary contained in this Section 2B.18.5, the transactions described in this section are subject to all applicable provisions of the CEA and the CFTC Regulations (including without limitation Part 22 thereof).

### 2B.18.5.1 Transfers between Proprietary Accounts and Client Accounts of the Same FCM Clearing Member

Pursuant to FCM Regulation 8(g), an FCM Clearing Member may, in connection with a defaulted FCM Client, transfer an FCM ForexClear Contract from the applicable FCM Client Sub-Account to its Proprietary Account, or transfer an FCM ForexClear Contract from its Proprietary Account to the applicable FCM Client Sub-Account, provided that the following conditions are met (in addition to any other generally applicable provisions of the FCM Rulebook):

- (a) the representations described above in Section 2B.18.5 are not or would not be breached;
- (b) satisfactory evidence of the FCM Client's default in its obligations to the FCM Clearing Member is presented to the Clearing House, which evidence may be, to the extent permitted by the Clearing House in its sole discretion, nothing other than the FCM Clearing Member's instruction to effect the transfer (provided that the Clearing House shall be entitled to request additional evidence in its discretion);
- (c) at all times the FCM Clearing Member maintains sufficient Margin in its Proprietary Account and the applicable FCM Client Sub-Account, taking into account that (i) the FCM Clearing Member may request that Collateral attributed to the Proprietary Account be transferred to the FCM Omnibus ForexClear Client Account with LCH in connection with a transfer of an FCM ForexClear Contract from the Proprietary Account to an FCM Client Sub-Account (Collateral attributed to the FCM Omnibus ForexClear Client Account with LCH may in no circumstances be transferred to a Proprietary Account), and (ii) Collateral transfers may not be requested by the FCM Clearing Member in connection with a transfer of an FCM ForexClear Contract from an FCM Client Sub-Account to the Proprietary Account; and
- (d) on demand from the Clearing House, an indemnity from the FCM Clearing Member in a form suitable to the Clearing House is provided to the Clearing House.

The Clearing House will typically (but shall not be required to) transfer the relevant FCM ForexClear Contract within 24 hours of receipt of the above.

An FCM ForexClear Contract transferred in this manner shall be through novation, from the FCM Client to the FCM Clearing Member in the case of a transfer from an FCM Client Sub-Account to the Proprietary Account, and from the FCM Clearing Member to the FCM Client in the case of a transfer from a Proprietary Account to an FCM Client Sub-Account.

#### **2B.18.5.2 FCM ForexClear Contracts Entered into on Behalf of Defaulted Clients**

An FCM Clearing Member may register, in the name of a defaulted FCM Client but without the direction of such FCM Client, FCM ForexClear Contracts (including hedging and/or compression transactions) to such FCM Client's FCM Client Sub-Account under the following conditions (in addition to any other generally applicable provisions of the FCM Rulebook):

- (a) the representations described above in Section 2B.18.5 are not or would not be breached;
- (b) at all times the FCM Clearing Member maintains sufficient Margin in the applicable FCM Client Sub-Account; and
- (c) on demand from the Clearing House, an indemnity from the FCM Clearing Member in a form suitable to the Clearing House is provided to the Clearing House.

Such an FCM ForexClear Contract submitted for registration in the name of a defaulted FCM Client must reference the applicable FCM Client and FCM Client Sub-Account as would ordinarily occur; however, the transaction may be submitted using either the FCM Client's FCM Approved Trade Source System identification

number or an alternative FCM Approved Trade Source System identification number other than that of the FCM Client (e.g., the FCM Clearing Member's or one of its Affiliate's FCM Approved Trade Source System identification numbers), as applicable. Where the transaction is submitted using an alternative FCM Approved Trade Source System identification number other than that of the FCM Client, the Clearing House may in its discretion request satisfactory evidence of the FCM Client's default in its obligations to the FCM Clearing Member and an indemnity from the FCM Clearing Member in a form suitable to the Clearing House.

### **2B.18.5.3 FCM ForexClear Contracts Entered into on Behalf of Defaulted Affiliates**

An FCM Clearing Member may register, in the name of a defaulted Affiliate but without the direction of such Affiliate, FCM ForexClear Contracts (including hedging and/or compression transactions) to such Affiliate through the Proprietary Account under the following conditions (in addition to any other generally applicable provisions of the FCM Rulebook):

- (a) the representations described above in Section 2A.12.5 are not or would not be breached;
- (b) at all times the FCM Clearing Member maintains sufficient Margin in its Proprietary Account; and
- (c) on demand from the Clearing House, an indemnity from the FCM Clearing Member in a form suitable to the Clearing House is provided to the Clearing House.

Such an FCM ForexClear Contract submitted for registration in the name of a defaulted Affiliate must reference the applicable Affiliate as would ordinarily occur.

### **2B.18.6 Transfers of FCM ForexClear Contracts of FCM Clients to the Proprietary Account of a Different FCM Clearing Member or a ForexClear Clearing Member**

FCM Clearing Members are permitted under certain conditions to transfer Open Contracts registered on behalf of their FCM Clients to the Proprietary Account of a different FCM Clearing Member or a ForexClear Clearing Member. FCM Clearing Members interested in providing these services to their FCM Clients should contact the Clearing House's ForexClear Client Services department.

## **2B.19 Proprietary Account Position Transfers**

The FCM ForexClear Clearing System provides functionality for the transfer of positions from an FCM Clearing Member's Proprietary Account, either in respect of FCM ForexClear Contracts held on an FCM Clearing Member's own behalf or in respect of FCM ForexClear Contracts held on behalf of an Affiliate. In either case, any such transfer may only occur if the Receiving FCM Clearing Member is an Affiliate of the Carrying FCM Clearing Member. An FCM Clearing Member who wishes to effect a position transfer to another FCM Clearing Member should contact the Clearing House's Risk Management Department.

Before the completion of a portfolio transfer, the Clearing House will perform a margin impact analysis of the transfer to the source and destination portfolios. The Clearing House will advise the relevant FX FCM regarding any additional eCollateral that may be required in order to complete the portfolio transfer.

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Transfers will only be effected once adequate ~~cover~~[Margin](#) has been provided by both parties to the transfer. Transfers of Affiliate positions shall not be permitted to another FCM Clearing Member's Proprietary Account unless such Affiliate is an Affiliate of the FCM Clearing Member receiving the transferred position.

## **2B.20 FCM Clearing Member's Client Fund Transfer**

The FCM ForexClear Clearing System provides functionality for the transfer of an individual FCM ForexClear Contract whereby an FCM Client has incorrectly booked the FCM ForexClear Contract to a fund, and wishes to re-locate the FCM ForexClear Contract to an alternative fund within the accounts of the same FCM Clearing Member.

Transfers can only occur based upon the below rules:

- A valid request has been received by the Clearing House from the applicable FCM Clearing Member on behalf of the FCM Client, as per Appendix 2B.B.
- The FCM ForexClear Contract is registered by the Clearing House, and sufficient ~~collateral is held~~[Margin has been furnished](#) to cover the FCM ForexClear Contract.
- Transfers are only handled on an individual trade by trade basis, and within the accounts of a single FCM Clearing Member (*i.e.*, not a transfer between two FCM Clearing Members).

Transfer requests received by ForexClear Operations prior to 17:00 London time will be managed and included in the 19:30 London time margin run. The transfer of the FCM ForexClear Contract will occur provided that sufficient ~~cover~~[Margin](#) is held for the FCM Clearing Member.

## **2B.21 ForexClear Reporting**

The Clearing House produces a suite of treasury reports for members across each of the Clearing House services. Some of these reports are cross-service reports and others are specific to the ForexClear Service (including the FCM ForexClear Service), thus an FX FCM will receive reports in respect of the FCM ForexClear Service and may also receive cross-service reports where it is a member of another service. Follow this link to the information available from the LCH.Clearent website: [Banking Reports](#).<sup>2</sup>

In respect of the FCM ForexClear Service, on each business day the Clearing House will provide two sets of reports to FX FCMs: (1) Banking Reports; and (2) reports direct from the FCM ForexClear Service (together, "**ForexClear Reporting**"). These Procedures reference the FCM ForexClear Service specific reports. Each day's report will remain available for download by FX FCMs from the FCM ForexClear Service Portal for five days.

### **2B.21.1 Margin Liability Reports**

Reports detailing Liabilities are provided to FX FCMs following every scheduled Margin Run in accordance with Section 2B.17 and where additional ~~collateral~~

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<sup>2</sup> [http://www.lchclearnet.com/Images/banking\\_report\\_tcm6-48011.pdf](http://www.lchclearnet.com/Images/banking_report_tcm6-48011.pdf)

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~~eCover~~[Collateral](#) has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level at 22.00 hours, London time. If the EOD Margin Run has not completed by 22:00 hours, London time, on a particular business day, the report generated at EOD will reflect that not all the Liabilities of all FXCCMs as covered by ~~e~~[C](#)ollateral by 22:00 hours, London time. A report will also be provided detailing an FX FCM's ~~eCover~~[utilisation](#)[Margin utilization](#) level. If an FX FCM's Liabilities exceed its total available ~~eCover~~[Margin](#), ForexClear will alert the FX FCM.

#### 2B.21.2 Market Data Reports

Reports detailing Market Data are provided to FX FCMs following every scheduled Margin Run. They include reports of Market Data and Settlement Rate used in the valuation of FCM ForexClear Contracts and reports of Market Data shifts for each historic scenario used in IM calculations.

#### 2B.21.3 Trade Reports

Reports are provided that enable FX FCMs to monitor their firms' trading events and positions in respect of ForexClear. Reports on open FCM ForexClear Contracts and on cancelled FCM ForexClear Transactions and FCM ForexClear Contracts are generated at EOD and reports on transferred FCM ForexClear Contracts are made on an ad hoc basis.

#### 2B.21.4 Trade Fixing and Settlement Reports

Reports are published on each business day detailing the FCM ForexClear Contracts to which the Settlement Rate has been applied on that business day (the "NDF Fixings" report), FCM ForexClear Contracts that have been settled during that current business day (the "Settlements Today" report) and FCM ForexClear Contracts that will settle the next business day (the "NDF's Fixed with Settlement Tomorrow" report).

#### 2B.21.5 Fees Reports

Reports on trading volumes on a daily and monthly basis are provided to FX FCMs. Monthly reports are provided on the last business day of each month. They include the full trading volumes on which the monthly transaction fees will be charged to those FX FCMs choosing to have tariffs levied per transaction.

#### 2B.21.6 Banking Reports

[Follow this link for a full list of Banking reports.](#)<sup>3</sup>

#### 2B.21.7 Real-time Reporting

A near real-time view of member liabilities, ~~e~~[C](#)ollateral pledged, ~~e~~[collateral](#)[Margin](#) and credit utilization will be available from the ForexClear Service Portal (referred to in Section 2B.17)

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<sup>3</sup> [http://www.lchclearnet.com/membership/ltd/training\\_and\\_education/reference\\_guide\\_request\\_form.asp](http://www.lchclearnet.com/membership/ltd/training_and_education/reference_guide_request_form.asp)

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## 2B.22 Treasury Operations & Collateral Management

### 2B.22.1 Cover Distribution

The Clearing House nets each FX FCM's Liabilities (i.e., margins and multipliers) and then the total of cash eCollateral and non-cash eCollateral are applied to offset those net Liabilities. This process is known as cover distribution ("**Cover Distribution**"). FX FCMs can choose whether cash or non-cash eCollateral should be applied first. At the end of this process, if an FX FCM has a shortfall, a PPS (as defined in Section 2B.22.3 below) call for additional eCollateral is made. Conversely, any excess cash remaining after the final overnight Margin Run can, if requested before 09:30 hours, London time, be repaid to the FX FCM.

### 2B.22.2 Cover Distribution Notification

FX FCMs are informed via email of their: Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash eCollateral account(s)) and are directed to the ForexClear Service Portal which provides reports (at the times specified in Section 2B.20.1) informing FX FCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total cover posted with the Clearing House for ForexClear; and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash eCollateral account(s)).

The reports accessed via the ForexClear Service Portal will enable FX FCMs to log in and examine the underlying data.

### 2B.22.3 Protected Payment System

The Clearing House operates the Protected Payments System ("**PPS**") for transferring funds to and from its FX FCMs to cover their Margin Requirements. This is similar to a direct debit arrangement where the PPS bank confirms that any Clearing House-specified call is met.

FX FCMs are obliged to hold an account with a London PPS bank in USD, as well as a USD account with a PPS bank in the USA.

Follow the link below for a list of PPS banks operating in the UK and US:

[List of PPS Banks<sup>4</sup>](#)

### 2B.22.4 Acceptable Forms of Collateral Cover

Follow the link below for a detailed description of acceptable eCollateral and processes applicable from time to time:

[Risk Management/LCH.Clearnet Ltd/Acceptable Collateral<sup>5</sup>](#)

### 2B.21.5 Interest and Accommodation

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<sup>4</sup> [http://www.lchclearnet.com/risk\\_management/ltd/pps/](http://www.lchclearnet.com/risk_management/ltd/pps/)

<sup>5</sup> [http://www.lchclearnet.com/Images/Section4\\_tcm6-43748.pdf](http://www.lchclearnet.com/Images/Section4_tcm6-43748.pdf)

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shall consider the third party's ability to demonstrate that it has the necessary operational infrastructure and appropriate asset class expertise.

Where an FX FCM successfully appoints an LCH Approved Outsourcing Agent, that FX FCM may be subject to increased Margin Requirements to cater for the additional time required to invoke an outsourcing process in the event of a default

FX FCMs should note that LCH Approved Outsourcing Agents may be subject to a more rigorous driving test and fire-drill than FX FCM (i.e., required to demonstrate an ability to price and bid a greater number of trades at tighter pricing tolerances and within more onerous timeframes). In addition, the Clearing House may require an FX FCM, that has appointed an LCH Approved Outsourcing Agent, to participate in an ad-hoc fire-drill or driving test with such notice as the Clearing House deems appropriate in its sole discretion.

The Clearing House reserves the right to revoke an entity's status as an LCH Approved Outsourcing Agent, in its sole discretion and without notice. In the event of such a revocation, the relevant FX FCM shall be required to assume those responsibilities that were previously outsourced. Such revocation may occur where the Clearing House considers that there is an insufficient number of third party entities that are providing outsourced default management services (usually a minimum of five providers at any one time).

Other than in exceptional circumstances and in the Clearing House's sole discretion, an LCH Approved Outsourcing Agent may not act on behalf of more than three clearing members.

The appointment of an LCH Approved Outsourcing Agent does not absolve an FX FCM of its obligations under the ForexClear DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the ForexClear DMP on behalf of an FX FCM, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that FX FCM.

#### **2B.23.5 ForexClear DMG**

The necessary involvement of FX FCMs and the ForexClear DMG (which, as defined in the Default Rules, refers to the advisory Default Management Group established by the Clearing House pursuant to the terms of the ForexClear DMP Annex to the Default Rules) in the ForexClear DMP entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure that such potential conflicts are demonstrably contained, Appendix 2B.D establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on FX FCMs (and their executives or directors who participate from time to time in the ForexClear DMG) and on the Clearing House.

Each FX FCM who makes available a representative to serve on the ForexClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the ForexClear DMG complies with Appendix 2B.D covering confidentiality, non-disclosure and other terms.

#### **2B.23.6 Procedures for Liquidation of FCM ForexClear Contracts of FCM Clients**

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Upon the default of an FCM Clearing Member, the Clearing House has the power and authority, pursuant to the FCM Rulebook, the CEA and the CFTC Regulations, to liquidate the FCM ForexClear Contracts of FCM Clients which, pursuant to the FCM Rulebook, would be conducted in accordance with the ForexClear DMP Annex. This section sets forth certain supplementary procedures (in addition to the Default Rules and other applicable provisions of the FCM Rulebook) that will apply under such circumstances.

~~When the Clearing House determines that part or all of an FCM Client's FCM Client Segregated Sub-Account holding FCM ForexClear Contracts is non-transferable and such FCM Client Segregated Sub-Account and any or all of the FCM ForexClear Contracts held in such FCM Client Segregated Sub-Account will be liquidated.~~ In certain circumstances the Clearing House may deem, in its sole discretion, that one or more of the FCM ForexClear Contracts attributable to an FCM Client's FCM Client Sub-Account should be liquidated. Such determination may result from factors including: (i) the Clearing House determining that the FCM Client poses too great a risk to the Clearing House and should therefore be liquidated, (ii) the Clearing House becoming aware of the FCM Client becoming insolvent or otherwise failing in its obligations to the defaulting FCM Clearing Member, (iii) the relevant FCM Client requesting that it be liquidated, or (iv) a request or instruction from a Regulatory Body, whether orally or in writing. In the event of such liquidation the Clearing House shall transfer (either physically or by book-entry) such FCM Client's FCM ForexClear Contracts to be liquidated into an account ~~of~~ at the Clearing House established for purposes of liquidating the FCM ForexClear Contracts of FCM Clients of the defaulter (such account, a "**Hedged Account**"). The Clearing House ~~will~~ shall establish a separate Hedged Account for each currency of FCM ForexClear Contracts that are non-transferable and will be subject to liquidation and will include in each such Hedged Account the FCM ForexClear Contracts in the applicable currency that are to be liquidated, regardless of the FCM Clients for which such FCM ForexClear Contracts are held. The provisions of this section shall apply equally to any such Hedged Account. Additionally, no FCM Contracts other than FCM ForexClear Contracts will be transferred into a Hedged Account established for liquidating FCM ForexClear Contracts.

An FCM Client whose FCM ForexClear Contracts are transferred into a Hedged Account is referred as a "**Non-Porting Client**". The Clearing House shall hold the ~~Account Assets~~ relevant Collateral in respect of ~~each~~ Non-Porting Clients (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in ~~its applicable~~ the relevant FCM Omnibus ForexClear Client Segregated Sub-Account with LCH of the defaulter until the liquidation of the entire Hedged Account and all FCM ForexClear Contracts and other positions therein, as described below. At the time that the FCM ForexClear Contracts of a Non-Porting Client are transferred into a Hedged Account, any outstanding and accrued but unpaid Variation Margin in respect of such FCM ForexClear Contracts shall be discharged as of the time such FCM ForexClear Contracts are transferred into the Hedged Account, by (i) in the event that Variation Margin is accrued but unpaid in favor of the Clearing House, debiting the relevant FCM Client ~~Segregated~~ Sub-Account of such FCM Client, or (ii) in the event that Variation Margin is accrued but unpaid in favor of the FCM Client, crediting the relevant FCM Client ~~Segregated~~ Sub-Account of such FCM Client.

*Administration of a Hedged Account.* The Clearing House may enter into hedge transactions and liquidate and/or auction the FCM ForexClear Contracts and

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hedges ~~in a~~for the account of the Hedged Account, and may take related actions with respect to a Hedged Account (and the positions held therein), in its sole discretion as permitted by the FCM Rulebook, the CEA and the CFTC Regulations, or as directed by an applicable Regulatory Body.

*Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients.* The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs including the gains and losses associated with hedging transactions, and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:

- (i) At the time an FCM Client becomes a Non-Porting Client, such Non-Porting Client is assigned a risk factor (a “**Risk Factor**”) which is equal to such Non-Porting Client’s ~~Initial~~Required Margin ~~requirement~~ with respect to its FCM ForexClear Contracts that are transferred into the Hedged Account at the time such FCM Client became a Non-Porting Client (*i.e.*, at the time of transfer into the Hedged Account).
- (ii) On the first day that FCM Clients become Non-Porting Clients, gains and losses in the Hedged Account on such day shall be allocated on a pro rata basis among such Non-Porting Clients based on their individual Risk Factors. The allocation of gains and losses on subsequent days shall be made in the same manner until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account. Additional Non-Porting Clients that are included in the Hedged Account on a subsequent day, until further additional Non-Porting Clients are included in the Hedged Account on a further subsequent day, are referred to as “**New Non-Porting Clients**”.
- (iii) On a day when one or more New Non-Porting Clients are included in the Hedged Account, the Clearing House shall calculate a combined risk factor (the “**Existing Non-Porting Clients Combined Risk Factor**”) in respect of the Non-Porting Clients that were previously included in the Hedged Account and are not New Non-Porting Clients (such existing Non-Porting Clients, “**Existing Non-Porting Clients**”). The Existing Non-Porting Clients Combined Risk Factor shall be based on the amount of ~~Initial~~Required Margin associated with the Hedged Account with respect to all positions (including all FCM ForexClear Contracts, hedges or other positions) held in the Hedged Account, at the beginning of the day on which New Non-Porting Clients are included in the Hedged Account (*i.e.*, at a time prior to the transfer of the FCM ForexClear Contracts of New Non-Porting Clients into the Hedged Account). For the avoidance of doubt, the Existing Non-Porting Clients Combined Risk Factor is calculated without respect to the ~~Initial~~Required Margin ~~requirements~~ applicable to the transferred FCM ForexClear Contracts of the New Non-Porting Clients.
- (iv) On any day on which New Non-Porting Clients are included in the Hedged Account, gains and losses in the Hedged Account that are incurred on that day will be allocated among the Existing Non-Porting Clients (as a group) and the New Non-Porting Clients (individually) on a pro rata basis based on the Existing Non-Porting

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Clients Combined Risk Factor (with respect to the Existing Non-Porting Clients as a group) and the individual Risk Factors of each New Non-Porting Client (with respect to each such New Non-Porting Client individually). The gains and losses allocated in such manner to the Existing Non-Porting Clients as a group shall be further allocated to each individual Existing Non-Porting Client on a pro rata basis based on the Risk Factor of each such Existing Non-Porting Client. The allocation of gains and losses on subsequent days shall occur in the same manner as set forth in this paragraph (iv) until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account and thus become the New Non-Porting Clients. In such a case, (A) the Existing Non-Porting Clients shall continue to be treated as Existing Non-Porting Clients, (B) the Non-Porting Clients previously constituting the New Non-Porting Clients shall then constitute Existing Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), (C) the additional Non-Porting Clients included in the Hedged Account constitute the New Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), and (D) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Risk Factor and the allocation of gains and losses shall be in accordance with paragraph (iii) above and this paragraph (iv).

- (v) Upon the liquidation of the Hedged Account and all FCM ForexClear Contracts and other positions therein, by auction or otherwise, any gains or losses associated with such auction/liquidation shall be allocated among all Non-Porting Clients on a pro rata basis based on the "unit value" of each FCM ForexClear Contract of each Non-Porting Client transferred into the Hedged Account, as adjusted by a "auction value adjustment". For purposes of this clause (v), (1) "**unit value**" means the value applied to each FCM ForexClear Contract, based on the net present value and outstanding notional value associated with each such FCM ForexClear Contract, and (2) "**auction value adjustment**" means a ratio applied to an FCM ForexClear Contract based on the aggregate auction/liquidation costs incurred in auctioning/liquidating the Hedged Account and the aggregate notional value of all FCM ForexClear Contracts in the Hedged Account, each of clauses (1) and (2) as determined by the Clearing House. The allocations described in this clause (v) are without reference to any Risk Factor or Existing Non-Porting Clients Combined Risk Factor.

*Settlement of Non-Porting Clients Following Liquidation of Hedged Account.* Following the liquidation of a Hedged Account, the Clearing House shall allocate the appropriate gains and losses (as determined in accordance with the above provisions) to each Non-Porting Client's FCM Client **Segregated** Sub-Account.

## **2B.24 Payment of Stamp Tax**

Each FCM Clearing Member shall pay any stamp tax or duty levied or imposed upon it or in respect of its execution or performance of the FCM Clearing Membership Agreement, the FCM Default Fund Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM ForexClear Contract) by a jurisdiction in which it is incorporated, organized, managed and

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controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction and shall indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House or in respect of the Clearing House's execution or performance of the FCM Clearing Membership Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM ForexClear Contract) by any such jurisdiction.

**2B.25 Section 696, Corporation Tax Act 2009**

The FCM Clearing Member agrees that should a situation arise where HM Revenue and Customs ("HMRC") raises an enquiry, or makes an information request, to the Clearing House regarding an FCM Transaction or FCM Contract that the FCM Clearing Member is submitting (or has submitted) to the Clearing House, and that enquiry or information request is in respect of the application of s696 - s697 Corporation Tax Act 2009, the FCM Clearing Member will use its reasonable endeavours to provide such information and support as the Clearing House may reasonably require in order to respond to and effectively deal with the queries raised by HMRC.



FCM CLIENT - PARTIAL TRANSFER FORM

V.1.0: November 2011

Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein

To: LCH.Clearnet Limited

From: Receiving FCM Clearing Member

Date:

We, ..... [insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member") have received a request from..... [insert name of transferring FCM Client] (the "FCM Client") to transfer part of its portfolio of FCM ForexClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM ForexClear Contracts as identified below pursuant to FCM Regulation 8(c) and the FCM Procedures.

Please insert the LCH trade IDs of the transferring FCM ForexClear Contracts, using the Schedule below:

\*\*Please insert the LCH trade ID and Approved Trade Source (ATS) ID of the transferring FCM ForexClear Contracts.

\*\*Please append a list of additional FCM ForexClear Contracts to this form, if required.

LCH Trade ID	ATS Trade ID

**Signatories for and on behalf of the Receiving FCM Clearing Member:**

We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member

1.

(Authorized Signatory)	Name	Position	Date

2.

(Authorized Signatory)	Name	Position	Date

**Signatories for and on behalf of the transferring FCM Client:**

To: Receiving FCM Clearing Member

We acknowledge and confirm:

- i. the request to transfer as detailed above;
- ii. that the Clearing House will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;
- iii. that, in accordance with the FCM Rulebook, the Clearing House is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;
- iv. that the transfer detailed above may require that additional ~~cover~~Margin be ~~paid~~furnished to the Clearing House (and/or by us to the Receiving FCM Clearing Member listed above and/or our Carrying FCM Clearing Member), and that the Clearing House is not required to affect the transfer if it has not received adequate ~~cover~~Margin in respect of the transfer or if any of the other conditions set forth in the FCM Rulebook applicable to the transfer are unsatisfied;
- v. that the FCM Client is not insolvent and has no outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates; and
- vi. that we are authorized to make these acknowledgements and confirmations and do so on behalf of the FCM Client listed above in accordance with the FCM Regulations.

For and on behalf of the FCM Client:

Authorized signatory	Authorized signatory
Date	Date

All forms should be returned to LCH.Clearnet Limited for the attention of Business Operations.

Email: [ForexClear.BusOps@lchclearnet.com](mailto:ForexClear.BusOps@lchclearnet.com)

Telephone: [+44 (0) 207 426 3729]

ForexClear Business Operations  
 Aldgate House  
 33 Aldgate High Street  
 London EC3N 1EA



APPENDIX 2B.B
FCM CLIENT – FULL TRANSFER FORM



FCM CLIENT - FULL TRANSFER FORM

V.1.0: November 2011

Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein

To: LCH.Clearnet Limited
From: Receiving FCM Clearing Member
Date:

We, .....[insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member") have received a request from ..... [insert name of transferring FCM Client] (the "FCM Client") to transfer its entire portfolio of FCM ForexClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM ForexClear Contracts as identified below pursuant to FCM Regulation 8(b) and the FCM Procedures.

Please insert EITHER:

i. Name of Carrying FCM Clearing Member:
.....

OR

ii. the LCH trade IDs of the transferring FCM ForexClear Contracts (using the Schedule on the next page).

in order to enable the Clearing House to identify the relevant FCM ForexClear Contracts that are to be transferred.

Please tick the relevant box below to confirm whether the FCM Client wishes to transfer the associated Accounts Assets Collateral in accordance with FCM Regulations 8(d).

- The FCM Client wishes to transfer Account Assets Collateral
The FCM Client does NOT wish to transfer Account Assets Collateral

Signatories for and on behalf of the Receiving FCM Clearing Member:

We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member

- 1. (Authorized Signatory) Name Position date
2. (Authorized Signatory) Name Position date

**Signatories for and on behalf of the transferring FCM Client:****To:** Receiving FCM Clearing Member

We acknowledge and confirm:

- i. the request to transfer as detailed herein;
- ii. that we will be unable to submit further FCM ForexClear Contracts through our Carrying FCM Clearing Member from the date that this form is received by the Clearing House until the transfer has been effected;
- iii. that the Clearing House will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;
- iv. that, in accordance with the FCM Rulebook, the Clearing House is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;
- v. that the transfer detailed above may require that additional ~~cover~~Margin be ~~paid~~furnished to the Clearing House (and/or by us to the Receiving FCM Clearing Member listed above) even where ~~Account Assets are~~Collateral is transferred, and that the Clearing House is not required to affect the transfer if it has not received adequate ~~cover~~Margin in respect of the transfer or if any of the other conditions set forth in the FCM Rulebook applicable to the transfer are unsatisfied;
- vi. that, where we have requested the transfer of ~~Account Assets~~Collateral, (x) we should contact our Carrying FCM Clearing Member to ensure that they contact the Clearing House to identify the correct ~~Account Assets~~Collateral to be transferred, and (y) while the Clearing House will attempt to transfer the specified ~~Account Assets~~Collateral to the Receiving FCM Clearing Member, LCH.Clearnet is permitted to transfer alternative ~~e~~Collateral as it deems appropriate in accordance with the FCM Rulebook;
- vii. that the FCM Client is not insolvent; and has no outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates in respect of FCM ForexClear Contracts; and
- viii. that we are authorized to make these acknowledgements and confirmations and do so on behalf of the FCM Client listed above in accordance with the FCM Regulations.

For and on behalf of the FCM Client:

\_\_\_\_\_  
Authorized signatory\_\_\_\_\_  
Authorized signatory\_\_\_\_\_  
Date\_\_\_\_\_  
Date**All forms should be returned to LCH.Clearnet Limited for the attention of Business Operations.**Insert email: [ForexClear.BusOps@lchclearnet.com](mailto:ForexClear.BusOps@lchclearnet.com)

Insert telephone number: [+44 (0) 207 426 3729]

ForexClear Business Operations  
 Aldgate House  
 33 Aldgate High Street  
 London EC3N 1EA  
 UNITED KINGDOM



APPENDIX 2B.C

FCM CLIENT TRANSFER – CARRY FCM CLEARING MEMBER REPOSSES FORM



FCM CLIENT TRANSFER - CARRYING FCM CLEARING MEMBER RESPONSE FORM

V.1.0: November 2011

Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein

To: LCH.Clearnet Limited

From: Carrying FCM Clearing Member

Date:

We,.....[insert name of Carrying FCM Clearing Member] (the "Carrying FCM Clearing Member") have received a request from LCH.Clearnet Limited in relation to .....s [insert name of transferring FCM Client] (the "FCM Client") request to transfer [its entire/part of its\*] portfolio of FCM ForexClear Contracts held by us. We are writing to inform you that:

\* Delete as appropriate

(Please tick if applicable)

The transferring FCM Client has become insolvent and its FCM ForexClear Contracts should therefore not be transferred in accordance with FCM Regulation 8(b)(i) or FCM Regulation 8(c)(i), as applicable.

(Please tick if applicable)

The transferring FCM Client has outstanding obligations that are due and payable to us and/or our Affiliates and therefore its FCM ForexClear Contracts should not be transferred in accordance with FCM Regulation 8(b)(v) or FCM Regulation 8(c)(v), as applicable.

(Please tick if applicable)

The transferring FCM Client has asked that ~~Account Assets~~Collateral be transferred and the relevant ~~Account Assets are~~Collateral is described in the schedule below.

Schedule of ~~Account Assets~~Collateral:

The ~~Account Assets~~Collateral of the FCM Client consists solely of cash in the following amount and currency:

CASH AMOUNT & CURRENCY

The ~~Account Assets~~Collateral of the FCM Client consists of the following cash and non-cash eCollateral:

CASH AMOUNT & CURRENCY

ISIN	Notional Value

All forms should be returned to LCH.Clearnet Limited for the attention of Business Operations.

Email: [ForexClear.BusOps@lchclearnet.com](mailto:ForexClear.BusOps@lchclearnet.com)

Telephone: [+44 (0) 207 426 3729]

Fax: [TBC]

ForexClear Business Operations  
 Aldgate House  
 33 Aldgate High Street  
 London EC3N 1EA  
 UNITED KINGDOM

**Signatories for and on behalf of the Carrying FCM Clearing Member:**

We acknowledge and confirm the above and that we are authorized to sign for and on behalf of the Carrying FCM Clearing Member:

1. \_\_\_\_\_  
 (Authorized Signatory)                      Name                      Position                      date

2. \_\_\_\_\_  
 (Authorized Signatory)                      Name                      Position                      date

the parameters set. Transactions which are not within the parameters set, or where no limit has been set by the ECFCMs, will remain in ClearWay as pending transactions for ECFCMs to accept manually.

- **Cleartrade (“CT”).** CT connects directly to ECS and has its own Credit Filter, monitored by CT itself. Trades are sent to the Clearing House pre-confirmed by the ECFCMs in the CT Credit Filter, meaning ECFCMs will not have to accept the trades in either ECS or ClearWay and they will be registered as soon as received in ECS. On occasion, CT may manually enter details of trades transacted on their screen into ClearWay. These tickets will therefore pass through the ClearWay Lot Limit Credit Filter and be automatically accepted by the ECFCMs and registered for clearing in ECS if they are within the parameters set. Transactions which are not within the parameters set, or where no credit limit has been set by the ECFCMs, will remain in ClearWay as pending transactions for ECFCMs to accept manually.

**PLEASE NOTE:** If an ECFCM accepts an FCM EnClear Transaction which has been matched on BEDT, within the timeframe laid down by these FCM Procedures, it will be registered by the Clearing House in the name of that ECFCM, whether or not it is a participant of BEDT.

In the event that a trade is submitted to the Clearing House for registration by an OTP and such trade is “accepted” for registration by that ECFCM, that ECFCM shall be bound by an FCM EnClear Contract arising there-from, notwithstanding that any trade particulars submitted by that OTP in respect of such trade are erroneous or incorrect.

The Clearing House shall not be liable for any errors or omissions on the part of an OTP who inputs a trade directly to ECS or via ClearWay and which is registered by the Clearing House.

#### 2C.1.7 **Contract Terms**

The FCM EnClear Contract Terms for contracts cleared in the Freight Division are set out in Section 3.4 of Part A of Schedule C to the FCM Regulations.

The Eligibility Criteria for each FCM EnClear Contract are set out in Part B of Schedule C to the FCM Regulations.

#### 2C.1.8 **Registration**

##### 2C.1.8.1 **General**

FCM EnClear Transactions in the Freight Division must be submitted to the Clearing House either via ClearWay or by an OTP for processing in the ECS System.

The Clearing House may require an ECFCM in whose name an FCM EnClear Contract is to be registered to provide it with ~~cover for Initial Margin and Variation~~sufficient Margin as a condition of registration.

**2C.1.10 Novation**

Once a trade has been registered in ECS, novation replaces each FCM EnClear Transaction submitted through the FCM EnClear Clearing Services with either:

- two separate FCM EnClear Contracts: one between the selling ECFCM and the Clearing House and the other between the buying ECFCM and the Clearing House; or
- (where only one Clearing Member is an ECFCM) one FCM EnClear Contract between the Clearing House and the ECFCM, and the other between the Clearing House and the non-ECFCM Clearing Member, with the latter being governed by the General Regulations.

**2C.1.11 Notification of Rejection**

If the Clearing House does not register a trade presented for registration it will notify the relevant ECFCMs concerned within a reasonable time, indicating the reasons for rejection.

**2C.1.12 Notification**

For the Freight Division, all FCM EnClear Contracts arising from registered FCM EnClear Transactions are listed on ECS and in the daily Trade report available through the Clearing House's Member reporting extranet site.

**2C.1.13 Position Keeping Accounts****2C.1.13.1 Types of Accounts for the Freight Division**

Positions with regard to LCH.Clearnet Freight Contracts are recorded within the ECS system in position-keeping accounts. For the avoidance of doubt, these position-keeping accounts in ECS are not "Member Accounts" as described in Regulation 5 of the General Regulations.

ECFCMs may open and utilize position accounts at their discretion. For example, an ECFCM may wish to have a separate account for each customer, several accounts for one customer or one account for several customers.

There is no restriction on the number of individual position accounts an ECFCM may open. The account reference for each position account within the Clearing House systems will be a free format alphanumeric code, as prescribed by the ECFCM.

**2C.1.13.2 Basis of Position Keeping for the Freight Division**

Position Accounts can be held net or gross, as required by the ECFCM. ECFCMs must notify the Clearing House of their requirements in this regard.

**2C.1.13.3 Position Settlement (Gross Accounts) for Freight Division**

Where a position account is held gross, the ECFCM may, if it so wishes, carry out a closeout by the manual settlement of open positions, using the position adjustment facility in the ECS system.

**2C.1.13.4 Financial Accounts**

Position accounts have financial accounts associated with them. These are, inter alia, used to record cash balances, securities/documentary credits and non-realized margin.

Where appropriate, ECFCMs' financial accounts are identified by a single character code: "C" for segregated client business used for Initial Margin Flows and "L" for segregated client business used for Variation Margin Flows; and "H" for house business.

Position accounts will map to either an ECFCM's "C" account or "H" account, as specified by that Member.

**2C.1.13.5 Other Financial Accounts**

At the Clearing House's discretion, further financial accounts, used only to record financial balances, may be opened as follows:

	Code
Additional Margin accounts (House), used for holding additional cash in relation to Proprietary Business	B
Additional Margin account (Client), used for holding additional cash in relation to FCM Client Business	E
Unallocated Excess account (Client), used for holding excess cash and <del>non-cash collateral</del> <u>noncash Collateral</u> in relation to FCM Client Business	U

**2C.1.13.6 Default Fund (DF) Account**

Each FCM Clearing Member's Default Fund Contribution is held in a separate financial account, in accordance with the Default Fund Rules. The Default Fund account code is "F".

**2C.1.14 Margins****2C.1.14.1 Initial Margins**

Separate Initial Margin calculations are performed for an ECFCM's house "H" and client "C" accounts; no offset between these accounts is allowed. Accounts are margined net, meaning that if long and short positions are held in the same delivery month, Initial Margin is charged on the net position.

**2C.1.14.2 Initial Margins Parameters**

Initial Margin parameters are set by the Clearing House. However, in accordance with the FCM Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for an individual ECFCM's house and/or client accounts.

the ECFCMs to confirm the trades as appropriate. Where a contra trade is entered via ClearWay and passes the lot limit validation criteria set by an ECFCM, it will be automatically accepted by that ECFCM. Where a trade does not meet the validation criteria, it will remain pending and need to be manually confirmed by that ECFCM.

Contra trades will attract the same clearing fees as a normal trade unless the Clearing House's Commercial Services are notified of the trade details at +44 (0)20 7426 7027/6311.

#### 2C.1.16 **Position Transfers**

ECFCMs wishing to affect a position transfer from one ECFCM to another ECFCM should submit a request (a "**Position Transfer Request**") to the Clearing House's Membership Team by email to [MembershipTeam@lchclearnet.com](mailto:MembershipTeam@lchclearnet.com). Confirmation of a position transfer is required from both the transferor ECFCM and the transferee ECFCM.

ECFCMs are requested to forward the Position Transfer Request as early as possible, but no later than 12:00 hours, on a business day, to ensure timely input of the details into ECS/Synapse.

Provided that adequate ~~cover~~[Margin](#) is available from both ECFCMs, the transfer will normally be authorized. Should insufficient ~~cover~~[Margin](#) be available, the transfer may not be authorized until additional ~~cover~~[Margin](#) is provided.

#### 2C.1.17 **Reports**

##### **ECS**

The ECS system will generate reports at the end of each business day detailing registered FCM EnClear Contracts in the Freight Division, margin requirements and positions. These reports are available to ECFCMs and some to Approved Brokers via the Clearing House Member Reporting site (a private member-only site).

It is the responsibility of each ECFCM and Approved Broker to preserve any report required for historic, audit or legal purposes, including, but not limited to, any margin reports.

##### **ClearWay**

ClearWay will retain 90 days of trade data only, showing details of all trades entered and whether or not they cleared, which can be accessed by ECFCMs and Approved Brokers through the ClearWay GUI and downloaded as a report.

#### 2C.1.18 **Fees**

Fees arising for the provision of FCM EnClear Clearing Services will be collected from the ECFCMs monthly through the Members' accounts.

Details of tariffs and any changes thereto will be notified to ECFCMs by means of Member circulars.

For further details regarding fees (including details of how information regarding charges made for FCM EnClear Contracts registered by the Clearing House is communicated to ECFCMs), please see Section 3.6 of these FCM Procedures. ECFCMs should also have regard for the individual sections of this Section 2C of these FCM Procedures which may contain further information regarding fees.

#### 2C.1.19 **Tax**

ECFCMs should take their own legal and accounting advice regarding any taxation liabilities in any country in which a liability to pay tax may arise.

In the event that the Clearing House incurs any liability to pay any tax in respect of or in connection with any FCM EnClear Contract, it shall have the right to require reimbursement of such tax liability, together with any costs or expenses incurred by the Clearing House in connection with the administration and processing of such tax liability, from the ECFCM who is or was party to that FCM EnClear Contract and whom, in the Clearing House's reasonable opinion, should be responsible for meeting such tax liability, costs and expenses. The Clearing House will collect such payments through the Clearing House Protected Payments System.

To the extent that VAT or any equivalent tax is due or becomes due in respect of a transaction under any FCM EnClear Contract, the consideration which the parties have agreed is due under the contract will be regarded as VAT exclusive and VAT will be charged in addition to this amount.

#### ~~2C.1.20~~ 2C.1.20 Transactions in Respect of FCM Clients and Affiliates in Default to FCM Clearing Member

This Section describes certain transactions that, under certain conditions, can be carried out by an FCM Clearing Member in respect of one of its FCM Clients that has defaulted in its obligations to the FCM Clearing Member.

A request or instruction from an FCM Clearing Member to the Clearing House to carry out a transaction described in Sections 2C.1.20.1, 2C.1.20.2 or 2C.1.20.3 below shall in every case be deemed a representation by the FCM Clearing Member to the Clearing House that (i) the affected FCM Client is in default of its obligations to the FCM Clearing Member, (ii) the FCM Clearing Member has provided and will provide (as applicable) any required notices to the FCM Client of its default and the FCM Clearing Member's transactions effected under Sections 2C.1.20.1, 2C.1.20.2 and/or 2C.1.20.3 below, and (iii) the FCM Clearing Member is permitted by its agreements with the FCM Client and applicable law, and has authority to effect the transactions specified in the FCM Clearing Member's requests and/or instructions to the Clearing House in respect of such FCM Client. FCM Clearing Members are not permitted to effect or attempt to effect a transaction described in Sections 2C.1.20.1, 2C.1.20.2 or 2C.1.20.3 below where the preceding representations are not satisfied.

Notwithstanding anything to the contrary contained in this Section 2C.1.20, the transactions described in this section are subject to all applicable provisions of the CEA and the CFTC Regulations (including without limitation Part 22 thereof).

#### 2C.1.20.1 Transfers between Proprietary Accounts and Client Accounts of the Same FCM Clearing Member

Pursuant to FCM Regulation 8(g), an FCM Clearing Member may, in connection with a defaulted FCM Client, transfer an FCM EnClear Contract from the applicable FCM Client Sub-Account to its Proprietary Account, or transfer an FCM EnClear Contract from its Proprietary Account to the applicable FCM Client Sub-Account, provided that the following conditions are met (in addition to any other generally applicable provisions of the FCM Rulebook):

- (a) the representations described above in Section 2C.1.20 are not or would not be breached;
- (b) satisfactory evidence of the FCM Client's default in its obligations to the FCM Clearing Member is presented to the Clearing House, which evidence may be, to the extent permitted by the Clearing House in its sole discretion, nothing other than the FCM Clearing Member's instruction to effect the transfer (provided that the Clearing House shall be entitled to request additional evidence in its discretion);
- (c) at all times the FCM Clearing Member maintains sufficient Margin in its Proprietary Account and the applicable FCM Client Sub-Account, taking into account that (i) the FCM Clearing Member may request that Collateral attributed to the Proprietary Account be transferred to the FCM Omnibus EnClear Client Account with LCH in connection with a transfer of an FCM EnClear Contract from the Proprietary Account to an FCM Client Sub-Account (Collateral attributed to the FCM Omnibus EnClear Client Account with LCH may in no circumstances be transferred to a Proprietary Account), and (ii) Collateral transfers may not be requested by the FCM Clearing Member in connection with a transfer of an FCM EnClear Contract from an FCM Client Sub-Account to the Proprietary Account; and
- (d) on demand from the Clearing House, an indemnity from the FCM Clearing Member in a form suitable to the Clearing House is provided to the Clearing House.

The Clearing House will typically (but shall not be required to) transfer the relevant FCM EnClear Contract within 24 hours of receipt of the above.

An FCM EnClear Contract transferred in this manner shall be through novation, from the FCM Client to the FCM Clearing Member in the case of a transfer from an FCM Client Sub-Account to the Proprietary Account, and from the FCM Clearing Member to the FCM Client in the case of a transfer from a Proprietary Account to an FCM Client Sub-Account.

#### **2C.1.20.2 FCM EnClear Contracts Entered into on Behalf of Defaulted Clients**

An FCM Clearing Member may register, in the name of a defaulted FCM Client but without the direction of such FCM Client, FCM EnClear Contracts (including hedging and/or compression transactions) to such FCM Client's FCM Client Sub-Account under the following conditions (in addition to any other generally applicable provisions of the FCM Rulebook):

- (a) the representations described above in Section 2C.1.20 are not or would not be breached;
- (b) at all times the FCM Clearing Member maintains sufficient Margin in the applicable FCM Client Sub-Account; and

(c) on demand from the Clearing House, an indemnity from the FCM Clearing Member in a form suitable to the Clearing House is provided to the Clearing House.

Such an FCM EnClear Contract submitted for registration in the name of a defaulted FCM Client must reference the applicable FCM Client and FCM Client Sub-Account as would ordinarily occur. The Clearing House may in its discretion request satisfactory evidence of the FCM Client's default in its obligations to the FCM Clearing Member and an indemnity from the FCM Clearing Member in a form suitable to the Clearing House.

### **2C.1.20.3 FCM EnClear Contracts Entered into on Behalf of Defaulted Affiliates**

An FCM Clearing Member may register, in the name of a defaulted Affiliate but without the direction of such Affiliate, FCM EnClear Contracts (including hedging and/or compression transactions) to such Affiliate through the Proprietary Account under the following conditions (in addition to any other generally applicable provisions of the FCM Rulebook):

- (a) the representations described above in Section 2A.12.5 are not or would not be breached;
- (b) at all times the FCM Clearing Member maintains sufficient Margin in its Proprietary Account; and
- (c) on demand from the Clearing House, an indemnity from the FCM Clearing Member in a form suitable to the Clearing House is provided to the Clearing House.

Such an FCM EnClear Contract submitted for registration in the name of a defaulted Affiliate must reference the applicable Affiliate as would ordinarily occur; however, the transaction may be submitted using either the Affiliate's MarkitWire identification number or an alternative MarkitWire identification number other than that of the Affiliate (e.g., the FCM Clearing Member's or one of its other Affiliate's MarkitWire identification numbers), as applicable. Where the transaction is submitted using an alternative MarkitWire identification number other than that of the Affiliate, the Clearing House may in its discretion request satisfactory evidence of the Affiliate's default in its obligations to the FCM Clearing Member and an indemnity from the FCM Clearing Member in a form suitable to the Clearing House.

### **2C.20.4 Transfers of FCM EnClear Contracts of FCM Clients to the Proprietary Account of a Different FCM Clearing Member or an LCH EnClear OTC Clearing Member**

FCM Clearing Members are permitted under certain conditions to transfer Open Contracts registered on behalf of their FCM Clients to the Proprietary Account of a different FCM Clearing Member or an LCH EnClear OTC Clearing Member. FCM Clearing Members interested in providing these services to their FCM Clients should contact the Clearing House's EnClear Client Services department.

### **2C.1.21 Procedures for Liquidation of FCM EnClear Contracts of FCM Clients**

Upon the default of an FCM Clearing Member, the Clearing House has the power and authority, pursuant to the FCM Rulebook, the CEA and the CFTC Regulations, to liquidate the FCM EnClear Contracts of FCM Clients which,

pursuant to the FCM Rulebook, would be conducted in accordance with the Default Rules. This section sets forth certain supplementary procedures (in addition to the Default Rules and other applicable provisions of the FCM Rulebook) that will apply under such circumstances.

~~When the Clearing House determines that part or all of an FCM Client's FCM Client Segregated Sub-Account containing FCM EnClear Contracts is non-transferable and part or all of such FCM Client Segregated Sub-Account and any or all of the FCM EnClear Contracts held in such FCM Client Segregated Sub-Account will be liquidated.~~ In certain circumstances the Clearing House may deem, in its sole discretion, that one or more of the FCM EnClear Contracts attributable to an FCM Client's FCM Client Sub-Account should be liquidated. Such determination may result from factors including: (i) the Clearing House determining that the FCM Client poses too great a risk to the Clearing House and should therefore be liquidated, (ii) the Clearing House becoming aware of the FCM Client becoming insolvent or otherwise failing in its obligations to the defaulting FCM Clearing Member, (iii) the relevant FCM Client requesting that it be liquidated, or (iv) a request or instruction from a Regulatory Body, whether orally or in writing. In the event of such liquidation the Clearing House shall transfer (either physically or by book-entry) such FCM Client's FCM EnClear Contracts to be liquidated into an account ~~of~~at the Clearing House established for purposes of liquidating the FCM EnClear Contracts of FCM Clients of the defaulter (such account, a "**Hedged Account**"). The Clearing House ~~will~~shall establish a separate Hedged Account for each currency of FCM EnClear Contracts that are non-transferable and will be subject to liquidation and will include in each such Hedged Account the FCM EnClear Contracts in the applicable currency that are to be liquidated, regardless of the FCM Clients for which such FCM EnClear Contracts are held. The provisions of this section shall apply equally to any such Hedged Account. Additionally, no FCM Contracts other than FCM EnClear Contracts will be transferred into a Hedged Account established for liquidating FCM EnClear Contracts.

An FCM Client whose FCM EnClear Contracts are transferred into a Hedged Account is referred as a "**Non-Porting Client**". The Clearing House shall hold the ~~Account Assets~~relevant Collateral of ~~each~~ Non-Porting Clients (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in ~~its~~the relevant FCM Omnibus EnClear Client Segregated Sub-Account with LCH of the defaulter until the liquidation of the entire Hedged Account and all FCM EnClear Contracts and other positions therein, as described below. At the time that the FCM EnClear Contracts of a Non-Porting Client are transferred into a Hedged Account, any outstanding and accrued but unpaid Variation Margin in respect of such FCM EnClear Contracts shall be discharged as of the time such FCM EnClear Contracts are transferred into the Hedged Account, by (i) in the event that Variation Margin is accrued but unpaid in favor of the Clearing House, debiting the relevant FCM Client ~~Segregated~~ Sub-Account of such FCM Client, or (ii) in the event that Variation Margin is accrued but unpaid in favor of the FCM Client, crediting the relevant FCM Client ~~Segregated~~ Sub-Account of such FCM Client.

*Administration of a Hedged Account.* The Clearing House may enter into hedge transactions and liquidate and/or auction the FCM EnClear Contracts and hedges ~~in a~~for the account of the Hedged Account, and may take related actions with respect to a Hedged Account (and the positions held therein), in its sole discretion as permitted by the FCM Rulebook, the CEA and the CFTC Regulations, or as directed by an applicable Regulatory Body.

*Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients.* The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs including the gains and losses associated with hedging transactions, and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:

- (i) At the time an FCM Client becomes a Non-Porting Client, such Non-Porting Client is assigned a risk factor (a “**Risk Factor**”) which is equal to such Non-Porting Client’s ~~Initial~~Required Margin ~~requirement~~ with respect to its FCM EnClear Contracts that are transferred into the Hedged Account at the time such FCM Client became a Non-Porting Client (*i.e.*, at the time of transfer into the Hedged Account).
- (ii) On the first day that FCM Clients become Non-Porting Clients, gains and losses in the Hedged Account on such day shall be allocated on a pro rata basis among such Non-Porting Clients based on their individual Risk Factors. The allocation of gains and losses on subsequent days shall be made in the same manner until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account. Additional Non-Porting Clients that are included in the Hedged Account on a subsequent day, until further additional Non-Porting Clients are included in the Hedged Account on a further subsequent day, are referred to as “**New Non-Porting Clients**”.
- (iii) On a day when one or more New Non-Porting Clients are included in the Hedged Account, the Clearing House shall calculate a combined risk factor (the “**Existing Non-Porting Clients Combined Risk Factor**”) in respect of the Non-Porting Clients that were previously included in the Hedged Account and are not New Non-Porting Clients (such existing Non-Porting Clients, “**Existing Non-Porting Clients**”). The Existing Non-Porting Clients Combined Risk Factor shall be based on the amount of ~~Initial~~Required Margin associated with the Hedged Account with respect to all positions (including all FCM EnClear Contracts, hedges or other positions) held in the Hedged Account, at the beginning of the day on which New Non-Porting Clients are included in the Hedged Account (*i.e.*, at a time prior to the transfer of the FCM EnClear Contracts of New Non-Porting Clients into the Hedged Account). For the avoidance of doubt, the Existing Non-Porting Clients Combined Risk Factor is calculated without respect to the ~~Initial~~Required Margin ~~requirements~~ applicable to the transferred FCM EnClear Contracts of the New Non-Porting Clients.
- (iv) On any day on which New Non-Porting Clients are included in the Hedged Account, gains and losses in the Hedged Account that are incurred on that day will be allocated among the Existing Non-Porting Clients (as a group) and the New Non-Porting Clients (individually) on a pro rata basis based on the Existing Non-Porting Clients Combined Risk Factor (with respect to the Existing Non-Porting Clients as a group) and the individual Risk Factors of each New Non-Porting Client (with respect to each such New Non-Porting Client individually). The gains and losses allocated in such manner to the Existing Non-Porting Clients as a group shall be further

allocated to each individual Existing Non-Porting Client on a pro rata basis based on the Risk Factor of each such Existing Non-Porting Client. The allocation of gains and losses on subsequent days shall occur in the same manner as set forth in this paragraph (iv) until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account and thus become the New Non-Porting Clients. In such a case, (A) the Existing Non-Porting Clients shall continue to be treated as Existing Non-Porting Clients, (B) the Non-Porting Clients previously constituting the New Non-Porting Clients shall then constitute Existing Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), (C) the additional Non-Porting Clients included in the Hedged Account constitute the New Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), and (D) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Risk Factor and the allocation of gains and losses shall be in accordance with paragraph (iii) above and this paragraph (iv).

- (v) Upon the liquidation of the Hedged Account and all FCM EnClear Contracts and other positions therein, by auction or otherwise, any gains or losses associated with such auction/liquidation shall be allocated among all Non-Porting Clients on a pro rata basis based on the "unit value" of each FCM EnClear Contract of each Non-Porting Client transferred into the Hedged Account, as adjusted by a "liquidation adjustment factor". For purposes of this clause (v), (1) "**unit value**" means the value applied to each FCM EnClear Contract, based on the net present value and outstanding notional value associated with each such FCM EnClear Contract, and (2) "**liquidation adjustment factor**" means a ratio applied to an FCM EnClear Contract based on the aggregate auction/liquidation costs incurred in auctioning/liquidating the Hedged Account and the aggregate notional value of all FCM EnClear Contracts in the Hedged Account, each of clauses (1) and (2) as determined by the Clearing House. The allocations described in this clause (v) are without reference to any Risk Factor or Existing Non-Porting Clients Combined Risk Factor.

*Settlement of Non-Porting Clients Following Liquidation of Hedged Account.* Following the liquidation of a Hedged Account, the Clearing House shall allocate the appropriate gains and losses (as determined in accordance with the above provisions) to each Non-Porting Client's relevant FCM Client ~~Segregated-Sub-Account~~.

2D. [Reserved]

### 3. **FINANCIAL TRANSACTIONS**

#### 3.1 **Accounts**

##### 3.1.1 **Overview**

FCM Clearing Members are usually provided with two sub-accounts per financial account:

- **Cover**[Margin](#) account;
- **Tender account (not applicable to Default Fund (DF) accounts).**

These accounts are used to record cash movements between the Clearing House and the FCM Clearing Member. Refer to Section 2A.5 for a full description of financial accounts relating to the FCM SwapClear Service. Although the Clearing House and FCM Clearing Members are permitted to physically commingle the [eCollateral](#) of FCM Clients relating to FCM Contracts in any Business Category of FCM Contract, FCM Clearing Members and the Clearing House are required to maintain separate accounts with the Clearing House for each such Business Category of FCM Contract.

##### 3.1.2 **Cover**[Margin](#) Account Postings

Transactions posted to the [Cover](#)[Margin](#) account include but are not limited to:

- **PPS payments and receipts;**
- **Option Premiums;**
- **Interest and accommodation charges;**
- **Currency purchases and sales;**
- **Clearing House fees, charges and rebates;**
- **Exchange fees, levies and rebates;**
- **Variation margin, Price Alignment Interest and coupons;**
- **SwapClear coupon payments;**
- **SwapClear coupon adjustments;**
- **Net Present Value (NPV); and**
- **Consideration.**

##### 3.1.3 **Tender Account Postings**

Transactions posted to the Tender account include but are not limited to:

- **PPS payments and receipts; [and](#)**

- ~~Settlement differences; and~~
- **Coupon Payments relating to member eCollateral.**

### 3.1.4 Financial Transaction Reporting

Banking reports are generated each day that 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.

A “Banking Reports Reference Pack” can be requested from the LCH.Clearnet Client Training Team, this contains definitions and examples of each of the available reports.

## 3.2 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 FCM Clearing Members. PPS is a recognised interbank payments system overseen by the Bank of England.

PPS is operated in both London (“**London PPS**”) and in the United States (where it is known as “**US PPS**”). FCM Clearing Members should note that the PPS (both in London and in the US) is a system for facilitating payment to the Clearing House of monieys due from FCM 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 by the Clearing House is not to be regarded as satisfaction of any payment due to the Clearing House.

Each FCM Clearing Member remains fully responsible for the payment to the Clearing House of all monieys due to the Clearing House as required, *inter alia*, by the FCM Clearing Membership Agreement, clearing extension documentation and the applicable provisions of the FCM Rulebook. Payment is only completed when the funds have been credited for value to the relevant Clearing House bank account, and any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

### 3.2.1 PPS

#### (a) Introduction

An FCM Clearing Member must open and maintain PPS accounts in GBP and USD and such other currencies in which it incurs settlements on its Client or House accounts.

In addition, FCM Clearing Members must open PPS accounts in London in USD and in all other currencies in which it incurs settlements. For details of current PPS banks, please refer to the following link:

[www.lchclearnet.com/risk\\_management/ltd/pps/](http://www.lchclearnet.com/risk_management/ltd/pps/)

Any bank charges connected with the holding of any PPS bank accounts or related to any activity on that account must be paid by the FCM Clearing Member holding the relevant account.

The GBP non-segregated PPS account will, inter alia, be used to process DF contributions for all services other than [the ForexClear Service](#). For ForexClear Service, the USD non-segregated PPS account is used.

Where applicable, all PPS accounts that hold FCM ~~Clients' funds and collateral~~[Client Funds](#) must be segregated in accordance with the FCM Regulations and the applicable provisions of the CEA and CFTC Regulations, including but not limited to Part 1, [Part 22](#) and Part 190 of such regulations ~~(but excluding Part 22 until compliance therewith becomes mandatory under the CFTC Regulations, as specified in the FCM Regulations).~~

#### (b) Morning PPS Calls

FCM Clearing Members' liabilities are calculated overnight. Should the relevant liability not be covered by acceptable forms of ~~cover~~[Collateral](#) held by the Clearing House (see section 3.3) any shortfall is called through London PPS with separate calls made for each currency. It is the responsibility of each FCM Clearing Member to ensure that its London PPS bank(s) meets all payment instructions received from the Clearing House. Confirmation of payments, as notified, must be received by the Clearing House from the relevant PPS bank(s) by 09:00, or within one hour of a subsequent call, on the day on which the PPS Call is made. Payments will only be recognized for this purpose if the relevant PPS bank (i) has performed its concentration function (being the transfer of net funds from the PPS bank to a central account in the name of the Clearing House) (ii) has made such payments, and (iii) any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

Where payments are due to an FCM Clearing Member, payments will be recognized as soon as payment instructions in respect of that payment have been given to a PPS bank. For this purpose, a payment instruction will only be recognized to the extent that the Clearing House has taken steps to transfer to the PPS bank any such sums as may be necessary to enable that payment instruction to be performed by the PPS bank.

#### (c) Intraday PPS Calls

The intra-day margin call by the Clearing House is for intra-day ~~cover~~[Margin](#) payments. ~~GBP, EUR or Only~~ USD can be used to cover ~~margin~~[Margin requirements](#) intraday. Between 14.30 – 16.00 (London time) only USD will be called in London.

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

~~FCM Clearing Members must designate a currency (GBP, EUR or Only USD) that~~ will be called by default during the hours of London PPS for each mnemonic/sub-account. [FCM](#) Clearing Members may request a change to the default currency no later than 09.30 am London time in order for the change to be undertaken the

following day. FCM Clearing Member's may submit a request to change their currency at the following link:

[www.lchclearnet.com/risk\\_management/ltd/preferential\\_currency\\_for\\_intraday\\_margin\\_calls\\_form.asp](http://www.lchclearnet.com/risk_management/ltd/preferential_currency_for_intraday_margin_calls_form.asp)

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

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

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

#### (d) Auto repay

FCM Clearing Members may request that they are automatically repaid any excess cash balances that remain on their accounts at the end of each day. FCM Clearing Members must contact Treasury Operations in order to have auto-repay applied to their accounts. (LCHOperations-Treasury@lchclearnet.com or telephone +44 (0)20 7426 7505). [This paragraph 3.2.1\(d\) only applies to Proprietary Accounts.](#)

#### (e) Value Date

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in Sections 3.2.1(b) and 3.2.1(c), subject to section 3.2.1(g), all currency transactions are processed by PPS with next business day value with the exception of the following currencies: CAD, EUR, GBP and USD which are processed with value for the same business day.

#### (f) Foreign Bank Holidays

The Clearing House has made arrangements with London PPS banks to operate the PPS on all UK banking days including foreign bank holidays.

Confirmation that PPS payments will be made must be received within the deadlines set out in Sections 3.2.1(b) and 3.2.1(c). However, the value date for any PPS transactions made on a day which is a bank or public holiday in the country of that currency will be for the next business day on which both the foreign currency center and the Clearing House are open for business. This applies to GBP, CAD, EUR and USD.

Example: 20 August is a public holiday in the USA but not in the UK. 21 August is a normal banking day in the USA.

On the 20 August, the Clearing House will issue its normal USD instructions to PPS banks, and receive confirmation in response to the PPS Call, for value 21 August.

Please refer to the Clearing Member Circulars for details of Clearing House opening days and currency holidays at the following link:

[www.lchclearnet.com/member\\_notices/](http://www.lchclearnet.com/member_notices/)

(g) UK Bank Holidays

The Clearing House does not give value to any currency on a UK bank holiday, if the Clearing House is closed for business on that bank holiday. PPS Calls will be made on the next following business day, for the relevant currency.

However, the Clearing House may sometimes be open for business on a UK bank holiday – in such circumstances PPS Calls will be made as normal that day. Value will be given the same day providing that the relevant currency centre is open for business. It should be noted, however, that value for GBP is given on the next GBP business day.

(h) Use of London PPS and US PPS

These FCM Procedures indicate which part of the PPS system will be used in the normal course of events for making PPS Calls. Generally London PPS will be used for Morning PPS Calls (including contributions to the Default Fund), remitting surplus cash balances to an FCM Clearing Member, and for making intra-day margin calls up to 16:00 hours, London time. However FCM 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 an FCM Clearing Member's US PPS account in exceptional circumstances (an "**Exceptional PPS Call**"). The Clearing House will use all reasonable commercial endeavors to notify the FCM Clearing Member in advance of issuing any such Exceptional PPS Call.

(i) Contingency Payment Arrangements

FCM Clearing Members must ensure that they have contingency arrangements to ensure continuity of margin payment in the event of failure of their nominated PPS Bank. From time to time the Clearing House may require the FCM Clearing Member to provide evidence of these arrangements.

(j) Recovery from insolvent PPS Banks

In the event that payment is not completed by the relevant PPS bank, due to insolvency and not a technical failure, and the affected FCM Clearing Member(s) make alternative payments, the Clearing House, should it make a recovery from the estate of the PPS bank, will credit such recovery, net of costs, to the accounts of the affected FCM Clearing Members in proportion to the amount of the original missed payment.

3.2.2 **PPS Mandate(s)**

Each FCM Clearing Member is required to complete a standard form London PPS and US PPS Mandate(s) (copies are available from [membershipteam@lchclearnet.com](mailto:membershipteam@lchclearnet.com)) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the FCM Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House Membership Department.

### 3.3 **Acceptable Forms Of ~~Cover~~Collateral**

The Clearing House accepts certain types of securities and cash in the Clearing House's prescribed form [as Collateral](#) against liabilities [of the relevant FCM Clearing Member](#)

The Clearing House may vary, at its discretion, the standard requirements and valuation procedures set out in this Section, either generally or in a particular case, without giving prior written notice to FCM Clearing Members. Further, the Clearing House may vary the types of ~~cover~~[collateral](#) acceptable to it [as Collateral](#), including but not limited to cash, performance bonds or securities.

To view a list of acceptable ~~e~~[Collateral](#), go to: [http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp).

#### 3.3.1 **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 FCM Clearing Members only in relation to current or anticipated obligations.

FCM Clearing Members must give LCH.Clearnet Limited Treasury Operations no less than two (2) Business Days' notice of their intention to request withdrawal of cash ~~used as cover for margin~~[Collateral](#) and its replacement by the lodgment of non-cash ~~e~~[Collateral](#). In the event that an FCM Clearing Member seeks to withdraw such cash ~~cover~~[Collateral](#) without giving such notice, the Clearing House may decline to release such cash ~~cover~~[Collateral](#) until the end of the required notice period. [This paragraph applies only to the Proprietary Account of an FCM Clearing Member.](#)

#### 3.3.2 **Securities**

Please refer to the following section of the Clearing House's website for both prevailing haircuts and notes on [types of collateral](#) acceptable ~~for margin purposes~~[as Collateral](#):

[http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp)

#### 3.3.3 **Securities Value Notification**

FCM Clearing Members may obtain details on the ~~cover~~[Margin](#) value of securities on their account by viewing the relevant reports available on the Member Reporting Website.

### 3.4 **Distribution Of ~~Cover~~Collateral**

#### 3.4.1 **Overview**

As different types of ~~cover~~[Collateral](#) attract different utilization fees and different contracts are assessed for VAT in different ways (see Section 3.5.4), the Clearing House identifies the ~~cover~~[Collateral](#) applied to liabilities in order to allow utilization fees and VAT to be calculated correctly.

This is done by establishing a specified order for both types of liabilities and types of ~~cover~~Collateral and applying ~~cover~~Collateral sequentially, such that ~~cover~~Collateral type 1 is applied first to liability type 1, ~~cover~~Collateral type 2 to liability type 1 if there is a deficiency when ~~cover~~Collateral type 1 has been exhausted and so on.

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

### ~~3.4.2~~ **Liability Order**

~~**Note:** The following provision applies solely for the purpose of calculating fees. In case of default by an FCM Clearing Member, please see Section 3.4.4 below.~~

~~Liabilities will be covered in the order:~~

~~(a) Secured debit cash balances (see Section 3.2.1(h));~~

~~(b) Variation Margin and Initial Margin including offset of contingent credits.~~

### ~~3.4.3~~ ~~3.4.2~~ **CoverCollateral Application**

**Note:** The following provision applies solely for the purpose of calculating fees during the overnight offsetting of FCM Clearing Members' eCollateral against FCM Clearing Members' liabilities. In case of default by an FCM Clearing Member, please see Section 3.4.4 below.

An FCM Clearing Members may choose to have cash Collateral applied before securities eCollateral to ~~their liability~~its liabilities or fees, or vice versa.

### ~~3.4.4~~ ~~3.4.3~~ **Order of Priority on Default**

Post-default the Clearing House is entitled to realize and/or apply ~~cover~~Collateral in whatever order it deems appropriate.

## **3.5 Interest And Accommodation Charge Structure**

### **3.5.1 Cash Balance Interest Rate**

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

- LDR – London Deposit Rate – the rate at which the Clearing House will pay or charge interest on credit cash balances (excluding DF Contributions);
- CDR – Client Deposit Rate – the rate at which the Clearing House will pay or charge interest on credit cash balances on SwapClear Client financial accounts; and

- Default Fund Rate.

Rates are available from the Member Reporting Website.

The Clearing House reserves the right to alter the basis of calculating each above listed interest rates. Any alteration will be effective on the date notified.

### 3.5.2 Price Alignment Interest (PAI) Rate

To minimize the impact of daily cash Variation Margin payments on the pricing of interest rate swaps, the Clearing House will charge interest on cumulative ~~variation margin~~Variation Margin received by the FCM Clearing Member and pay interest on cumulative ~~variation margin~~Variation Margin paid in by the FCM Clearing Member in respect ~~of~~ these instruments. This interest element is known as price alignment interest (“PAI”).

The calculation of PAI shall use the interest rates specified as below. The amount of PAI for each currency shall be calculated as:

The amount of NPV in such currency from the previous Business Day’s close of business multiplied by:

- The relevant interest rate in effect for that day; divided by
- 360; or in the case of AUD, CAD, GBP, HKD, JPY, NZD, PLN, SGD and ZAR, 365.

In the case of the currencies marked below with an asterisk, the Clearing House, as provided in FCM Regulation 19(b), specifies that it will not change the PAI rate without the consent of all SwapClear Clearing Members and applicable FCM Clearing Members holding open contracts in such currencies.

Currency	PAI Rate
USD *	The rate used shall be the Effective Federal Funds rate, the rate published by the Board of Governors of the Federal Reserve System as such rate appears on Reuters page “FEDFUNDS1” or Telerate 120 or on any successor page(s) thereto.
EUR *	The rate used shall be the EONIA rate, the rate published by the European Banking Federation and ACI – The Financial Market Association as such rate appears on Reuters page “EONIA” or Telerate 247 or on any successor page(s) thereto.
GBP *	The rate used shall be the SONIA rate, the rate published by the Wholesale Markets Broker Association as such rate appears on Reuters page “SONIA” or on any successor page(s) thereto.
JPY *	The rate used shall be the Mutan call rate, the rate published by the Bank of Japan as such rate appears on Reuters page “TONAR” or on any successor page(s) thereto.

Currency	PAI Rate
CHF *	The rate used shall be the TOIS rate, the T/N interbank fixing as such rate appears on Reuters page "CHFTOIS" or Telerate 3450 or any successor page(s) thereto.
AUD	The rate used shall be the "AONIA" rate, the rate published by the Reserve Bank of Australia – as such rate appears on Reuters page "RBA30" or any successor page(s) thereto.
CAD	The rate used shall be the "CORRA" rate, the rate published by the Bank of Canada website – as such rate appears on Reuters page "CORRA" or any successor page(s) thereto.
DKK	The rate used shall be the "DKKOIS" rate, the rate published by the Danish Central Bank – as such rate appears on Reuters page "DKNA14" or any successor page(s) thereto.
HKD	The rate used shall be the "HONIX" rate, the rate published by the Hong Kong Brokers Association – as such rate appears on Reuters page "HONIX" or any successor page(s) thereto.
NZD	The rate used shall be the "NZIONA" rate, the rate published by the Reserve bank of New Zealand – as such rate appears on Reuters page "RBNZ02" or any successor page(s) thereto.
PLN	The rate used shall be the "POLONIA" rate, the rate published by the National Bank of Poland – as such rate appears on Reuters page "NBPS" or any successor page(s) thereto.
SEK	The rate used shall be the "SIOR" rate, the rate published by the OMX Exchange – as such rate appears on Reuters page "SIOR" or any successor page(s) thereto.
ZAR	The rate used shall be the SFX ZAR OND rate, the rate published by SAFEX JIBAR – as such rate appears on Reuters page "SFXROD" or any successor page(s) thereto.
CZK	The rate used shall be the "CZEONIA" rate, the rate published by the Czech National Bank – as such rate appears on Reuters page "CZEONIA" or any successor page(s) thereto.
HUF	The rate used shall be the "HUFONIA" rate, the rate published by the National Bank of Hungary – as such rate appears on Reuters page "HUFONIA" or any successor page(s) thereto.

Currency	PAI Rate
SGD	The rate used shall be the “SONAR” rate, the rate published by the Association of Banks in Singapore – as such rate appears on Reuters page “ABSIRFIX01” or any successor page(s) thereto.
NOK	The rate used shall be the NOK sight deposit rate, the rate published by Norges Bank – as such rate appears on Reuters page “NOINTR=ECl” or any successor page(s) thereto

For currency NOK, PAI is calculated using an appropriate overnight deposit rate for the currency

### 3.5.3 Interest/Accommodation Structure

Application of <del>Cover</del> Collateral	Type of <del>Cover</del> Collateral					
	Credit Variation Margin	Performance Bonds	Securities	Cash	Foreign Cash	Forward Cash
Initial & Variation margin after offset	No charge or payment	Charge 0.10%	Charge 0.10%	Pay relevant rate	pay relevant rate of <del>cover</del> Collateral currency	No charge or payment
Excess or Surplus	No charge or payment	No charge or payment	No charge or payment	Pay relevant rate	Pay relevant rate	No charge or payment

**Note:**

- “Foreign Cash” means cash in a currency other than that of the liability.
- “Forward Cash” means cash which has been credited to an account for later value (e.g., an amount called via PPS for next-day value).
- [This Section 3.5.3 only applies to Proprietary Accounts of FCM Clearing Members.](#)

### 3.5.4 Payment of Interest and Charges

Interest and accommodation charges (other than PAI) are calculated on a daily basis and the resulting monthly total is posted to FCM Clearing Members’ cover accounts at the beginning of the following calendar month. A VAT invoice is issued monthly detailing the interest and accommodation charges applicable for the previous month. Separate invoices are issued for each currency.

VAT is charged where relevant, dependent on contract, on accommodation charges and ~~e~~Collateral utilization fees at current rates. On foreign currency amounts VAT is charged in sterling on the converted value of any relevant charges. The sterling ~~cover~~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 ~~cover~~Collateral account for value on the second working day 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;

(b) accommodation charges;

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

### 3.6 **Fees**

Details of fees and refunds pending are collated during the month.

An invoice or credit note is produced detailing the fees to be ~~posted to the house cover account~~ furnished with respect to a Proprietary Account to which Margin is attributed.

The invoice/credit note displays the type of fee, contract, currency, fee rate, volume, fee amount, VAT amount, sub totals for each fee class and the overall total ~~posted to~~ Collateral in the ~~cover~~ relevant account.

Monthly postings are processed via the ~~cover~~ account to which Collateral is posted at the beginning of the following month, on the third working day. Other postings, such as various Market Maker Scheme rebates, are processed by the Clearing House following receipt of data from the relevant exchange.

### 3.7 **Default Fund; SwapClear Contributions**

SwapClear Contributions (as defined in the Default Fund Rules) will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the SwapClear Contribution under Rule S2(k) of the Default Fund Rules (each a “**SwapClear Reset Day**”). SwapClear Contribution requirements will be notified to the applicable FCM Clearing Members at least two working days prior to each SwapClear Reset Day on Member Intranet Report 000032.

Excess SwapClear Contribution amounts due to FCM Clearing Members following the adjustment to the SwapClear Contribution will be repaid to FCM Clearing Members’ PPS accounts on the SwapClear Reset Day immediately following the adjustment to the SwapClear Contribution.

Interest on SwapClear Contributions will be paid to FCM Clearing Members’ PPS accounts on the first working day after the SwapClear Reset Day following the end of the relevant “interest accrual period”. Interest is calculated in respect of each “interest accrual period”, which commences on (and includes) a SwapClear Reset Day and ends on (and includes) the calendar day immediately before the next SwapClear Reset Day. Notwithstanding anything else herein, if the rate of interest payable on SwapClear Contributions is negative, interest shall be payable by FCM Clearing Members to the Clearing House.

### 3.8 **Quantifying SwapClear Contributions**

For the purposes of calculating the SwapClear Margin Weight under Rule S2(c) of the SwapClear Default Fund Supplement, the average daily requirement for Initial Margin applied to an FCM Clearing Member shall be determined by reference to the FCM SwapClear Contracts comprising the SwapClear House Business of that FCM Clearing Member only. Nothing in the foregoing sentence shall prevent the Clearing House from introducing changes to the methodology used for calculating

the SwapClear Margin Weight and, in particular, with effect from September 28, 2012, the average daily requirement for Initial Margin applied to an FCM Clearing Member for the purposes of such calculation shall be determined by reference to the FCM SwapClear Contracts comprising both the SwapClear House Business and the SwapClear Clearing Client Business of that FCM Clearing Member.

### **3.9 Default Fund; ForexClear Contributions**

ForexClear Contributions (as defined in the Default Fund Rules) will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the ForexClear Contribution under Rule F2(a) of the Default Fund Rules (each a “**ForexClear Reset Day**”). ForexClear Contribution requirements will be notified to ForexClear Clearing Members at least two working days prior to each ForexClear Reset Day on Member Intranet Report 000032.

Excess ForexClear Contribution amounts due to ForexClear Clearing Members following the adjustment to the ForexClear Contribution will be repaid to ForexClear Clearing Members’ PPS accounts on the ForexClear Reset Day immediately following the adjustment to the ForexClear Contribution.

Interest on ForexClear Contributions will be paid to ForexClear Clearing Members’ PPS accounts on the first working day after the ForexClear Reset Day following the end of the relevant “interest accrual period”. Interest is calculated in respect of each “interest accrual period”, which commences on (and includes) a ForexClear Reset Day and ends on (and includes) the calendar day immediately before the next ForexClear Reset Day.

### **3.10 Quantifying ForexClear Contributions**

For the purposes of calculating the ForexClear Margin Weight under Rule F2(d) of the ForexClear Default Fund Supplement, the average daily requirement for Initial Margin applied to an FX FCM shall be determined by reference to the ForexClear Contracts comprising the ForexClear House and Client Business of that FX FCM only.

### **3.11 Default Fund Contributions: EnClear Service**

For the EnClear Service, Default Fund contributions will be called via PPS normally on the fourth working day (“**Reset Day**”) of the quarter (i.e., early February, May, August and November). Contribution requirements will be notified to FCM Clearing Members at least two working days prior to each Reset Day on Member Reporting Website.

Excess Default Fund amounts due to FCM Clearing Members following the adjustment to Default Fund accounts and the crediting of interest will be repaid to FCM Clearing Members’ PPS accounts on the Reset Days.

## COLLATERAL

### 4. COLLATERAL

#### 4.1 General Information

##### 4.1.1 Non-Cash Collateral

FCM Clearing Members wishing ~~may~~ lodge securities ([of the type permitted by the Clearing House](#)) with the Clearing House [as Collateral may do so](#). Securities lodged will be subject to a security interest and held in an account with the Clearing House by the FCM Clearing Member (in respect of ~~FCM Client cover~~ [Collateral furnished on behalf of FCM Clients](#), the Clearing House shall hold such securities in the applicable LCH Clearing Product Client Segregated Depository Account).

Collateral pledged in respect of an FCM Clearing Member's Client account will not be applied by the Clearing House to its liabilities on a house account (see FCM Regulation 9(l)).

**FCM Clearing Members are warned that the taking of ~~e~~Collateral is a complex legal matter. These FCM Procedures, and any communication with the Clearing House, whether of an oral or written nature, are not to be taken as containing legal advice. An FCM Clearing Member who contemplates taking an interest in securities belonging to a client should seek independent professional advice on the matter.**

##### 4.1.2 GENERAL INFORMATION

LCH.Clearnet Security Arrangements

FCM Clearing Members wishing to lodge securities with the Clearing House may do so under the security arrangements set out in the FCM Clearing Membership Agreement and the FCM Regulations.

Collateral pledged in respect of an FCM Clearing Member's Client account will not be applied by the Clearing House to its liabilities on a House account (see FCM Regulation 9(l)).

Unless stated otherwise in the FCM Rulebook, ~~e~~Collateral pledged in respect of an FCM Clearing Member's House account may be applied by the FCM Clearing House towards the payment of any sum whatsoever due by the FCM Clearing Member to the Clearing House, ~~save; provided~~ that no ~~collateral-charged~~ [Collateral furnished](#) in respect of an FCM Clearing Member's Client accounts shall be applied on or towards payment or satisfaction of any of the FCM Clearing Member's liabilities to the Clearing House on any of the FCM Clearing Member's House accounts.

As set out in FCM Regulation 9(c), where an FCM Clearing Member wishes to ~~pass~~ [furnish Collateral on behalf of](#) an FCM ~~Client's collateral~~ [Client](#) to the Clearing House, the FCM Clearing Member must, *inter alia*, ensure that at all times it remains expressly agreed with the FCM Client that the FCM Clearing Member may pledge the ~~e~~Collateral to the Clearing House, on the Clearing House's terms and free of the FCM Client's interest to secure the FCM Clearing Member's obligations to the Clearing House. The Clearing House gives no undertaking that, on the

default of an FCM Clearing Member, it will not utilize ~~FCM—Clients' collateral~~Collateral furnished on behalf of an FCM Client which has been passed to it by an FCM Clearing Member, before utilizing any other form of ~~cover~~Collateral the Clearing House may hold.

#### 4.1.3 Additional General Information

The Clearing House is, at its sole discretion, entitled to determine what will be acceptable to it as ~~e~~Collateral and to determine when a security will cease to be acceptable as ~~e~~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 in the FCM Clearing Member's cover account with the Clearing House. Replacement ~~cover~~Collateral may be required immediately from the FCM Clearing Member.

#### 4.1.4 Instructions

The Clearing House accepts instructions to lodge, release and transfer cash and securities via the Collateral Management system. Instructions for other types of ~~e~~Collateral must be sent via fax using the appropriate form in the annex. The lodgement/release forms must be sent in by fax and email to:

- Email to: ~~teamcollateral~~collateral.ops.uk@lchclearnet.com
- Fax: + 44 (0)20 7375 3518
- Treasury Operations can be contacted on +44 (0)207 426 7593

Originals of faxed instructions need to be sent into the Clearing House within fourteen days ~~for contingency purposes.~~

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

- to be inaccurate, whether in whole or in part; or
- not to have been given by the FCM Clearing Member or an FCM Client or with the authority of the Clearing Member or FCM Client.

The Clearing House will only accept delivery of securities in accordance with these FCM Procedures, and will not sell, purchase or encash securities for FCM Clearing Members, except in so far as it is acting under its Default Rules and related provisions of the FCM Rulebook or in relation to exchange rules.

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

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

#### 4.1.5 **Excess ~~collateral~~ Margin Maintained in Proprietary Accounts**

~~In the event that the Clearing House at any time determines that it is holding excess collateral (as defined below) from an FCM Clearing Member~~In accordance with FCM Regulation 9A(c), FCM Clearing Members are permitted to maintain Excess Margin in their Proprietary Accounts (regardless of whether any such FCM Clearing Member has elected to have one or more of its FCM Omnibus Clearing Product Clients Accounts with LCH subject to the With Excess Client Model), but subject to the right of the Clearing House, in its sole discretion, to return such Excess Margin to the FCM Clearing Member. Alternatively, the Clearing House may notify that FCM Clearing Member of the intention to levy a charge in respect of ~~excess collateral~~Excess Margin with effect from such date as is notified to the FCM Clearing Member. In the event that the FCM Clearing Member does not remove ~~excess collateral~~Excess Margin before the date so notified, the Clearing House may, in its discretion, charge the FCM Clearing Member at the rate of 1 basis point per day until ~~excess collateral~~Excess Margin is removed by the FCM Clearing Member through use of a release instruction. Payment of this charge shall be collected on a monthly basis through that FCM Clearing Member's PPS sterling account. This charge applies only to Margin lodged with respect to FCM Contracts registered to the FCM Clearing Member's Proprietary Account.

~~For the purposes of this section, "excess collateral" means that collateral identified by the Clearing House as being collateral over and above that which is required by the Clearing House in order to cover the obligations to the Clearing House of that FCM Clearing Member.~~The Clearing House shall have absolute discretion to decide whether and to what extent it is holding ~~excess collateral~~Excess Margin at any time.

The ability of FCM Clearing Members to maintain Excess Margin in its FCM Client Sub-Accounts is governed by the provisions of the FCM Rulebook, including FCM Regulation 9A.

#### 4.1.6 **Lodgment of Non-Cash Collateral as Replacement for Cash ~~Cover for Margin~~ Collateral**

This Section 4.1.6 applies only to Proprietary Accounts of FCM Clearing Members. FCM Clearing Members should note that they must give Treasury Operations no less than two (2) Business Days' notice of their intention to lodge ~~e~~Collateral with a value of £50 million sterling or more, and which is reasonably likely to have the effect that cash to a similar value is repayable by the Clearing House to that FCM Clearing Member as a result of such lodgment. In the event that an FCM Clearing Member seeks to withdraw such cash ~~cover~~Collateral without giving such notice, the Clearing House will decline to release such cash ~~cover~~Collateral until the end of the required notice period.

#### 4.1.7 **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 FCM Clearing Members with regard to instruments or securities accepted as ~~e~~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 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 other party, or any embargo, unavailability or restriction of bank transfer systems or wires, malfunction or overload of the depository or other emergency. This provision is without prejudice to the force majeure provisions of FCM Clearing Members’ agreements with the Clearing House.

#### 4.1.8 **Regulatory and Supervisory Information**

In every case, the Clearing House will be entitled to supply a securities depository with all the information it requires for any purposes relating to an FCM Clearing Member, or to securities received by the Clearing House from an FCM Clearing Member which are or may at any time have been held by the depository. Securities will be lodged and held within such depository or other systems as the Clearing House may select or allow, subject to the conditions of such systems and to any applicable law and subordinate rules relating thereto as well as to the terms of the FCM Rulebook and these FCM Procedures.

#### 4.1.9 **Interest Payments**

The Clearing House will remit interest amounts, taking into account any withheld tax, to FCM Clearing Members’ PPS banks on the appropriate value date. These are processed using “Tender” sub-accounts designated “I” for house or “L” for segregated client.

### 4.2 **Securities**

#### 4.2.1 **General Information**

Securities must be lodged in the Clearing House’s relevant Custodian accounts (see Appendix 4D).

#### ~~4.2.2 **Lodgment Procedure**~~

~~FCM Clearing Members wishing to lodge securities with the Clearing House must first complete a Form of Charge. This document establishes a fixed charge over specified securities transferred into an account with the Clearing House by the FCM Clearing Member. The document is required to be executed in accordance with the instructions which accompany it. The Form of Charge document covers securities that are transferred to the Clearing House via bilateral settlement or via Triparty arrangements. To operate Triparty arrangements with the Clearing House an additional Collateral Services Agreement (CSA) must also be executed with the relevant ICSD.~~

~~Charge documentation is available from the Clearing House Risk Department and should be returned on completion to that department.~~

#### ~~4.2.3~~4.2.2 **Settlement procedures – Securities**

All transactions to deposit or withdraw from the Clearing House will be executed free of payment.

### 4.3 **Instructions via the Collateral Management System**

The Clearing House will action instructions input and authorized via the Collateral Management system. The details input on the Collateral Management system will form the basis of the matching instruction sent to the relevant CSD/custodian. FCM Clearing Members must ensure that the details are input correctly in order to avoid unmatched transactions

It is the responsibility of the FCM Clearing Member to input a cancellation request of any incorrectly input instruction and then subsequently input the correct details in a new instruction. Please note that it may not be possible to cancel an instruction, please see Section 6.8 below for further details.

The Clearing House will update the status of the instruction in the Collateral Management system in relation to the status of the instruction at the CSD/Custodian. On settlement of the transaction the Clearing House will reflect the balance of the securities on the FCM Clearing Member's account and provide value for the purposes of ~~cover~~[Margin](#).

The Clearing House will notify FCM Clearing Members of the relevant account details for matching. FCM Clearing Members should refer to Appendix 4D to establish the correct place(s) of settlement for a particular security.

The Clearing House will not be liable for any losses of FCM Clearing Members or third parties caused by non-settlement or a delay in settlement as a result of the actions or omissions of a CSD/custodian or the FCM Clearing Member (save for any liability which by law may not be excluded).

#### 4.3.1 **Instruction deadlines**

FCM Clearing Members may input security instructions via the Collateral Management system at any time. Instructions will only be auctioned by the Clearing House during operational hours.

The Collateral Team operational hours are: Monday — to Friday, 08:00 to 20:00hrs UK time.

Instruction deadlines for same day settlement:

CSD/custodian	Deadline for instructions (UK Time)
Euroclear UK/IE (CREST)	14.00
Euroclear internal	16:30
<del>Fedwire</del> -Citi and BoNY Mellon	19:00

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.

#### 4.3.2 Deliveries to and from local markets

The Clearing House is bound by the settlement deadlines of the relevant CSD/custodian, FCM 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 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:

Deliveries from local market	Custodian deadline (UK time)	Instruction deadline to Clearing House (UK time)
Japan	02.45	16.30 on S-1
Belgium	14.50	13.50 on S
Italy	15.00	14.00 on S

#### 4.3.3 Lodging securities

Lodge instructions must be input via the Collateral Management system prior to the deadlines above for same day settlement. Settled transactions will be added to FCM Clearing Member's cover balances following settlement.

Lodge 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.

#### 4.3.4 Releasing securities

##### (a) Release where sufficient cover is available

Release instructions input via the Collateral Management system prior to the deadlines above for same day settlement will be removed from the FCM Clearing Member's cover balance on instruction.

##### (b) Release where sufficient cover is unavailable

Release instructions must be input via the Collateral Management system ~~before 09:30 UK time.~~ The FCM Clearing Member will then be called for additional cash ~~e~~Collateral. Following confirmation of the cash call the settlement instruction will be sent to the CSD/custodian and removed from the FCM Clearing Member's cover balance.

#### 4.3.5 Substitutions

Substitutions may be input via the Collateral Management system and will be ~~auctioned~~carried out same day if input prior to the deadlines above.

FCM Clearing Member's must input the relevant lodge instruction(s) first and then link the associated release instruction(s) to the lodge instruction(s).

#### 4.3.6 Transfers

Transfer instructions may be input via the Collateral Management system and will be auctioned same day during operational hours.

Note: transfers are only permitted between mnemonics of the same FCM Clearing Member and are subject to client segregation rules.

#### 4.3.7 Settlement cancellations

FCM Clearing Members may request cancellation of an instruction via the Collateral Management system. The Clearing House will cancel any instruction that has not yet been processed. The Clearing House will make best endeavours to cancel any settlement instructions already sent to the CSD/custodian but cannot guarantee that the transaction will not settle.

#### 4.3.8 Instruction statuses

The status of an instruction can be monitored via the Collateral Management system. Statuses reflect the status of the instruction at the Clearing House and not at the CSD/custodian. Please refer to the Collateral Management system User Guide for status definitions.

### 4.4 Withholding Taxes

#### 4.4.1 US Withholding Taxes

US income tax laws impose a withholding tax on payments of US source interest, including original issue discount, to a foreign person unless an exemption or reduced rate applies. Interest is US source income, if the debtor is a US corporation. Interest on debt obligations issued after July 18 1984 is generally exempt from US withholding tax. In addition, a foreign person who is a resident of a country with which the US has an income tax treaty may be entitled to a reduced withholding tax rate or an exemption from the US withholding tax.

In order to reduce or eliminate US withholding tax, the correct tax documentation must have been provided in respect of each owner. To this end, FCM Clearing Members will be expected to provide one of the forms (noted below) to the Clearing House. A current form will be required for each FCM Clearing Member.

The relevant forms will normally be one of:

- (a) "W-9 (Request for Taxpayer Identification Number and Certification)". Applies to a US corporation including a foreign branch of a US corporation; or
- (b) "W-8BEN (Certificate of Foreign Status)".

Applies to non-resident alien individuals, foreign corporations, partnerships and estates.

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

**Note:** The Clearing House's arrangements with the Custodians only allow for securities holdings of US corporations or foreign (i.e., non-US) entities or individuals. FCM 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, lodgments into A/c numbers 735136, 735138, 206203 and 090401 must be accompanied by form W-9.

Unless the Clearing House has already received the appropriate tax form, lodgments into A/c numbers 735137, 735139, 207887 and 090372 must be accompanied by form W-8.

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.

Custodians offer a recovery service for overseas taxes on Government Bonds. The Clearing House will assist in the recovery process and remit to Clearing Members any recovery in withholding tax credited to the Clearing House's account by the Custodian.

In certain cases the Custodian/the Clearing House will withhold tax on a coupon if the correct documentation is not lodged with either the custodian/the Clearing House at the time when a coupon is due.

#### 4.4.2 Italian Securities

The accounts are operated by the Clearing House in accordance with the "Custodians 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 organization recognized by Italian Law.

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

Official forms are available on request from Treasury Operations Department.

Original forms are to be received by the Clearing House before Italian securities can be accepted within our accounts.

The effective date depends on the type and terms of the security:

Coupon Debt securities (BTPs, CCTs and CTOs)

The new regime applies to the interest on these securities that starts to run on or after 1 January 1997, regardless of the issue date.

Zero coupon debt securities with a maturity of less than one year (BOTs)

The regime applies to all securities issued on or after 1 January 1997.

Clearing Members should consult their own tax advisers before lodging Collateral [te](#)[with](#) the Clearing House or submitting any tax documentation.

#### 4.4.3 **Withholding tax — CSDs/Custodians**

CSDs/Custodians may offer a recovery service for overseas taxes on Government Bonds. The Clearing House will assist in the recovery process and remit to FCM Clearing Members any recovery in withholding tax credited to the Clearing House's account by CSDs/custodians.

In certain cases the CSDs/custodian and Clearing House will withhold tax on a coupon if the correct documentation is not lodged with either CSD/Custodian and the Clearing House at the time when a coupon is due.

#### 4.5 **References**

These procedures should be read in conjunction with the relevant user guides and/or manuals of the relevant CSD/custodian. Please also refer the each CSD/custodian for the relevant settlement deadlines in particular those for deliveries from local markets to Clearing House accounts.

#### 4.6 **Contingency arrangements**

In the event of an outage of the Collateral Management system FCM Clearing Members will be able to lodge and release securities by faxed instruction to the Clearing House.

FCM Clearing Member will be notified of a Collateral Management system outage via Member Circular that will notify FCM Clearing Members of the switch to contingency arrangements. The FCM Clearing Member should then revert to the fax forms for securities found in the appendices to this Section 4.

Normal service hours and deadlines will apply to faxed instructions.

FCM Clearing Members will be notified via Member Circular when normal service resumes.

#### 4.7 **Return of Unallocated Excess and FCM Buffer**

Upon the request of an FCM Clearing Member, the Clearing House shall return all or a portion of such FCM Clearing Member's available Unallocated Excess or FCM Buffer (as requested) to such FCM Clearing Member; provided, that (i) FCM Clearing Members are not entitled to request the return of [Applied](#)[Encumbered](#) FCM Buffer, and (ii) the Clearing House shall not be required to return FCM Buffer if the FCM Clearing Member is a defaulter. The FCM Clearing Member's request must contain the specific details of the amount of funds requested and whether

such FCM Clearing Member is requesting the return of FCM Buffer or Unallocated Excess, and any other information reasonably requested by the Clearing House. The end of day report delivered to the FCM Clearing Member by the Clearing House shall constitute conclusive evidence of the amount of any FCM Buffer or Unallocated Excess returned to such FCM Clearing Member during that day, unless the Clearing House determines such report contained an error and subsequently delivers an amended report or other notice to the FCM Clearing Member in respect of such amounts.

FCM Regulation ~~10(i)~~ [9A](#) contains additional provisions relating to FCM Buffer, ~~Applied~~ [Encumbered](#) FCM Buffer and Unallocated Excess.

## 4.8 Collateral Value Reports

In accordance with FCM Regulation 9A(e), an FCM Clearing Member that has elected to adopt the LSOC With Excess Model is required to provide the Clearing House with an eligible CVR (Collateral Value Report as defined in the FCM Regulations) at least once per Business Day.

### 4.8.1 Contents of the Collateral Value Report

The CVR should contain details of the following:

- (i) **FCM Client Sub-Account Balance:** The value of Margin delivered for and on behalf of each FCM Client and its respective FCM Client Sub-Account.
- (ii) **FCM Buffer:** The value of FCM Buffer lodged in the FCM Buffer Sub-Account.

All values provided in a CVR must be the post haircut value in USD (or such other currency as agreed in writing by the Clearing House).

Where the CVR does not contain information for all of the FCM Clients of an FCM Clearing Member, the Clearing House will assume that the FCM Client Sub-Account Balance for those FCM Clients that are not included have not changed from that which is reflected in its books and records (either through delivery of a previous CVR or as a result of an Assumed Allocation).

Unallocated Excess may be allocated to an FCM Client Sub-Account or to an FCM Buffer Sub-Account through the submission of a CVR. Any Margin that is furnished to the Clearing House but which is not allocated in a CVR will be treated as Unallocated Excess.

### 4.8.2 Eligibility of the Collateral Value Report

The CVR constitutes a notification to the Clearing House of the allocation of Margin that has been furnished by an FCM Clearing Member to one of its FCM Omnibus Clearing Product Client Accounts with LCH. Therefore, a CVR will be considered ineligible where the CVR details the aggregate value of the Margin lodged in each applicable FCM Client Sub-Account to exceed the total Margin currently available in respect of such FCM Omnibus Clearing Product Client Account with LCH.

Following determination of the value of Margin allocated to each FCM Client Sub-Account, the Clearing House will then assess whether the amount of FCM Buffer detailed in the CVR is correct based on the residual amount of Margin that it has

received. In the event that the amount of FCM Buffer detailed in the CVR is greater than the amount of Margin (not including all Margin which has been allocated to the relevant FCM Client Sub-Account Balances, as set out in the CVR) delivered to that FCM Clearing Member's FCM Omnibus Clearing Product Client Account with LCH, the Clearing House will not reject the CVR but will reduce, in its books and records, the value of FCM Buffer held for that FCM Clearing Member. In such a case, the Clearing House will thereafter notify the FCM Clearing Member that such a modification to the balance of the FCM Buffer Sub-Account has been applied.

Any CVR that would generate, or is submitted in order to avoid, a margin call will be ineligible and will be rejected by the Clearing House. Where a CVR details a FCM Client Sub-Account Balance which is lower than the amount of Required Margin applicable to such FCM Client Sub-Account, the Clearing House will assume that the shortfall is covered by FCM Buffer (provided that sufficient FCM Buffer is available to be so applied) and will modify the applicable accounts appropriately. In such a case, the Clearing House will thereafter notify the FCM Clearing Member of the application of the relevant modifications.

CVRs will only be accepted by the Clearing House during the time when the relevant FCM Clearing Service is open. Any CVRs submitted when an FCM Clearing Service is closed will be rejected and will have to be re-submitted in order to be accepted by the Clearing House.

Ineligible CVRs will be rejected by the Clearing House. In the event that a CVR is deemed ineligible by the Clearing House, the Clearing House will notify the relevant FCM Clearing Member so that a replacement CVR can be delivered.

#### 4.8.3 Election of With Client Excess Model or Without Client Excess Model

As described in FCM Regulation 9A, the Without Client Excess Model is the default model that applies to each FCM Omnibus Clearing Product Client Account with LCH.

In the event that an FCM Clearing Member wishes to adopt the With Client Excess Model with respect to one or more of its FCM Omnibus Clearing Product Client Accounts with LCH, it must notify the Clearing House's Client Services ([swapclear.clientservices@lchclearnet.com](mailto:swapclear.clientservices@lchclearnet.com)). Following receipt of such notification the Clearing House will notify the FCM Clearing Member that such election has been accepted and such acceptance shall become effective from the time that the FCM Clearing Member delivers an eligible CVR.

In the event that an FCM Clearing Member no longer wishes to operate under the With Client Excess Model it must provide the Clearing House with written notice of its intention to use the Without Client Excess Model. On the morning of the third Business Day following receipt of the FCM Clearing Member's notice, the Clearing House will transfer any Excess Margin in the FCM Clearing Member's FCM Client Sub-Accounts to the Unallocated Excess Sub-Account. FCM Buffer will remain in the FCM Buffer Sub-Account. Once all Excess Margin has been transferred to the Unallocated Excess Sub-Account, the Without Client Excess Model will be put into effect with respect to the relevant FCM Omnibus Clearing Product Client Account with LCH, and the FCM Clearing Member will no longer be able to post or maintain Excess Margin in the FCM Client Sub-Accounts therein.



APPENDIX 4C

Contingency Collateral Release Form

		<b>COLLATERAL RELEASE FORM</b> Version 1: June 2011		
To: LCH.Clearnet Limited ("the Clearing House")				
From: Clearing Member (full name): .....				
House/Client Account*		Mnemonic: .....		* Please delete as appropriate
We hereby request you to release the securities described below.				
Security Code Number (e.g. .ISIN)	Delivery Date	Trade Date	Amount/Nominal Value(Issue - Coupon - Maturity)	Description of Security
The Clearing House Ref No: ..... (from lodgment form)				
Delivery to: Depository/Agent .....				
US Securities, Broker Code .....				
Account Holder .....				
Account Number .....				
Signatories for and on behalf of the Clearing Member:				
1		.....	.....	.....
		(Signature)	(Print Name)	(Position)
2		.....	.....	.....
		(Signature)	(Print Name)	(Position)
Date				
To: THE ABOVE-NAMED CLEARING MEMBER				
The release of the above-mentioned securities is agreed.				
For and on behalf of LCH.Clearnet Limited:				
		Date: .....	Time: .....	
(Authorized Signatory):				

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.CLEARNET LIMITED COPY

## COMPLAINTS

### 7. COMPLAINTS

#### 7.1 Introduction

7.1.1 These FCM Procedures describe how a person (the “**Complainant**”) who:

- (a) has a complaint about the conduct or behavior or other actions of an FCM Clearing Member with regard to that FCM Clearing Member’s clearing activities with LCH; ~~or~~
- (b) has a complaint arising in connection with the performance of, or failure to perform, any of the Clearing House’s regulatory functions; or
- (c) may make a formal complaint, and how that complaint will be investigated and resolved.

#### 7.2 How To Make A Complaint

7.2.1 A complaint with regard to the conduct or behavior or other actions of an FCM Clearing Member in that FCM Clearing Member’s clearing activities conducted through the Clearing House or a complaint regarding the performance of the Clearing House or its failure to perform any of its regulatory functions:

- (a) must be made in writing, dated and addressed to the Company Secretary LCH.Clearnet Limited at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, U.K.;
- (b) should set out, as far as possible, details of the conduct, behavior or other actions complained of, date/s and place/s it occurred, names of person involved, outcome sought, and any other relevant details;
- (c) must be made no later than 3 months after the conduct, behavior or other actions complained of, or, if the conduct, behavior or other actions complained of consists of a series of events, no later than 3 months after the end of the last such event;
- (d) must contain the full name and address of the complainant and, wherever possible details of a contact telephone number and email address.

7.2.2 In submitting a complaint in accordance with these FCM Procedures the Complainant may submit such further and other documentation and material which he/she believes may be relevant.

7.2.3 Upon receipt of a written complaint pursuant to these FCM Procedures, the Company Secretary shall acknowledge in writing to the address shown in the letter of complaint, receipt of the complaint. Such acknowledgment shall be made within 14 days of receipt of the letter of complaint. After receipt of a complaint in

accordance with the procedure set out in this Section, the Clearing House shall conduct an internal investigation and review of such complaint in accordance with the procedures set out in Section 7.3 below.

### **7.3 Internal Investigation And Review By The Clearing House**

7.3.1 No later than 14 days from receipt of a complaint of the type referred to in Section 7.1.1 or 7.1.2 above, the Company Secretary shall refer the complaint, together with any supporting material provided by the Complainant, to an Investigation Committee.

7.3.2 An Investigation Committee shall consist of any 3 of the following persons:

- (a) the Deputy Chief Executive of LCH.Clearnet Limited;
- (b) the Managing Director, Operations;
- (c) the Managing Director, Finance;
- (d) the Managing Director, Business Development;
- (e) any person holding the position of Director at the Clearing House.

providing always that an Investigation Committee shall have at least one Managing Director or the Deputy Chief Executive among its number.

7.3.3 The Investigation Committee established pursuant to this Section 7 shall conduct an investigation into the subject matter of the complaint and shall deliver its report to the Complainant and to the Chief Executive of LCH.Clearnet Limited within a period of 12 weeks from the referral to it of the complaint. The committee may make such recommendations as it deems fit for resolving the subject matter of the complaint. The committee may, if it so decides, make no recommendations if it considers such course of action to be appropriate in the circumstances. The report shall contain reasons for the committee's decision.

7.3.4 The costs of the internal investigation and review shall be borne by LCH.

7.3.5 Where the Company Secretary receives a written complaint which is not a complaint regarding the conduct, behavior or other actions of an FCM Clearing Member in respect of its clearing activities with the Clearing House or is not a complaint arising in connection with the performance of, or failure to perform, any of the Clearing House's regulatory functions but is nevertheless a complaint regarding an FCM Clearing Member or regarding the conduct, behavior or actions of an officer or employee or other staff member of the Clearing House, then such complaint shall be referred to the Chief Executive of LCH.Clearnet Limited to be dealt with in accordance with the REQUESTS FOR REVIEW procedure set out in Section 6.6 (Appeals Procedures) of these FCM Procedures.

### **7.4 Referral To An Independent Investigator**

7.4.1 In the event that the Complainant is dissatisfied with the outcome of the Internal Investigation and Review procedure set out in Section 7.3 above, or in the event that the Complainant does not receive the report of the Investigation Committee within 14 weeks of the submission of a complaint of the kind described in

Sections 7.1.1 and 7.1.2 above, (and providing that the subject matter of the complaint (or substantially the same matters) shall not have already been referred to an independent investigator as a result of a complaint from that same Complainant) the Complainant may ask for the complaint to be referred to an Independent Investigator nominated in accordance with the procedure set out in Section 7.5 below.

7.4.2 A request for referral to an Independent Investigator shall be made in writing to the Company Secretary and shall be made no later than 2 weeks following notification to the Complainant of the report of the Investigation Committee or 16 weeks from the submission of the original complaint to the Clearing House in accordance with Section 7.2.

7.4.3 Within 14 days of receipt of a written request, in accordance with Section 7.4.2 above, the Company Secretary shall refer the complaint to an Independent Investigator.

7.4.4 An Independent Investigator shall be nominated for this purpose by The Centre for Dispute Resolution (CEDR), London. Such investigator shall be a person:

(a) independent of LCH.Clearnet Limited (for these purposes “independent” shall mean that such person is not and has not been an officer, director or employee of LCH.Clearnet Limited); ~~and~~

(b) with appropriate knowledge of how clearing is carried out by the Clearing House and of the FCM Rulebook (including the FCM Procedures), and other relevant documentation, regulation and applicable law; and

(c) with appropriate experience of the market activities in respect of which the complaint is focused.

7.4.5 The Clearing House shall be responsible for the payment of the fees and expenses of the Independent Investigator although this shall not give rise to any employment or other relationship between the Independent Investigator and the Clearing House, and shall not give rise to any duty between the Independent Investigator and the Clearing House other than that the Independent Investigator shall act as an independent complaints investigator in accordance with the terms of these FCM Procedures.

7.4.6 In the event, that for reasons beyond the reasonable control of the Clearing House, referral to an Independent Investigator is not made within the 2 week day period referred to in 7.4.3 above, then the Company Secretary shall notify the complainant in writing of the reasons for the delay.

## **7.5 Procedure For Dealing With The Complaint**

7.5.1 Upon appointment, an Independent Investigator nominated in accordance with these FCM Procedures, shall forthwith notify the Complainant and the Clearing House in writing of his appointment and shall invite the Complainant and the Clearing House to make such submissions and submit such documentation as each may wish within such timescale as the Independent Investigator may determine.

7.5.2 The Independent Investigator shall determine his own procedure for considering the complaint referred to him, shall be guided by the requirements of fairness and, and may do, inter alia, any one or more of the following:

- (a) interview the Complainant;
- (b) interview a representative of the Clearing House;
- (c) seek further or other information from the Clearing House and/or the Complainant;
- (d) make such further or other reasonable inquiries as he/she deems fit in order properly and fully to investigate the Complaint.

## 7.6 Outcomes

7.6.1 The Independent Investigator shall, wherever reasonably possible, conclude his investigation of a complaint referred to him under these FCM Procedures, within a period of 2 months from the date of his nomination. Where it is not reasonably possible so to do on account of the nature or complexity of the matter referred to him or other good reason, then he shall notify the Complainant and the Clearing House in writing of this fact and provide a further date for the completion of the investigation.

7.6.2 The Independent Investigator shall, at the end of his investigation produce a written report setting out his findings, conclusions, and reasons for his conclusions. Such report shall be provided both to the Complainant and to the Clearing House but it shall not be made public unless the complaint is upheld in whole or in part and the Complainant so requests. In the event of such request, the report shall be made public by being published on the LCH.Clearnet Limited public website. Where only part of the complaint is upheld, then only that part of the report relating to that part of the complaint shall be so published.

7.6.3 In his written report the Independent Investigator may:

- (a) dismiss the complaint; ~~or~~
- (b) uphold the complaint in its totality; ~~or~~
- (c) uphold part of the complaint and dismiss part of the complaint; or
- (d) make such recommendations as he/she deems fit in the circumstances including a recommendation that the Clearing House make a compensatory payment and/or takes such action as may be reasonably practicable to remedy the cause of the complaint.

Exhibit A-4  
FCM Regulations

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## LCH.CLEARNET LIMITED

### FCM REGULATIONS OF THE CLEARING HOUSE

#### Scope

Save where expressly stated to the contrary in these FCM Regulations or the FCM Procedures, these FCM Regulations govern the clearing of FCM Contracts by FCM Clearing Members through LCH.Clearnet Limited. They do **not** govern any other clearing services provided by LCH.Clearnet Limited, LCH.Clearnet SA or any other affiliates of LCH.Clearnet Group, Ltd, all of which are governed by separate sets of rules.

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## Definitions

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

- ~~*Account Assets*~~ - ~~Means all cover, cash, margin, securities, receivables, rights, intangibles and any other collateral or assets deposited with or transferred to an FCM Clearing Member by its FCM Clients and deposited with or transferred to the Clearing House by such FCM Clearing Member, in connection with the accounts carried by such FCM Clearing Member on behalf of its FCM Clients, as margin and security for and in respect of the clearing of FCM Contracts for such FCM Clients. For the avoidance of doubt, any Applied FCM Buffer or Buffer applied by the Clearing House in respect of an FCM Client's FCM Client Segregated Sub-Account does not constitute "Account Assets" of such FCM Client, provided, that Applied FCM Buffer may be transformed into Account Assets as provided in FCM Regulation 9(h)(iv)(C).~~
- Account Manager Executing Party* - Means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated FCM SwapClear Transactions.
- Affiliate* - Means, with respect to an FCM Clearing Member, any entity that controls, is controlled by or is under common control with such FCM Clearing Member, and the account of which, when carried by the FCM Clearing Member, would be considered a Cleared Swaps Proprietary Account pursuant to CFTC Regulation 22.1 (or any such successor or replacement regulation).
- Allocating SwapClear Transaction* - Has the meaning assigned to such term in FCM Regulation 30(p)(iii).
- ~~*Applied FCM Buffer Allocation Notice*~~ - Has the meaning assigned to such term in FCM Regulation ~~9(h)(iv)(A)~~30(p)(iii).
- Approved Broker* - A person authorized by the Clearing House to participate as a broker in the LCH EnClear OTC Services (as such term is used in the UK General Regulations), including the FCM EnClear Clearing Services as the context may require.
- Assumed Allocation* = Has the meaning assigned to it in FCM Regulation 9A(e)(iii).
- Auction Portfolio* - Has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
- Available FCM Buffer* = Means, at any given time, (i) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Clearing Product Client with LCH that is subject to the Without Client Excess Model, FCM Buffer credited

- therein that is not Encumbered FCM Buffer (as described in FCM Regulation 9A(d)(ii)(A)), and (ii) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Clearing Product Client with LCH that is subject to the With Client Excess Model, FCM Buffer credited therein that is not being used by the Clearing House to offset Margin deficits in the relevant FCM Client Sub-Accounts (as described in FCM Regulation 9A(e)(iv)).
- Backload Registration Cycle* - Has the meaning assigned to such term in the FCM Procedures.
- Backloaded Trade* - Has the meaning assigned to such term in the FCM Procedures.
- Base Currency* - Has the meaning assigned to such term in FCM Regulation 24A(d)(ii).
- Business Category of FCM Contract* - Means a category of one or more Products which the Clearing House treats as separate from other Products for purposes of calculating the amount of cover ~~owed~~required to be furnished by an FCM Clearing Member (as set forth in the FCM Procedures) in respect of the FCM Contracts in each such category and, except to the extent otherwise set forth in the FCM Procedures, such separate margin categories consist of: (1) FCM SwapClear Contracts (referred to in the FCM Rulebook as the “*SwapClear Business Category*”), (2) FCM ForexClear Contracts (referred to in the FCM Rulebook as the “*ForexClear Business Category*”), and (3) FCM EnClear Contract (referred to in the FCM Rulebook as the “*EnClear Business Category*”).
- Business Day* - Means, in respect of an FCM Contract (except where specified otherwise in the relevant FCM SwapClear Contract Terms, FCM ForexClear Contract Terms or FCM EnClear Contract Terms, as applicable), a day on which the Clearing House is open for business as set forth in the FCM Procedures.
- Carrying FCM Clearing Member* - Means an FCM Clearing Member carrying an account for an FCM Client, and in respect of which the FCM Contracts and ~~Account Assets held in~~Collateral attributed to such account ~~may~~is to be transferred to a Receiving FCM Clearing Member pursuant to FCM Regulation 8 and in accordance with the FCM Procedures.
- CEA* - Means the U.S. Commodity Exchange Act.

- CFTC* - Means the U.S. Commodity Futures Trading Commission.
- CFTC Regulations* - Means the rules and regulations promulgated by the CFTC.
- Cleared Swap* - Means "Cleared Swap" as such term is defined in CFTC Regulation 22.1.
- Cleared Swap Product* - Means a Product which constitutes a Cleared Swap. Such Products are: (1) FCM SwapClear Contracts, (2) FCM ForexClear Contracts and (3) FCM EnClear Contracts.
- Cleared Swaps Account Class* - Means the account class for cleared swaps accounts (as defined in CFTC Regulations ~~190.01(a)(i)~~ ~~and 190.01(pp)~~) for purposes of Part 190 of the CFTC Regulations and Section 4d(f) of the CEA.
- Cleared Swaps Customer Accounts* = Means "Cleared Swaps Customer Account" as such term is defined in CFTC Regulation 22.1.
- Clearing House* - Means LCH.Clearnet Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom.
- Closing-out Contract* - Means, for the purposes of these FCM Regulations, an FCM Contract effected by or on behalf of the Clearing House and registered in an FCM Clearing Member's name, being an FCM Contract on the same terms (except as to price) as an Open Contract in the FCM Clearing Member's name, save that where the Clearing House has position "X" under the terms of such open FCM Contract (where such FCM Contract consists of positions "X" and "Y"), the Clearing House shall have position "Y" under the terms of such closing-out FCM Contract, and vice-versa.
- ~~*Contribution*~~ - ~~Means, in relation to the Default Fund Rules, the meaning assigned to it in rule 17 of the Default Fund Rules.~~
- ~~*cover*~~*Collateral* - ~~Means an amount determined by the Clearing House of cash or, with the approval of the Clearing House, security in a currency and a form acceptable to the Clearing House as prescribed by the FCM Procedures.~~Means the cash, securities or other collateral or assets deposited with or to be deposited with (as the context may require) the Clearing House by an FCM Clearing Member or otherwise furnished to an FCM Clearing Member's Proprietary Account or its FCM Omnibus Clearing Product Client Accounts with LCH for the purpose of margining, guaranteeing and/or securing (as Margin) FCM Contracts for such accounts. The Clearing House will only credit deposited securities or other non-cash collateral or assets as Collateral to the extent such securities or other noncash collateral or assets are

	<a href="#"><u>acceptable forms of collateral as set forth in the FCM Procedures or as otherwise explicitly permitted by the Clearing House.</u></a>
<a href="#"><u>cover</u></a>	= <a href="#"><u>Means either Collateral, Margin or both, as the context may require as used in the FCM Rulebook.</u></a>
<a href="#"><u>CVR or Collateral Value Report</u></a>	= <a href="#"><u>Has the meaning assigned to it in FCM Regulation 9A(e)(ii).</u></a>
<i>defaulter</i>	- Has the meaning assigned to it in rule 4 of the Default Rules.
<i>Default Fund Rules</i>	- Means the Clearing House's Default Fund Rules from time to time in force.
<i>Default Rules</i>	- Means the Clearing House's Default Rules from time to time in force pursuant to part II of schedule 21 to the UK Companies Act 1989.
<i>Economic Terms</i>	- Means that part of the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms, or the FCM EnClear Contract Terms designated as Economic Terms by the Clearing House from time to time.
<a href="#"><u>Encumbered FCM Buffer</u></a>	= <a href="#"><u>Has the meaning assigned to it in FCM Regulation 9A(d)(ii)(A).</u></a>
<i>Exchange</i>	- Means an organization (whether an exchange, association, company or otherwise) responsible for administering a futures, options, stock or other market, to which the Clearing House provides FCM Clearing Services.
<i>exchange contract</i>	- Means a class of contract (1) on the terms published from time to time by an Exchange and permitted to be made by a member of such Exchange on the market administered by that Exchange or otherwise in accordance with Exchange Rules, or (2) eligible for submission to the Clearing House for registration pursuant to the Exchange Rules. For the purposes of these Regulations "exchange contract" shall not include any class of contract capable of being made on the London Stock Exchange.
<i>Exchange Rules</i>	- Means the rules, regulations, administrative procedures, Memorandum and Articles of Association or by-laws (or similar constituent documents) which regulate an Exchange and the market administered by it as notified from time to time to the Clearing House and, without prejudice to the generality of the foregoing, any regulations or directions made by its Board and any procedures, practices and administrative requirements of the Exchange.
<i>Excess Margin</i>	- Means, <a href="#"><u>(i)</u></a> in respect of an FCM <del>Client's FCM</del> Client <del>Segregated Sub-Account with respect,</del> <a href="#"><u>the amount (if</u></a>

- any) by which the corresponding FCM Client Sub-Account Balance exceeds the Required Margin applicable to any Product or the FCM Contracts registered to such FCM Client Sub-Account, and (ii) in respect of an FCM Clearing Member's Proprietary Account, ~~cover (excluding FCM Buffer or Applied FCM Buffer) held by the Clearing House in respect of FCM Contracts corresponding to the amount (if any such account,) by which is in excess of the Required Margin in respect of attributable to such corresponding Proprietary Account exceeds the Required Margin applicable to the FCM Contracts registered to such Proprietary Account, each~~ as determined by the Clearing House in accordance with the FCM Rulebook.
- Executing Party* - Means each person described as a party to an FCM Transaction in the details submitted to the Clearing House via the relevant FCM Clearing Member and/or via the relevant FCM Approved Trade Source System.
- FCM* - Means a futures commission merchant, as defined ~~under~~in the CEA and the CFTC Regulations promulgated thereunder. that is registered in such capacity with the CFTC.
- FCM Approved Trade Source System* - Means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market or other similar venue, approved by the Clearing House for executing FCM Transactions and/or submitting or presenting such FCM Transactions to the Clearing House. For the avoidance of doubt, the "SwapClear API" is not an FCM Approved Trade Source System.
- FCM Buffer* - Has the meaning assigned to such term in FCM Regulation ~~9(h)(iv)(A)9A(a)~~.
- FCM Buffer Sub-Account* = Has the meaning assigned to such term in FCM Regulation 9A(a).
- FCM Clearing Member* - Means an FCM that has been approved by the Clearing House for the clearing of one or more categories of FCM Contracts on behalf of FCM Clients, in accordance with an FCM Clearing Membership Agreement and the FCM Procedures, and pursuant to these FCM Regulations, and as such is a "Clearing Member" for all purposes under the Default Rules, the Default Fund Rules and the FCM Default Fund Agreement, unless otherwise specified in these FCM Regulations.
- FCM Clearing Membership Agreement* - Means the agreement so designated under which, inter alia, the Clearing House agrees to make available clearing services to an FCM Clearing Member in respect of FCM Contracts together with any ancillary agreements.

- FCM Clearing Services* - Means the FCM SwapClear Clearing Services, the FCM ForexClear Clearing Services and the FCM EnClear Clearing Services, collectively.
- FCM Client* - Means a client of an FCM Clearing Member (but not including Affiliates of such FCM Clearing Member) with positions in FCM Contracts on behalf of which the FCM Clearing Member provides FCM Clearing Services and clears FCM Contracts; provided, that any such client is only an FCM Client with respect to its positions in Cleared Swaps.
- FCM Client Business* - Means the provision of FCM Clearing Services by an FCM Clearing Member to its FCM Clients.
- FCM Client Funds* - Means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member (i.e., not furnished to the Clearing House) on behalf of its FCM Clients.
- FCM Client Segregated Depository Account* - Means an omnibus account located in the United States and maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository; (including any applicable "PPS Accounts", which are described in the FCM Procedures), which is segregated in accordance with the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account and which contains the ~~cover, cash, margin, securities, receivables, rights, intangibles and any other collateral or assets deposited with or transferred to it by~~ FCM Client Funds of its FCM Clients held in connection with the FCM Contracts cleared for such FCM Clients by such or other Cleared Swaps (and, if applicable, the funds of other Cleared Swaps customers of an FCM Clearing Member; held in connection with Cleared Swaps).
- FCM Client ~~Segregated~~ Sub-Account* - Means an individual segregated sub-account ~~within an~~ on behalf of an individual FCM Client, established on the books of the Clearing House as a sub-account of the relevant FCM Omnibus Clearing Product Client Account with LCH of an FCM Clearing Member ~~established on the books of the Clearing House on behalf of an FCM Client of an FCM Clearing Member, reflecting the FCM Contracts in which shall reflect~~ the relevant Product Margin balance attributable to such sub-account, and ~~all Account Assets associated with those~~ the relevant FCM Contracts; registered to such sub-account and carried for ~~each~~ such FCM Client by ~~such~~ its FCM Clearing Member, based on information provided by the applicable FCM Clearing Member; to the Clearing House. Each FCM Client will have an FCM Client ~~Segregated~~ Sub-Account in the relevant FCM Omnibus Clearing Product Client Account with LCH for each Business category of FCM Contracts in which such FCM Client clears FCM Contracts.

- FCM Client Sub-Account Balance* - Means ~~with respect to an FCM Client~~, at any given time, the legally segregated value of ~~Account Assets~~the Margin balance attributable to any FCM Client ~~Segregated~~ Sub-Account of ~~such~~the relevant FCM Client as determined by the Clearing House in accordance with the FCM Rulebook. For the avoidance of doubt, an FCM Client Sub-Account Balance at no time reflects the value of any FCM Buffer (including any Encumbered FCM Buffer) or the value of any Unallocated Excess.
- FCM Contract* - Means an FCM SwapClear Contract, an FCM ForexClear Contract or an FCM EnClear Contract. "FCM Contracts" means FCM SwapClear Contracts, FCM ForexClear Contracts and FCM EnClear Contracts, collectively.
- FCM Contract Terms* - Means the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms and the FCM EnClear Contract Terms, collectively.
- FCM Default Fund Agreement* - Means an agreement in a form prescribed by the Clearing House, entered into between an FCM Clearing Member and the Clearing House relating to the Clearing House's default fund.
- FCM EnClear Clearing Services* - Means the services provided by an FCM Clearing Member in connection with FCM EnClear Contracts cleared on behalf of its FCM Clients or its Affiliates, as the case may be.
- FCM EnClear Clearing Member* - Means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM EnClear Transactions and register FCM EnClear Contracts.
- FCM EnClear Contract* - Means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM EnClear Contract Terms, and which is governed by these FCM Regulations.
- FCM EnClear Contract Terms* - Means the terms applicable to each FCM EnClear Contract as set out from time to time in the FCM Regulations.
- FCM EnClear Product Eligibility Criteria* = Means the product criteria set out in paragraph 1.2 of Part B of Schedule C to these FCM Regulations.
- FCM EnClear Transaction* - Means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM EnClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM EnClear Contract or a Non-FCM EnClear Contract.
- FCM ForexClear Clearing* - Means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM

<i>Member</i>	Regulations and the FCM Procedures) to clear FCM ForexClear Transactions and register FCM ForexClear Contracts.
<i>FCM ForexClear Clearing Services</i>	- Means the services provided by an FCM Clearing Member in connection with FCM ForexClear Contracts cleared on behalf of its FCM Clients or its Affiliates, as the case may be.
<i>FCM ForexClear Contract</i>	- Means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM ForexClear Contract Terms, and which is governed by these FCM Regulations.
<i>FCM ForexClear Contract Terms</i>	- Means the terms applicable to each FCM ForexClear Contract as set out from time to time in the FCM Regulations.
<u><i>FCM ForexClear Product Eligibility Criteria</i></u>	<u>= Means the product criteria set out in paragraph 2 of Part B of Schedule B to these FCM Regulations.</u>
<i>FCM ForexClear Transaction</i>	- Means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM ForexClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM ForexClear Contract or a Non-FCM ForexClear Contract.
<i>FCM Omnibus Clearing Product Client Account with LCH</i>	- Means either an FCM Omnibus ForexClear Client Account with LCH, an FCM Omnibus SwapClear Client Account with LCH or an FCM Omnibus EnClear Client Account with LCH.
<i>FCM Omnibus EnClear Client Account with LCH</i>	- Means an omnibus account located in the United States and maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM EnClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated <del>Account Assets</del> <u>Collateral and Margin</u> , will be reflected on the books of the Clearing House. Such FCM Omnibus EnClear Client Account with LCH will not <del>contain</del> <u>have attributed to it</u> any FCM Contracts or <del>the associated Account Assets</del> <u>Margin</u> other than in connection with FCM EnClear Contracts. <u>Each FCM Omnibus EnClear Client Account with LCH is a book-entry account, the associated Collateral of which is contained in the LCH EnClear Client Segregated Depository Account.</u> The Clearing House will establish FCM Client <del>Segregated</del> Sub-Accounts within each FCM Omnibus EnClear Client Account with LCH.
<i>FCM Omnibus ForexClear Client Account with LCH</i>	- Means an omnibus account located in the United States and maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM ForexClear Contracts

cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated ~~Account Assets~~Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus ForexClear Client Account with LCH will not ~~contain~~have attributed to it any FCM Contracts or ~~the associated Account Assets~~Margin other than in connection with FCM ForexClear Contracts. Each FCM Omnibus ForexClear Client Account with LCH is a book-entry account, the associated Collateral of which is contained in the LCH ForexClear Client Segregated Depository Account. The Clearing House will establish FCM Client ~~Segregated~~ Sub-Accounts within each FCM Omnibus ForexClear Client Account with LCH.

*FCM Omnibus SwapClear Client Account with LCH*

- Means an omnibus account located in the United States and maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM SwapClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated ~~Account Assets~~Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus SwapClear Client Account with LCH will not ~~contain~~have attributed to it any FCM Contracts or ~~the associated Account Assets~~Margin other than in connection with FCM SwapClear Contracts. Each FCM Omnibus SwapClear Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH SwapClear Client Segregated Depository Account. The Clearing House will establish FCM Client ~~Segregated~~ Sub-Accounts within each FCM Omnibus SwapClear Client Account with LCH.

*FCM Procedures*

- Means the document containing the working practices and administrative or other requirements of the Clearing House for the purposes of implementing or supplementing these FCM Regulations, or the procedures for application for and regulation of membership of the Clearing House.

*FCM Regulations*

- Means these FCM Regulations entitled as such, relating to FCM Contracts and the clearing of FCM Contracts only, from time to time in force.

*FCM Rulebook*

- Means the FCM Regulations, the Other Specific Regulations, the FCM Procedures and such other rules of the Clearing House, which are applicable to FCM Clearing Services, as published and amended from time to time.

*FCM Segregated Accounts*

- ~~Means, with respect to each FCM Clearing Member, (i) its FCM Client Segregated Depository Accounts and (ii) its PPS Accounts in which the FCM Clearing Member holds the Client funds held in connection with its FCM Clients' cleared FCM Contracts.~~

<i>FCM SwapClear Clearing Services</i>	- Means the services provided by an FCM Clearing Member in connection with FCM SwapClear Contracts cleared on behalf of its FCM Clients or its Affiliates, as the case may be.
<i>FCM SwapClear Contract</i>	- Means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM SwapClear Contract Terms, and which is governed by these FCM Regulations.
<i>FCM SwapClear Contract Terms</i>	- Means the terms applicable to each FCM SwapClear Contract as set out from time to time in the FCM Regulations.
<i>FCM SwapClear Product Eligibility Criteria</i>	- Means the product criteria set out in paragraphs 1.1(a), 1.1(b) or 1.1(c), and <a href="#">paragraph 3</a> of Part B of Schedule A to these FCM Regulations.
<i>FCM SwapClear Transaction</i>	- Means any transaction the details of which are presented to the Clearing House via an FCM Approved Trade Source System for the purpose of having such transaction registered at the Clearing House as two FCM SwapClear Contracts (or, where a corresponding presentation has been made in respect of the same transaction for registration of a Non-FCM SwapClear Contract, one Non-FCM SwapClear Contract and one FCM SwapClear Contract), regardless of whether (a) such transaction is an existing swap transaction, (b) it was entered into in anticipation of clearing, and (c) it is contingent on clearing.
<i>FCM Transaction</i>	- Means either an FCM SwapClear Transaction, an FCM ForexClear Transaction or an FCM EnClear Transaction, as applicable.
<i>First EnClear Clearing Member</i>	- Has the meaning assigned to it in FCM Regulation 51(a).
<i>ForexClear Clearing Member</i>	- Means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
<i>ForexClear Contribution</i>	- Means, in relation to the Default Fund Rules, the meaning assigned to it in rule 17 of the Default Fund Rules.
<i>ForexClear DMP</i>	- Has the meaning assigned to it in the ForexClear DMP Annex of the Default Rules.
<i>Hedged Account</i>	- Has the meaning assigned to it in the FCM Procedures.
<i>Ineligible FCM ForexClear Contract</i>	- Has the meaning assigned to it in FCM Regulation 40(f)(ii).
<i>Ineligible FCM ForexClear Transaction</i>	- Has the meaning assigned to it in FCM Regulation 40(f)(i).

- Ineligible FCM SwapClear Contract* - Has the meaning assigned to it in FCM Regulation 30(f).
- Ineligible FCM SwapClear Transaction* - Has the meaning assigned to it in FCM Regulation 30(f).
- Initial Margin* - ~~Means an amount determined and published from time to time by the Clearing House with regard to each Business Category of FCM Contract, in respect of which FCM Clearing Members may be required to provide cover in such amount to the Clearing House in accordance with these FCM Regulations and the FCM Procedures as a condition of registration of an FCM Contract by the Clearing House and otherwise in respect of all FCM Contracts registered with the Clearing House, as prescribed by these FCM Regulations and the FCM Procedures.~~ Means, with respect to the amount of Margin attributable to a particular account or accounts of an FCM Clearing Member with the Clearing House, the portion of such Margin held in respect of the Clearing House's initial margin requirements (as published from time to time by the Clearing House) in respect of the relevant FCM Contracts attributable to such account or accounts.
- LCH.Clearnet Group* - Means the group of undertakings consisting of LCH.Clearnet Limited, LCH.Clearnet Group Limited and Banque Centrale de Compensation S.A. trading as LCH.Clearnet SA. (Reference to a "member" of LCH.Clearnet Group within these FCM Regulations is to be construed accordingly).
- LCH Approved Outsourcing Agent* - Means a person, designated as such by the Clearing House, as may be provided for in the FCM Procedures.
- LCH EnClear OTC Clearing Member* - Means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
- LCH Clearing Product Client Segregated Depository Account* - Means either the LCH ForexClear Client Segregated Depository Account, the LCH SwapClear Client Segregated Depository Account or the LCH EnClear Client Segregated Depository Account.
- LCH EnClear Client Segregated Depository Account* - Means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) located in the United States and maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account that is part of the Cleared Swaps Account Class and which contains the ~~Account Assets and related collateral (including FCM Buffer and Unallocated Excess)~~ Collateral deposited by

such FCM Clearing Members on behalf of their FCM Clients solely in connection ~~solely~~ with FCM EnClear Contracts cleared for such FCM Clients by such FCM Clearing Members; provided, however, that the Clearing House may physically commingle the Account Assets Collateral held in such account with the Account Assets Collateral held in all other LCH Clearing Product Client Segregated Depository Accounts in a single physical depository account with a Permitted Depository.

*LCH ForexClear Client  
Segregated Depository  
Account*

- Means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) located in the United States and maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account that is part of the Cleared Swaps Account Class and which contains the Account Assets and related collateral (including FCM Buffer and Unallocated Excess) Collateral deposited by such FCM Clearing Members on behalf of their FCM Clients solely in connection ~~solely~~ with FCM ForexClear Contracts cleared for such FCM Clients by such FCM Clearing Members; provided, however, that the Clearing House may physically commingle the Account Assets Collateral held in such account with the Account Assets Collateral held in all other LCH Clearing Product Client Segregated Depository Accounts in a single physical depository account with a Permitted Depository.

*LCH SwapClear Client  
Segregated Depository  
Account*

- Means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) located in the United States and maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account that is part of the Cleared Swaps Account Class and which contains the Account Assets and related collateral (including FCM Buffer and Unallocated Excess) Collateral deposited by such FCM Clearing Members on behalf of their FCM Clients solely in connection with FCM SwapClear Contracts cleared for such FCM Clients by such FCM Clearing Members; provided, however, that the Clearing House may physically commingle the Account Assets Collateral held in such account with the Account Assets Collateral held in all other LCH Clearing Product Client Segregated Depository Accounts in a single physical depository account with a Permitted Depository.

<u>Margin</u>	= <u>Means, with respect to a particular account or accounts of an FCM Clearing Member with the Clearing House, the Collateral value that is attributable to such account or accounts as margin for the margining of FCM Contracts in such account or accounts, as determined by the Clearing House in accordance with the FCM Rulebook.</u>
MER	- Has the meaning assigned to it in Section 2A.3.3 of the FCM Procedures.
Non-FCM Clearing Member	- Means either a SwapClear Clearing Member, a ForexClear Clearing Member or an LCH EnClear OTC Clearing Member, as applicable.
Non-FCM Contract	- Means either a Non-FCM SwapClear Contract, a Non-FCM ForexClear Contract or a Non-FCM EnClear Contract, as applicable.
Non-FCM EnClear Contract	- Means an "LCH EnClear OTC Contract" (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
Non-FCM ForexClear Contract	- Means a "ForexClear Contract" (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
Non-FCM SwapClear Contract	- Means a "SwapClear Contract" (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
Non-Porting Client	- Has the meaning assigned to it in the FCM Procedures.
Official Quotation	- Means a price determined by the Clearing House under FCM Regulation 10.
<u>Omnibus Collateral Value</u>	= <u>Means, at any given time in respect of an FCM Omnibus Clearing Product Client Account with LCH, the aggregate Margin, as determined by the Clearing House in accordance with the FCM Rulebook, attributable to such FCM Omnibus Clearing Product Client Account with LCH (and regardless of whether such Margin is attributed to an FCM Client Sub-Account, the FCM Buffer Sub-Account or the Unallocated Excess Sub-Account).</u>
"Open Contract" or "open contract"	- Means an FCM Contract which has not been closed-out, settled or invoiced back in accordance with the FCM Regulations and the FCM Procedures. The terms "Open Contract" and "open contract" shall not include a Closing-out Contract.
Other Specific Regulations	- Means the Clearing House's Default Rules, Default Fund Rules, Settlement Finality Regulations and related Definitions and provisions relating to construction as published and amended by the Clearing House from time to time.

<i>Permitted Depository</i>	- Means "Permitted Depository" as such term is defined in CFTC Regulations 22.1 and 22.4.
<i>Portfolios</i>	- Has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
<i>Porting FCM Contracts</i>	- Has the meaning assigned to it in FCM Regulation 8(c).
<i>Price</i>	- Means, in the case of an FCM Contract, the price calculated by the Clearing House in accordance with the FCM Regulations and the FCM Procedures.
<i>Product</i>	- Means a category of FCM Contracts which, except to the extent otherwise set forth in the FCM Procedures, consist of each of the following categories: (1) FCM SwapClear Contracts, (2) FCM ForexClear Contracts, and (3) FCM EnClear Contracts.
<i>Proprietary Account</i>	- Means the house account with the Clearing House opened in the name of an FCM Clearing Member to which FCM Contracts made by the FCM Clearing Member for its own account or accounts of its Affiliates (but never accounts of its FCM Clients) are registered and to which monies in respect of such FCM Contracts are credited.
<del><i>PPS Account(s)</i></del>	<del>- Means the Protected Payments System (PPS) bank account(s) established by FCM Clearing Members and by LCH, as described in the FCM Procedures.</del>
<i>Rate X and Rate Y</i>	- Means, in relation to an FCM SwapClear Transaction or an FCM SwapClear Contract, the outstanding payment obligations of each party to the transaction, such that Rate X comprises the outstanding payment obligations of one party to the other and Rate Y comprises the outstanding payment obligations of the other party to the first party.
<i>Receiving FCM Clearing Member</i>	- Means an FCM Clearing Member receiving the transfer of part or all of the FCM Contracts and <del>Account Assets</del> <u>Collateral attributable to</u> an FCM Client from a Carrying FCM Clearing Member that previously carried such account, pursuant to FCM Regulation 8 and in accordance with the FCM Procedures.
<i>Reference Currency Buyer</i>	- Has the meaning assigned to it in the Clearing House's "General Regulations".
<i>Reference Currency Seller</i>	- Has the meaning assigned to it in the Clearing House's "General Regulations".
<i>Reference Price</i>	- Means a price (howsoever called) by reference to which an FCM Contract is marked to market or valued in accordance with the FCM Regulations and FCM

	Procedures.
<i>Registration Time</i>	- Means, in respect of an FCM Contract, the applicable time at which the Clearing House registers such FCM Contract, as prescribed in the FCM Procedures.
<i>Regulatory Body</i>	- Means the Secretary of State, The Financial Services Authority or professional body designated under Part 20 of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Bank of England, the CFTC or any department, agency, office, court or tribunal of a nation, state, province or any other body or authority which exercises a regulatory or supervisory function under the laws of the United Kingdom or under any foreign law.
<i>Required Margin</i>	- Means <del>the cover, with respect to a particular account or accounts of an FCM Clearing Member with the Clearing House, the amount of Initial Margin</del> required by the Clearing House <del>from an FCM Clearing Member from time to time (in respect of its FCM Contracts (or any portion of such FCM Contracts, as the context may require as used in accordance with the FCM Rulebook)-) to be held in such account or accounts from time to time.</del>
<i>Risk Neutralisation</i>	- Has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
<i>Second EnClear Clearing Member</i>	- Has the meaning assigned to it in FCM Regulation 51(a).
<i>Settlement Finality Regulations</i>	- Means the Clearing House's Settlement Finality Regulations from time to time in force.
<i>Settlement Price</i>	- Means, in relation to an FCM Contract, one or more prices determined in accordance with the FCM Regulations or the FCM Procedures.
<i>Standard Terms</i>	- Means those parts of the FCM Contract Terms designated as Standard Terms by the Clearing House from time to time.
<i>SwapClear Contribution</i>	- Means, in relation to the Default Fund Rules, the meaning assigned to it in rule 17 of the Default Fund Rules.
<i>SwapClear DMP</i>	- <del>Has the meaning assigned to it in the SwapClear DMP Annex of the Default Rules.</del>
<i>SwapClear Clearing Member</i>	- Means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
<u>SwapClear DMP</u>	= <u>Has the meaning assigned to it in the SwapClear DMP</u>

Annex of the Default Rules.

- SwapClear Suspension Sub-Account* - Has the meaning assigned to such term in FCM Regulation 30(p)(ii).
- SwapClear Tolerance* - Has the meaning assigned to it in Section 2A.3.3 of the FCM Procedures.
- Termination Amount* - Has the meaning assigned to such term in FCM Regulation 24A(d)(iii).
- UK General Regulations* - Means the Default Rules, the Default Fund Rules and the Settlement Finality Regulations, and the Clearing House's General Regulations from time to time in force.
- UK General Procedures* - Means the Clearing House's "Procedures" as such term is defined in the UK General Regulations, which are applicable to the UK General Regulations.
- Unallocated Excess* - Has the meaning assigned to such term in FCM Regulation ~~9(h)9A(b)(i)(A)~~.
- Unallocated Excess Sub-Account* - Has the meaning assigned to such term in FCM Regulation ~~9(h)(iii)9A(b)(i)~~.
- Unallocated FCM SwapClear Contract* - Has the meaning assigned to such term in FCM Regulation 30(p)(ii).
- Unallocated FCM SwapClear Transaction* - Has the meaning assigned to such term in FCM Regulation 30(p)(i).
- Variation Margin* - ~~Means an amount determined by the Clearing House in accordance with the FCM Procedures in respect of original contracts or Open Contracts (as the case may be) by reference to the difference between the contract value of such contracts (as determined in accordance with the FCM Procedures) and the value of such contracts at the Reference Price or at such other prices as the Clearing House may determine pursuant to the FCM Procedures, in respect of which FCM Clearing Members may be required to provide cover in such amount to the Clearing House in accordance with these FCM Regulations and the FCM Procedures.~~ Means the amount payable by an FCM Clearing Member to the Clearing House or by the Clearing House to an FCM Clearing Member, as applicable, in respect of, and in the amount of, the Clearing House's variation margin requirements (as published from time to time by the Clearing House) in respect of an FCM Contract and with reference to the change in the NPV of such FCM Contract over a particular period of time.
- Withdrawal Date* - Means the date upon which the Clearing House determines to withdraw the FCM SwapClear Service, the FCM ForexClear Service or the FCM EnClear Service, as applicable, in accordance with these FCM Regulations

and the FCM Procedures.

*With Client Excess Model* = Has the meaning assigned to it in FCM Regulation 9A(e).

*Without Client Excess Model* = Has the meaning assigned to it in FCM Regulation 9A(d).

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In the Rulebook, except as the context may otherwise require:

(a) Any reference in these FCM Regulations or the FCM Procedures to statutes, laws or regulations (or to specific provisions within them) thereof shall be to such statutes, laws or regulations (or to specific provisions within them) as amended, modified, supplemented or replaced from time to time.

(b) Any reference to a Regulatory Body includes any successor or replacement Regulatory Body.

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

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

(e) The words "include", "includes" or "including" are to be deemed followed by the words "without limitation".

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

(g) Any reference in these FCM Regulations or the FCM Procedures to a person or a party (however described) shall include its legal successors or assigns.

(h) Headings are used herein for ease of reference only.

**PART I – REGULATIONS OF GENERAL APPLICABILITY****Regulation 1 Obligations of the Clearing House to each FCM Clearing Member**

- (a) The Clearing House shall perform the obligations referred to in paragraph (b) below so as to ensure the performance of all Open Contracts in accordance with these FCM Regulations. Each FCM Clearing Member is fully liable to the Clearing House for the performance of all obligations arising in connection with the FCM Contracts registered to it, regardless of whether such FCM Contracts are cleared by such FCM Clearing Member (i) as principal for their own accounts, account (including in respect of FCM Contracts cleared in connection with FCM Transactions of Affiliates), or as agent (as such term is used in, and guarantor as required by, CFTC Regulation 39.12(b)(6)) for their respective FCM Clients and Affiliates (as set forth in FCM Regulation 3(b)).
- (b) The obligations of the Clearing House to each FCM Clearing Member shall be as a counterpart to an Open Contract registered in the name of an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures, to perform its obligations under the terms of such Open Contract as principal to such FCM Clearing Member in accordance with the provisions of these FCM Regulations and the FCM Procedures, but subject to the restrictions on the Clearing House's obligations and liabilities contained in these FCM Regulations.
- (c) The performance by the Clearing House of its obligations referred to in this FCM Regulation 1 shall be subject to the provisions of these FCM Regulations. It is not the intention of the Clearing House or its members to confer any benefit on or give any right to enforce any provisions of this FCM Regulation 1 or any of the other FCM Regulations to any person who is not a member.

**Regulation 3 FCM Clearing Member Status of the Clearing House and Application of LCH Regulations**

- (a) Application for FCM Clearing Member status in the Clearing House shall be made in accordance with the FCM Procedures. An FCM Clearing Member's status in the Clearing House and all FCM Clearing Services shall be governed by these FCM Regulations, the Other Specific Regulations and the FCM Procedures. Additionally, an FCM Clearing Member's status in the Clearing House shall be governed by any FCM Clearing Membership Agreement to which it is for the time being party. FCM Clearing Member status does not provide or entitle an FCM Clearing Member to any other clearing member status with the Clearing House, or to any shareholding membership of LCH.Clearnet Limited or any shareholding or other membership of any other member of the LCH.Clearnet Group or any entitlement to membership of or participation in LCH.Clearnet SA, each of which has separate and distinct membership requirements.
- (b) Notwithstanding any other provision of these FCM Regulations, with respect to FCM Transactions involving an FCM Client or an Affiliate cleared by an FCM Clearing Member as FCM Contracts, such FCM Clearing Member shall act solely as agent of its FCM Clients and Affiliates in connection with the clearing of such FCM Contracts; provided, that each FCM Clearing Member shall remain fully liable for all obligations to the Clearing House arising in connection with such FCM Contracts.
- (c) Qualification of FCM Clearing Members. An FCM Clearing Member must obtain approval from the Clearing House in order to provide FCM Clearing Services in respect of a Product. A separate approval is required for each Product that an FCM Clearing Member proposes to clear. In order to obtain such approval, and in order to maintain such approval once such approval has been obtained, an FCM Clearing Member must:
- (i) be registered with the CFTC as an FCM;
  - (ii) in order to clear FCM SwapClear Contracts or FCM ForexClear Contracts (but not other Products), be incorporated or otherwise organized under the laws of a State within the United States;
  - (iii) maintain adjusted net capital, as defined in CFTC Regulation 1.17, of at least \$50,000,000 (fifty million United States dollars) provided, that (A) the Clearing House shall be permitted (in its sole and reasonable discretion), including as described in the FCM Procedures, to scale an FCM Clearing Member's required level of net capital in accordance with the level of risk introduced to the Clearing House by such FCM Clearing Member and (B) the Clearing House shall be permitted (in its sole and reasonable discretion) to scale an FCM Clearing Member's level of risk introduced to the Clearing House by such FCM Clearing Member in accordance with its level of net capital (and regardless of whether such FCM Clearing Member has adjusted net capital exceeding \$50,000,000); provided, further, that each FCM Clearing Member or FCM Clearing Member applicant must maintain compliance with all regulatory financial requirements (whether relating to capital, equity, risk or otherwise) applicable to it, including without limitation the applicable requirements of CFTC Regulation 1.17 and Part 23 of the CFTC Regulations;

- (iv) have and maintain systems and personnel that are, in the judgment of the Clearing House, adequate to enable such FCM Clearing Member or applicant to satisfy its operational responsibilities, in accordance with the FCM Regulations and FCM Procedures and, without limitation, have the connectivity and capability to process the applicable FCM Transactions through an FCM Approved Trade Source System;
  - (v) be in compliance with all applicable provisions of the FCM Rulebook and the FCM Default Fund Agreement, including but not limited to the requirement to contribute to the Clearing House Default Fund in accordance with the FCM Rulebook;
  - (vi) in order to clear FCM SwapClear Contracts or FCM ForexClear Contracts (but not other Products), be able to successfully participate or demonstrate that it has: (A) an affiliated Non-FCM Clearing Member (or, alternatively, a non-clearing member Affiliate that clears through the FCM Clearing Member) that can successfully participate; or (B) an LCH Approved Outsourcing Agent that can successfully participate in a “fire drill” run by the Clearing House from time to time in respect of each Product cleared by such FCM Clearing Member. Each such “fire drill” shall involve submitting a bid for a notional portfolio of trades within a specific currency in a specified timeframe. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the “fire drill” and the applicant’s FCM Clearing Member application will not be approved;
  - (vii) in order to clear FCM SwapClear Contracts or FCM ForexClear Contracts (but not other Products), be able to participate or demonstrate that it has: (A) an affiliated Non-FCM Clearing Member (or, alternatively, a non-clearing member Affiliate that clears through the FCM Clearing Member) that can successfully participate; or (B) an LCH Approved Outsourcing Agent that can successfully participate in the Default Management Process operated by the Clearing House;
  - (viii) have, within its corporate group, at least one banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of the United States or a member state of the European Union, or the equivalent of a banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of a country outside the United States and the European Union and which is subject to prudential rules considered by the Clearing House to be at least as stringent as those applicable to banking institutions, credit institutions, securities firms, investment banking firms or similar entities, as applicable, within the United States or the European Union; and
  - (ix) in order to clear FCM SwapClear Contracts or FCM ForexClear Contracts (but not other Products), in the event of a default, be able to receive from the Clearing House and process FCM Contracts and Non-FCM Contracts (of the type(s) that it is approved to clear), and any associated hedge trades, in ~~FPML~~ FpML (Financial product Markup Language).
- (d) Each FCM Clearing Member shall at all times continue to comply with and satisfy the qualifications and requirements set forth in FCM Regulation 3(c) and shall

promptly notify the Clearing House if it has breached or reasonably expects to breach any such qualifications or requirements.

- (e) Notwithstanding anything else contained in this FCM Regulation 3 or in the FCM Procedures, an applicant to become an FCM Clearing Member shall provide any additional documentation or information that is reasonably requested by the Clearing House in order to verify or substantiate the ability of such FCM Clearing Member applicant to satisfy its obligations under the FCM Rulebook or to satisfy its obligations as an FCM Clearing Member.

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**Regulation 4 FCM Client Business and Proprietary Account Trading**

- (f)(a) Subject to the provisions of these FCM Regulations, FCM Clearing Services may be provided by an FCM Clearing Member to its FCM Clients on any terms and conditions mutually agreed to by the FCM Clearing Member and the FCM Client; provided, however, that each FCM Clearing Member shall, before providing FCM Clearing Services to any FCM Client, ensure that it has entered into an agreement with that FCM Client, or an Addendum to an existing Agreement with such FCM Client, which, in either case, binds the FCM Client to the applicable provisions of the FCM Rulebook by direct reference to the FCM Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the Clearing House and FCM Clearing Members, or as may be prescribed by the Clearing House. Upon the registration of an FCM Contract at the applicable Registration Time on behalf of an FCM Client, both the FCM Clearing Member and the applicable FCM Client will be deemed to be bound by the relevant FCM Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client, which such terms shall, without limitation, incorporate all applicable terms of the FCM Rulebook and the applicable FCM Contract Terms.
- (g)(b) FCM Clearing Services may be provided by an FCM Clearing Member to its FCM Clients, and FCM Contracts may be entered into by an FCM Clearing Member with the Clearing House on behalf of its FCM Clients only through an FCM Omnibus Clearing Product Client Account with LCH maintained by the Clearing House in the name of the FCM Clearing Member for the benefit of its FCM Clients.
- (h)(c) If and to the extent permitted in the FCM Procedures, FCM Clearing Members shall be permitted to enter into and clear FCM Contracts for their own account or accounts of their Affiliates, in each case through their Proprietary Accounts. An FCM Clearing Member wishing to provide FCM Clearing Services to Affiliates shall enter into an agreement with each such Affiliate, or an Addendum to an existing agreement which, in either case, binds the Affiliate to the applicable provisions of the FCM Rulebook by direct reference to the FCM Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the FCM Clearing Member and the Affiliate, or as may be prescribed by the Clearing House. An FCM Clearing Member providing FCM Clearing Services to its Affiliates shall notify the Clearing House of any such Affiliates and the Products cleared for such Affiliates.
- (i)(d) Each FCM Clearing Member shall maintain appropriate books and records identifying all pertinent information regarding its FCM Clients and any Affiliates for which it provides FCM Clearing Services and regarding trades made on its own behalf through its Proprietary Account, the FCM Contracts cleared for such FCM Clients, Affiliates, or on its own behalf, and the ~~cover held~~ Collateral and Margin balance in respect of such cleared FCM Contracts, subject to the provisions of the following paragraph (e). Without limitation of the foregoing, each FCM Clearing Member shall ensure that its books and records accurately reflect at all times the FCM Contracts and ~~Account Assets maintained in~~ the value of any Collateral attributed to each FCM Omnibus Clearing Product Client Account with LCH and ~~into~~ each FCM Client ~~Segregated~~-Sub-Account therein for the relevant FCM Clients.
- (i)(e) Each FCM Clearing Member shall establish and maintain one or more FCM Client Segregated Depository Accounts on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, including but not

limited to Part 1, Part 22 and Part 190 of such regulations, and as further set forth in FCM Regulation 25. Each FCM Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and the CFTC Regulations. The FCM Clearing Member may physically commingle ~~assets~~FCM Client Funds of all of its FCM Clients (provided that such assets are deposited or held in connection with Cleared Swaps) relating to Cleared Swap Products in a single FCM Client Segregated Depository Account established and maintained in accordance with CFTC Regulations. Each FCM Client Segregated Depository Account maintained by each FCM Clearing Member shall be ~~dt~~resigned as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for the purposes ~~of Part 190~~ of the CFTC Regulations.

~~(k)~~(f) The Clearing House shall establish and maintain on its books and records an FCM Client ~~Segregated~~ Sub-Account in the name and on behalf of each FCM Client of an FCM Clearing Member, as a sub-account of each applicable FCM Omnibus Clearing Product Client Account with LCH maintained for such FCM Clearing Member. The Clearing House shall reflect on its books and records the FCM Contracts and ~~associated value of Account Assets held on behalf of the relevant~~Margin attributable to each FCM Client Sub-Account, provided, that the books and records of the Clearing House in this regard shall be based solely on the information provided by the FCM Clearing Member, and the Clearing House shall have no obligation to verify any such information or to investigate independently ~~the FCM Contracts and any such information.~~ Each FCM Client Sub-Account Assets held on behalf shall be considered to be part of the relevant FCM Client Cleared Swaps Customer Account Class solely for purposes of Part 190 of the CFTC Regulations. The Clearing House shall, in accordance with the applicable provisions of FCM Regulation ~~9(h); 9A,~~ establish and maintain on its books and records an FCM Buffer ~~sub-account~~Sub-Account on behalf of each FCM Clearing Member and its FCM Clients, as a sub-account of each FCM Omnibus SwapClear Client Account with LCH, each FCM Omnibus ForexClear Client Account with LCH and each FCM Omnibus EnClear Client Account with LCH, maintained for each such FCM Clearing Member.

~~(h)~~(g) The Clearing House shall establish and maintain an LCH Clearing Product Client Segregated Depository Account for each Business Category of FCM Contract on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, as required, including but not limited to Part 1, Part 22 and Part 190 of such regulations. Each LCH Clearing Product Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and the CFTC Regulations, and the Clearing House may physically commingle ~~assets of all of the FCM Clients in each such LCH Clearing Product Client Segregated Depository Account (provided that such assets are held in connection with Cleared Swaps) in accordance with the CFTC Regulations. All cover deposited by FCM Clearing Members in connection with FCM Contracts cleared~~all Collateral furnished on behalf of FCM Clients ~~shall be held in such~~the applicable LCH Clearing Product Client Segregated Depository Accounts ~~in accordance with the CFTC Regulations.~~ Each LCH Clearing Product Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the FCM Clearing Members or assets of the Clearing House, and shall contain no assets other than ~~cover deposited~~Collateral furnished by FCM Clearing Members in connection with the clearing of FCM Contracts on behalf of their FCM Clients. Each LCH Clearing Product Client Segregated Depository Account maintained by the Clearing House shall be ~~dt~~resigned as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for the purposes of the CFTC Regulations.

~~(m) Where the amount of Required Margin applicable to FCM Contracts of an FCM Client is increased by the Clearing House, the obligation of the applicable FCM Clearing Member to provide additional cover to the Clearing House to satisfy such increased Required Margin shall be discharged by:~~

~~(i) if and to the extent that there is Excess Margin available that is attributable to such FCM Client's relevant FCM Client Segregated Sub-Account, deduction by the Clearing House of amounts from such Excess Margin;~~

~~(ii) if the application of clause (i) above is insufficient, (A) by the application of any available FCM Buffer of the applicable FCM Clearing Member (in accordance with the FCM Procedures and FCM Regulation 9(h)), in the case of FCM SwapClear Contracts or FCM ForexClear Contracts, and/or (B) by delivery by the applicable FCM Clearing Member to the Clearing House of additional cover on behalf of such FCM Client; and~~

~~(iii) if the obligation of the FCM Clearing Member to satisfy the Required Margin has not been fully discharged pursuant to clauses (i) and (ii) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.~~

~~Where the amount of Required Margin applicable to the FCM Contracts of an FCM Clearing Member's Proprietary Account is increased by the Clearing House, the obligation of the applicable FCM Clearing Member to provide additional cover to the Clearing House to satisfy such increased required Margin shall be discharged by:~~

~~(x) if and to the extent that there is Excess Margin available in the FCM Clearing Member's Proprietary Account, deduction by the Clearing House of amounts from such Excess Margin;~~

~~(y) delivery by the FCM Clearing Member to the Clearing House of additional cover; and~~

~~(z) if the obligation of the FCM Clearing Member to satisfy the required Margin has not been fully discharged pursuant to clauses (x) and (y) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.~~

~~FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client's position in a single Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within a single Business Category of FCM Contract and shall not be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable.~~

~~FCM Contract positions established in an FCM Clearing Member's Proprietary Account on its own behalf and for its Affiliates shall be subject to net margin requirements with respect to each Business Category of FCM Contract, such that an FCM Clearing Member shall be required to deposit a net margin amount with~~

~~the Clearing House in connection with all of the FCM Contract positions of itself and its Affiliates for each Business Category of FCM Contract in which it holds positions in its Proprietary Accounts. An FCM Clearing Member may impose margin requirements on its Affiliates for which it provides FCM Clearing Services on a net basis, netting the positions and related margin requirements with respect to a single Affiliate or across multiple Affiliates, or an FCM Clearing Member may impose such margin requirements on a gross basis.~~

~~(n)~~(h) An FCM Clearing Member shall provide the Clearing House with all information required under the FCM Procedures regarding ~~the~~its FCM Contracts, ~~Account Assets or other~~ FCM Client funds held by such FCM Clearing Member for each of ~~its FCM Clients~~Funds and Collateral, and shall instruct the Clearing House as to the FCM Contracts and ~~Account Assets~~Collateral to be reflected in each ~~relevant and corresponding~~applicable FCM Client ~~Segregated~~ Sub-Account, at such time and in such form as required under the FCM Procedures. In addition, an FCM Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the FCM Clients or Affiliates of the FCM Clearing Member, or the clearing of FCM Contracts by such FCM Clearing Member on behalf of its FCM Clients, its Affiliates, or on its own behalf.

~~(e)~~(i) No FCM Clearing Member may withdraw any amount from any of its FCM Omnibus Clearing Product Client Accounts with LCH or its Proprietary Account if such withdrawal would cause the ~~account~~account's Margin balance to be less than the Required Margin then attributable to such FCM Omnibus Clearing Product Client Account with LCH or to such Proprietary Account, as applicable, as determined by the Clearing House in accordance with the provisions of the FCM Rulebook; ~~provided, further,~~ that the Clearing House may prohibit an FCM Clearing Member from withdrawing any amount from its Proprietary Account if the ~~account balance~~FCM Client Sub-Account Balance in any of its FCM Client ~~Segregated~~ Sub-Accounts would be less than the Required Margin then attributable to any such FCM Client ~~Segregated~~ Sub-Account and there is an insufficient amount of FCM Buffer (within the applicable account) available to offset any such deficiencies.

**Regulation 4 Regulation 5 Treatment of Accounts at LCH**

- (a) Accounts shall be opened between each FCM Clearing Member and the Clearing House in accordance with the FCM Procedures. An FCM Clearing Member shall be responsible to LCH for all obligations owed to the Clearing House in respect of every account opened in respect of such FCM Clearing Member.
- (b) This paragraph applies to an FCM Clearing Member's Proprietary Accounts. In the event that more than one Proprietary Account is opened in respect of an FCM Clearing Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the FCM Clearing Member's Proprietary Accounts, treat all such accounts as a single account and 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 FCM Clearing Member's liabilities to the Clearing House on any one or more of such accounts, or in or towards payment or satisfaction of any other obligations of the FCM Clearing Member to the Clearing House, including but not limited to, obligations arising in connection with FCM Client Business.
- (c) (i) Each FCM Clearing Member shall establish and maintain an FCM Omnibus Clearing Product Client Account with LCH on behalf of its FCM Clients. Clearing Services may be provided by an FCM Clearing Member to its FCM Clients, and FCM Contracts may be registered by an FCM Clearing Member with the Clearing House on behalf of its FCM Clients only in an FCM Omnibus Clearing Product Client Account with LCH. Each such FCM Omnibus Clearing Product Client Account with LCH shall be treated as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for purposes of the CFTC Regulations.
- ~~(e)~~(i) This paragraph applies to an FCM Clearing Member's FCM Omnibus Clearing Product Client Accounts with LCH. FCM Omnibus Clearing Product Client Accounts with LCH shall be ~~held~~maintained and administered in accordance with the CEA and all applicable CFTC Regulations (including but not limited to Part 1, Part 22 and Part 190 of such ~~regulations~~CFTC Regulations, as applicable). In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the value of all ~~Account Assets~~Collateral received from each FCM Clearing Member on behalf of an identified FCM Client in connection with Cleared Swap Products as belonging to each such individual FCM Client, and such amount shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, other FCM Clients or any other person, except as permitted under the FCM Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 22 of the CFTC Regulations; provided, that the Clearing House shall be permitted to physically hold and commingle all ~~Account Assets~~Collateral and other ~~cover deposited in~~assets the value of which is attributed to any FCM Omnibus SwapClear Client Account with LCH, FCM Omnibus ForexClear Client Account with LCH or FCM Omnibus EnClear Client Account with LCH (as Margin or otherwise) in a single physical depository account with a Permitted Depository.

- (d) Amounts standing to the credit of an FCM Clearing Member's account relating to Contributions made under the Default Fund Rules may be applied as provided for in the Default Fund Rules.
- (e) Any rights of set-off, combination of accounts or appropriation which the Clearing House may have under these FCM 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 FCM Procedures may at the Clearing House's discretion (but subject to the provisions of the Default Fund Rules) be paid, or, in the case of negative interest rates, be charged, on amounts standing to the credit of any of the FCM Clearing Member's accounts.
- (g) Debit balances due to the Clearing House on any account opened in respect of an FCM Clearing Member are payable by such FCM Clearing 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 FCM Procedures.
- (h) Subject to the provisions of the Default Fund 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 FCM Clearing Members in accordance with the FCM Procedures.
- (i) If an FCM Clearing Member specifies a Termination Date under FCM Regulation 24A, the FCM Clearing Member shall be entitled to set off any or all amounts (whether present or future, liquidated or unliquidated, actual or contingent) due as between the Clearing House and the FCM Clearing Member; provided, that in accordance with these FCM Regulations, including ~~without limitation~~ FCM Regulation 25, an FCM Clearing Member's obligations to the Clearing House (other than solely in respect of the obligations of its FCM Clients) may never be set off with amounts in FCM Client Segregated Depository Accounts.
- (j) Where a payment has been made to the Clearing House by an FCM Clearing Member through ~~PPS Account~~ the relevant account(s), that payment will only be credited to the account of the applicable FCM Clearing 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) that institution has made any relevant payments to other FCM Clearing Members on the date when the payment was due to be received by the Clearing House.

**~~Regulation 6~~ Regulation 7 Trading Information**

The Clearing House shall make available to an FCM Clearing Member in the manner and by the time prescribed by the FCM Procedures, such details of original contracts presented for registration in the name of that FCM Clearing Member, Open Contracts registered in that FCM Clearing Member's name, and ~~cover~~ Margin furnished by that FCM Clearing Member as may be prescribed in the FCM Procedures.

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~~Regulation 7~~ Regulation 8 Transfer

- (a) Other than in the event that an FCM Clearing Member is a defaulter, Open Contracts in such FCM Clearing Member's name shall not be allocated or transferred except as provided in this FCM Regulation 8. The FCM Procedures shall specify the Products that can be transferred in accordance with this FCM Regulation 8 and the applicable forms or other documentation requirements of the Clearing House required in connection with such transfers.
- (b) Transfer of Entire FCM Client Portfolio. Upon the instruction or at the request of an FCM Client, via a Receiving FCM Clearing Member (as set out in the FCM Procedures), to transfer that FCM Client's entire portfolio (and not less than an entire portfolio) of a Product held in the relevant FCM Client ~~Segregated~~ Sub-Account from a Carrying FCM Clearing Member, the Clearing House shall transfer: (x) the relevant FCM Client ~~Segregated~~ Sub-Account and all of the FCM Contracts of such Product entered into by the Carrying FCM Clearing Member on behalf of such FCM Client, as identified to the Clearing House by the Carrying FCM Clearing Member, the Clearing House being entitled to rely conclusively on the instructions of the Carrying FCM Clearing Member with respect to the FCM Contracts to be transferred (such transfer to occur by novation of such FCM Contracts rather than by closeout and rebooking of new FCM Contracts); and (y) upon request, if any, of the Receiving FCM Clearing Member on behalf of the relevant FCM Client, all ~~Account Assets deposited with or transferred~~ Collateral furnished to the Clearing House by a Carrying FCM Clearing Member and ~~held by the Clearing House in attributable to~~ the relevant FCM Client ~~Segregated~~ Sub-Account in respect of the FCM Contracts ~~that are being to be~~ transferred to a Receiving FCM Clearing Member as designated by the FCM Client and as set out in the FCM Procedures (the Clearing House being entitled to rely conclusively on the instructions of the Carrying FCM Clearing Member with respect to such ~~Account Assets~~ Collateral); provided, that:
- (i) such FCM Client has not become insolvent (such FCM Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);
- (ii) neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a defaulter;
- (iii) the Receiving FCM Clearing Member has consented to such transfer of the FCM Contracts to be ported and the Collateral to be transferred;
- (iv) the Clearing House considers that ~~it has received sufficient cover from~~ the Receiving FCM Clearing Member has furnished sufficient Margin in order to enable the transfer; and
- (v) the FCM Client has satisfied (such satisfaction to be presumed by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents.

For purposes of (v) above, with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by an FCM Client, "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 FCM Contracts being transferred or the FCM Client's related collateral.

Upon request from the Clearing House, and in order to facilitate a transfer pursuant to this FCM Regulation 8(b), that includes the transfer of Collateral, the Carrying FCM Clearing Member shall notify the Clearing House of the ~~Account Assets~~ Collateral which ~~are~~ is attributable to the transferring FCM Client and, along with the Receiving FCM Clearing Member, shall take such actions and provide such information in connection with the transfer as may be required under the FCM Procedures. In the event that the Carrying FCM Clearing Member fails to notify the Clearing House of the ~~Account Assets~~ Collateral that ~~are~~ is attributable to the relevant FCM Client, the Clearing House shall transfer such ~~e~~ Collateral as it deems appropriate and as set out in the FCM Procedures.

- (c) Transfer of Portion of FCM Client Portfolio. Upon the instruction or at the request of an FCM Client via a Receiving FCM Clearing Member (as set out in the FCM Procedures) to transfer a portion of that FCM Client's portfolio of FCM Contracts held in the relevant FCM Client ~~Segregated~~ Sub-Account from a Carrying FCM Clearing Member, (the "**Porting FCM Contracts**"), the Clearing House shall transfer (such transfer to occur by novation of such Porting FCM Contracts rather than by closeout and rebooking of new FCM Contracts) the Porting FCM Contracts entered into by the Carrying FCM Clearing Member on behalf of such FCM Client to a Receiving FCM Clearing Member, designated by the FCM Client as set out in the FCM Procedures; provided, that:
- (i) such FCM Client has not become insolvent (such FCM Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);
  - (ii) neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a defaulter;
  - (iii) the Receiving FCM Clearing Member has consented to such transfer;
  - (iv) the Receiving FCM Clearing Member has ~~provided~~ furnished sufficient ~~cover~~ Margin to the Clearing House in respect of its current FCM Contracts and the Porting FCM Contracts in order to enable the transfer;
  - (v) the FCM Client has satisfied (such satisfaction to be presumed by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents; and
  - (vi) in the event that the transfer will lead to an increased ~~cover~~ Margin requirement from the Carrying FCM Clearing Member to the Clearing House, the Carrying FCM Clearing Member ~~provides~~ has furnished

sufficient ~~cover~~Margin to the Clearing House in respect of such ~~increased cover~~ requirement.

For purposes of (v) above, with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by an FCM Client, "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 FCM Contracts being transferred or the FCM Client's related collateral.

- (d) (i) By notifying the Clearing House of a request to accept a transfer of FCM Contracts of an FCM Client, and the related ~~Account Assets~~Collateral, if applicable, pursuant to FCM Regulation 8(b) or 8(c), the Receiving FCM Clearing Member shall be deemed to have represented to the Clearing House that all of the conditions set forth herein and in the FCM Procedures to the transfer of the account of the FCM Client have been satisfied. Upon receipt of such transfer instructions, and provided that it does not determine, in its sole discretion, that the transfer cannot be effected under these FCM Regulations or the FCM Procedures, the Clearing House shall transfer the FCM Contract(s) into the name of the Receiving FCM Clearing Member as agent for the relevant FCM Client.
- (i) In the case where a transfer pursuant to FCM Regulation 8(b) will include the transfer of the related ~~Account Assets~~Collateral in addition to the transfer of FCM Contracts:
- (A) Upon completion of the transfer, the ~~Account Assets deposited with or transferred~~Collateral furnished to the Clearing House by the Carrying FCM Clearing Member and held by the Clearing House in respect of the FCM Contracts that are being transferred shall, without limitation, be deemed to have been delivered by the Receiving FCM Clearing Member to the Clearing House and subject to the security interest granted by the Receiving FCM Clearing Member pursuant to FCM Regulation 9(am). Furthermore, and for the avoidance of doubt, the Carrying FCM Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the ~~Account Assets~~Collateral transferred.
- (B) The transfer of the FCM Contracts and related ~~Account Assets~~Collateral shall be deemed to occur simultaneously, and the transfer of the FCM Contracts shall be conditioned on the transfer of the related ~~Account Assets~~Collateral, and vice versa.
- (C) If the transfer of all such FCM Contracts and related ~~Account Assets~~Collateral is not completed for any reason, then any actual transfer of ~~Account Assets~~Collateral or FCM Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of ~~Account Assets~~Collateral or FCM Contracts that has occurred shall be immediately unwound.
- (e) Except as may be permitted by paragraph (g) below, expressly permitted by other parts of the FCM Rulebook or as may otherwise be expressly permitted by the Clearing House in writing, rights under an Open Contract shall not be capable of

assignment by an FCM Clearing Member. Any such purported assignment by an FCM Clearing Member, or any purported transfer that is not in compliance with this FCM Regulation 8, shall be void.

- (f) If an FCM Clearing Member is a defaulter, the Clearing House shall take such actions, subject to and in accordance with the Default Rules, and as may be required by the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts carried by such FCM Clearing Member on behalf of its FCM Clients. If possible under such applicable laws and regulations and the Default Rules, the Clearing House shall undertake to dispose of open FCM Contracts held by FCM Clients of the defaulter in accordance with the instructions of such FCM Clients, either by liquidating such FCM Contracts or by transferring such FCM Contracts to the FCM Clearing Member designated by such FCM Clients; provided, that the Clearing House shall at all times act in accordance with the Default Rules, the requirements of the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts; provided, further, that the Clearing House shall have no responsibility or liability whatsoever for any action taken or not taken with respect to the accounts and FCM Contracts of FCM Clients of the defaulter in accordance with such laws or regulations or the directions of any Regulatory Body or bankruptcy trustee. In the event that the Clearing House does not receive instructions from FCM Clients in a timely manner, or the Clearing House for any reason deems it necessary or appropriate for its protection, or the protection of market participants, the Clearing House may take any action with respect to the Open Contracts of FCM Clients of the defaulter that it determines to be appropriate in its sole discretion, which may include (i) as part of the SwapClear DMP, including an FCM SwapClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate by the Clearing House, provided, that the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM SwapClear Contracts in respect of FCM Client Business, and/or (ii) as part of the ForexClear DMP, including an FCM ForexClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate by the Clearing House, provided, that the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM ForexClear Contracts in respect of FCM Client Business. Risk Neutralisation in relation to such FCM SwapClear Contracts or ForexClear Contracts, as applicable, and the auction process in relation to an Auction Portfolio of such FCM SwapClear Contracts, or FCM ForexClear Contracts, as applicable, shall be conducted in accordance with the provisions of the SwapClear DMP Annex or the ForexClear DMP Annex, respectively.
- (g) If and to the extent permitted under the FCM Procedures, an FCM Clearing Member may, in accordance with the FCM Procedures, transfer Open Contracts between its Proprietary Account and the FCM Client ~~Segregated~~ Sub-Account(s) of each of its FCM Clients, and vice versa, upon an FCM Client default or otherwise as permitted under and subject to applicable provisions of the CEA and CFTC Regulations regarding segregation of assets, ~~and in accordance with the FCM Procedures~~.
- (h) Notwithstanding anything to the contrary in these FCM Regulations, in making any transfer of one or more FCM Contracts (and if applicable the related ~~Account Assets Collateral~~) pursuant to this FCM Regulation 8, the Clearing House shall be authorized and entitled to rely conclusively on the instructions of and information provided by the relevant FCM Clearing Member(s), which shall be solely

responsible for all such instructions and information, including ensuring that the transfer is properly authorized, the transfer is being made from the appropriate FCM Client ~~Segregated~~-Sub-Account and that the appropriate account, FCM Contracts and ~~Account Assets~~Collateral have been identified, and the Clearing House shall have no responsibility or liability therefor.

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~~Regulation 8~~ Regulation 9 **Margin and ~~Cover for Margin~~ Collateral Generally; Other Obligations**

- (a) The Clearing House may in accordance with the FCM Procedures require an FCM Clearing Member to furnish it with ~~cover~~ Margin, and to keep the Clearing House furnished with sufficient ~~cover~~ Margin at all times, in an amount determined by the Clearing House in accordance with these FCM Regulations and the FCM Procedures, as security for the performance by such FCM Clearing Member of its obligations to the Clearing House in respect of all FCM Contracts from time to time to be registered in its name as Open Contracts pursuant to these FCM Regulations. The obligation upon an FCM Clearing Member to furnish ~~cover~~ Margin to the Clearing House pursuant to this paragraph shall be in addition to any other obligation of the FCM Clearing Member to furnish ~~cover~~ Margin to the Clearing House pursuant to these FCM Regulations.
- (b) If insufficient monies are standing to the credit of an FCM Clearing Member's account, or if any ~~security~~ Collateral deposited by an FCM Clearing Member as ~~cover~~ Margin is determined by the Clearing House in accordance with the FCM Procedures to be insufficient, such ~~cover~~ Margin as the Clearing House requires an FCM Clearing Member to furnish to it pursuant to paragraph (a) above, FCM Regulation 30 or FCM Regulation 40 or any other FCM Regulation shall be furnished by the FCM Clearing Member in such form and manner and by such time or times as may be prescribed by the FCM Procedures.
- (c) (i) The Clearing House shall be entitled to assume that all ~~securities and other assets~~ Collateral furnished ~~or deposited~~ by an FCM Clearing Member to ~~or with~~ the Clearing House ~~as cover~~ pursuant to these FCM Regulations or under the terms of any agreement made with the FCM Clearing Member are the sole legal and beneficial property of the FCM Clearing Member or are furnished or deposited for the purposes of these FCM Regulations with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House. An FCM Clearing Member may not furnish ~~or deposit securities or other assets~~ Collateral to ~~or with~~ the Clearing House ~~as cover~~ otherwise than in ~~conformity to~~ conformance with this paragraph. It shall be accepted by every person (including FCM Clients) subject to or dealing on the terms of these FCM Regulations that an FCM Clearing Member has such person's unconditional consent to furnish ~~or deposit to or with~~ the Clearing House ~~as cover for the purposes of these FCM Regulations~~ any securities or other assets of such person in the FCM Clearing Member's possession: as Collateral for the purposes of the FCM Rulebook.
- (i) Each FCM Clearing Member represents and warrants to the Clearing House as at each date on which such FCM Clearing Member furnishes ~~or deposits securities or other assets~~ Collateral to ~~or with~~ the Clearing House ~~as cover~~ pursuant to these FCM Regulations (A) ~~that~~ such FCM Clearing Member is the sole legal and beneficial owner of ~~those securities or other assets~~ such Collateral or, as the case may be, ~~those securities or other assets are~~ such Collateral so furnished or deposited with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House, and (B) ~~that~~ the provision to the Clearing House of such ~~securities or other assets~~ Collateral pursuant to these FCM Regulations

- will not constitute or result in a breach of any trust, agreement or undertaking whatsoever.
- (ii) The Clearing House may, in its absolute discretion and at any time, require an FCM Clearing Member to furnish ~~or deposit~~ other securities or assets to ~~or with~~ the Clearing House in substitution of any ~~securities or assets deposited with~~ Collateral furnished to the Clearing House pursuant to this FCM Regulation ~~9~~.
- (d) Notwithstanding paragraph (c) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to an FCM Clearing Member, to modify the amount of Initial Margin applicable to an FCM Contract or to call for larger or additional amounts of ~~cover~~ Margin for Initial Margin to be furnished to it by an FCM Clearing Member, either before registration of a contract or at any time after registration. Any ~~cover~~ Margin called by the Clearing House pursuant to this paragraph shall be furnished by the FCM Clearing Member on demand and in such form as the Clearing House may require.
- (e) The Clearing House shall be entitled at any time to demand immediate ~~provision~~ furnishing of ~~cover~~ Margin from an FCM Clearing Member in an amount deemed necessary by the Clearing House without reference to Official Quotations or Reference Prices in respect of any Open Contract in the FCM Clearing Member's name, if, in the opinion of the Clearing House, the furnishing of such ~~cover~~ Margin by the FCM Clearing Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the FCM Clearing Member's performance of its obligations under the terms of such ~~contracts~~ FCM Contracts or under the terms of any original or confirmed contract to which the ~~member~~ FCM Clearing Member is party. In this paragraph, "immediate provision" means payment deposit or delivery to the Clearing House within one hour of demand.
- (f) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and specified in the FCM Procedures, in respect of any security furnished to it as cover in a form prescribed by the FCM Procedures. 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 specified in the FCM Procedures.
- (g) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, the Clearing House may at its absolute discretion accept ~~cover~~ Collateral in an agreed amount and in a form other than those specified in the FCM Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of ~~cover~~ Collateral in accordance with its standard risk management procedures and with 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.
- ~~(h) Excess Margin; FCM Buffer; Unallocated Excess. The provisions of this FCM Regulation 9(h) apply to the Clearing House's FCM SwapClear Service, FCM ForexClear Service and FCM EnClear Service. Unless otherwise indicated, references herein to an "FCM Omnibus Clearing Product Client Account with LCH" or to an "FCM Client Segregated Sub Account" shall refer only to such accounts corresponding to clearing in FCM SwapClear Contracts, FCM ForexClear Contracts and FCM EnClear Contracts.~~

~~(i) Excess Margin. If Official Quotations in respect of Open Contracts indicate, or the Clearing House otherwise determines, that Excess Margin is maintained with the Clearing House by an FCM Clearing Member in respect of its Proprietary Account or an FCM Client Segregated Sub-Account (corresponding to the FCM SwapClear Service, the FCM ForexClear Service or the FCM EnClear Service), then any such Excess Margin shall be subject to the provision of this FCM Regulation 9(h) and the other provisions of the FCM Rulebook.~~

~~(ii)(h) Excess Margin in Proprietary Accounts. An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its Proprietary Account. An FCM Clearing Member that is not a defaulter may request the return of any such Excess Margin at any time, and upon such request the Clearing House shall return such Excess Margin, except where any FCM Client Segregated Sub-Account held by such FCM Clearing Member has insufficient cover to satisfy the Required Margin applicable to it and such FCM Clearing Member does not have sufficient FCM Buffer posted with the Clearing House to satisfy any such deficit. Even where an FCM Clearing Member has not requested the return of its Excess Margin held in a Proprietary Account, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member.~~

~~(iii) Restriction on Excess Margin in FCM Client Segregated Sub-Accounts on a Day-to-Day Basis. Excess Margin is not permitted to be maintained in any FCM Client Segregated Sub-Account on a day-to-day basis. However, an FCM Client's FCM Client Segregated Sub-Account is permitted to hold Excess Margin on an intraday basis. Any Excess Margin attributable to an FCM Client Segregated Sub-Account of an FCM Client that exists in such sub-account following a daily close of the FCM Clearing Services shall be transferred by the Clearing House into an Unallocated Excess sub-account of the applicable FCM Omnibus Clearing Product Client Account with LCH (such sub-account, with respect to each FCM Clearing Member, the "*Unallocated Excess Sub-Account*") on the morning of the following Business Day (and as such, such Excess Margin shall become Unallocated Excess); provided, that all sums due from the relevant FCM Clearing Member at such time in respect of the applicable FCM Omnibus Clearing Product Client Account with LCH have been paid to the Clearing House. If at any time an FCM Clearing Member posts cover with the Clearing House on behalf of an FCM Client in an amount which would cause such FCM Client's FCM Client Segregated Sub-Account to contain Excess Margin, the Clearing House shall be permitted to reject the deposit of any such Excess Margin or to immediately transfer any such Excess Margin back to the FCM Clearing Member.~~

~~(iv) FCM Buffer.~~

~~(A) An FCM Clearing Member is permitted to deposit collateral that is the property of such FCM Clearing Member (and not any of its FCM Clients) to its FCM Omnibus Clearing Product Client Accounts with LCH as excess cover for the benefit of all of its FCM Clients with positions in such account (such collateral, "*FCM Buffer*"), and such FCM Buffer shall be recorded by the Clearing House as attributable to such FCM Clearing Member in a sub-account of its applicable FCM~~

~~Omnibus Clearing Product Client Account with LCH designated as an FCM Buffer sub-account. The Clearing House shall be permitted to apply any portion of an FCM Clearing Member's FCM Buffer (any portion of FCM Buffer when applied, "Applied FCM Buffer") to any FCM Client Segregated Sub-Account held by such FCM Clearing Member in the same FCM Omnibus Clearing Product Client Account with LCH (in which such FCM Buffer is held) which is in or would become in default.~~

~~(B) At any time, the Clearing House shall never apply FCM Buffer in an amount that, in respect of an FCM Client, would cause the sum of the FCM Client's FCM Client Segregated Sub-Account balance and the Applied FCM Buffer applicable to such FCM Client's FCM Client Segregated Sub-Account at such time (if any) to exceed the amount of Required Margin applicable to it. In the event that any such excess exists (e.g., due to a decrease in Required Margin, the posting of additional Account Assets attributable to such FCM Client, or other reasons) with respect to an FCM Client Segregated Sub-Account, the Clearing House shall reduce the amount of Applied FCM Buffer applicable to such FCM Client in an amount sufficient to remove any such excess, and any such reduced portion of Applied FCM Buffer shall again become FCM Buffer (and shall no longer be considered Applied FCM Buffer).~~

~~(C) Any Applied FCM Buffer that is applied to an FCM Client Segregated Sub-Account on a Business Day and remains applied to such sub-account at the opening of the relevant FCM Clearing Service on the following Business Day (as necessary to satisfy the applicable Required Margin) shall, at such time, be deemed to become part of the Account Assets deposited in such FCM Client's FCM Client Segregated Sub-Account and shall thereafter no longer constitute Applied FCM Buffer or FCM Buffer.~~

~~(D) An FCM Clearing Member that is not a defaulter may request the return of any of its FCM Buffer that is not Applied FCM Buffer at any time, and upon such request the Clearing House shall return such FCM Buffer.~~

~~(E) In the event that an FCM Clearing Member deposits with or transfers collateral to its FCM Omnibus Clearing Product Client Account with LCH but does not notify the Clearing House as to whether such collateral should be considered Unallocated FCM Collateral or FCM Buffer (and has not notified the Clearing House that the collateral is attributable to individual FCM Clients), the Clearing House shall treat such collateral as FCM Buffer and credit it to the FCM Clearing Member's FCM Buffer sub-account.~~

~~(v) Unallocated Excess.~~

- ~~(A)(i) The Clearing House shall hold any funds deposited in an Unallocated Excess Sub-Account (such funds, the “Unallocated Excess”) in each FCM Omnibus Clearing Product Client Account with LCH for the benefit of the FCM Clients corresponding to such FCM Omnibus Clearing Product Client Account with LCH as a class (the identities of which shall be recorded by such FCM Clearing Member and not the Clearing House in accordance with this FCM Regulation 9 and other applicable provisions of the FCM Rulebook), segregated in accordance with the CEA and CFTC Regulations, including Part 22 of the CFTC Regulations. The Clearing House shall treat and record the Unallocated Excess in respect of an FCM Omnibus Clearing Product Client Account with LCH on an unallocated basis, and the Clearing House shall not attribute any portions of such Unallocated Excess to the individual FCM Clients of such FCM Clearing Member (although the Unallocated Excess shall be held for the benefit of the applicable FCM Clients as a class (in accordance with Part 22 of the CFTC Regulations), the records of which are kept by the applicable FCM Clearing Member).~~
- ~~(B)(ii) Each FCM Clearing Member that maintains Unallocated Excess in any of its Unallocated Excess Sub-Accounts on behalf of its applicable FCM Clients shall ensure that its books and records accurately reflect at all times the FCM Client or FCM Clients to which such Unallocated Excess is attributable and the amount attributable to each such FCM Client.~~
- ~~(C) An FCM Clearing Member is permitted to deposit additional collateral (i.e., collateral that does not already constitute Account Assets) belonging to its FCM Clients directly into the relevant Unallocated Excess Sub-Account, upon its instruction and with the prior written approval of the Clearing House in accordance with the FCM Procedures, and any such collateral so deposited shall become Unallocated Excess.~~
- ~~(D) The Clearing House shall not be permitted to, and shall not, at any time (x) apply any Unallocated Excess as FCM Buffer or to the FCM Clearing Member’s Proprietary Account, or (y) except in accordance with an instruction by the applicable FCM Clearing Member, apply it to an FCM Client Segregated Sub-Account.~~
- ~~(E)(iii) Upon the request of an FCM Clearing Member, in accordance with the FCM Procedures, the Clearing House will return Unallocated Excess to an FCM Clearing Member. The FCM Clearing Member shall be deemed to represent to the Clearing House, upon making any such request, that any such request complies with the CFTC Regulations and that the returned Unallocated Excess will remain segregated as required under the CFTC Regulations and the FCM Rulebook.~~
- ~~(F) Upon the default of an FCM Clearing Member, any Unallocated Excess in such FCM Clearing Member’s Unallocated Excess Sub-Account shall be held by the Clearing House for the benefit of the applicable FCM Clients in accordance with Part 190 of the CFTC Regulations and applicable law, and the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the FCM Clearing Member to the Clearing House (on behalf of its~~

~~FCM Clients or otherwise) except to the extent directed by the applicable bankruptcy trustee or Regulatory Body in accordance with applicable law.~~

- (i) If, in the sole discretion of the Clearing House, any ~~security~~Collateral which has been furnished to it by an FCM Clearing Member ~~as cover~~ pursuant to these FCM Regulations is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further provision of ~~cover~~Collateral from such FCM Clearing Member. Such ~~cover~~Collateral shall be furnished by such FCM Clearing Member on demand in a form prescribed by the FCM Procedures; provided, that at any time the Clearing House shall be entitled to require the FCM Clearing Member to furnish it with ~~cover~~Collateral in a specified form and to demand that the FCM Clearing Member replace the whole or part of any ~~security~~Collateral furnished by an FCM Clearing Member pursuant to these FCM Regulations ~~by cover~~with Collateral in the form of cash.
- (j) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, and subject to ~~paragraphs (h) and (i) above~~FCM Regulation 9A and the settlement of any other obligations of an FCM Clearing Member to the Clearing House, upon the close-out or termination of an FCM Contract in accordance with the FCM Rulebook, the Clearing House shall return all (or the applicable portion of) Initial Margin attributable to such FCM Contract to the respective FCM Clearing Member; provided to the extent that ~~no portion of such Initial Margin is required as cover or otherwise required by the FCM Rulebook for any other positions established by the FCM Clearing Member with respect to (i) its Proprietary Account (with respect to Initial~~has become Excess Margin ~~to be released in connection with positions for following the Proprietary Account) close-out or (ii) any applicable FCM Client Segregated Sub-Account(s) (with respect to Initial Margin to be released in connection with positions attributable to termination of the relevant FCM Contract, provided, that~~ such FCM ~~Client Segregated Sub-Account(s)). Clearing Member is not a defaulter.~~
- (k) If the Clearing House takes any step ~~or steps~~ under the Default Rules in relation to an FCM Clearing 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 FCM Clearing Member) standing to the credit of any of the FCM Clearing Member's accounts shall be treated as ~~cover~~Margin; provided, that, notwithstanding anything ~~else to the contrary~~ in these FCM Regulations ~~to the contrary~~, under no circumstances (except as may be required to comply with applicable law or any order or instruction of a Regulatory Body or court) will any ~~assets~~Margin maintained in any FCM Omnibus Clearing Product Client Account with LCH be applied to ~~the satisfaction of~~satisfy proprietary obligations of the FCM Clearing Member or any other obligations not related to such FCM Clearing Member's FCM Client Business in such Business Category of FCM Contract (except that where an FCM Client is in default with respect to the ~~cover~~Margin required by the Clearing House in respect of its FCM Contracts, any ~~excess cover of~~ Excess Margin attributable to such FCM Client ~~posted to the Clearing House~~ in respect of any Business Category of FCM Contract may be applied to offset such FCM Client's ~~cover~~Margin shortfall in respect of any other Business Category of FCM Contract).
- (l) Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance with FCM Regulation 3(c), shall be obligated to perform all of ~~their~~its respective obligations (including ~~without limitation~~ to pay or

- deliver all amounts due) as required pursuant to the FCM Regulations, the Default Rules and the Default Fund Rules, as applicable. Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance FCM Regulation 3(c), shall be entitled to the return of any amounts due to them (after all obligations to the Clearing House have been satisfied) pursuant to the FCM Regulations, the Default Rules and the Default Fund Rules, as applicable.
- (m) Unless the Clearing House otherwise agrees in writing, ~~cover provided~~ Collateral furnished to the Clearing House ~~by way in the form~~ of cash shall not be capable of assignment by any person. Any purported assignment by an FCM Clearing Member (whether by way of security or otherwise) of Collateral in the form of cash ~~cover provided to the Clearing House~~ shall be void. An FCM Clearing Member shall not otherwise encumber (or seek to encumber) any ~~cash cover provided to~~ Collateral in the Clearing House form of cash.
- (n) Creation of Security Interest. Each FCM Clearing Member hereby grants the Clearing House a first priority security interest in and a first priority and unencumbered first lien upon any and all ~~cover~~ Collateral, Margin, cash, securities, receivables, rights and intangibles and any other collateral or assets deposited with or transferred to the Clearing House, or otherwise held by the Clearing House (including ~~without limitation~~ all property deposited in or attributable to the Default Fund, a Proprietary Account ~~or in~~, an FCM Omnibus Clearing Product Client Account with LCH, or the LCH Clearing Product Client Segregated Depository Account, or any amounts owing to an FCM Clearing Member in the Default Fund or a Proprietary Account), including all substitutions for and proceeds of, any such property, in connection with any FCM Contracts cleared for such FCM Clearing Member, its Affiliates or its FCM Clients, as security for unconditional payment and satisfaction of the obligations and liabilities of the FCM Clearing Member to the Clearing House. The FCM Clearing Member agrees to take any and all actions, including but not limited to the execution of any and all documents, requested by the Clearing House in order to perfect, maintain or enforce the security interest granted to the Clearing House hereunder. The Clearing House may exercise any and all rights available to it with respect to the security interest granted hereunder, in accordance with the FCM Regulations and applicable laws. Notwithstanding the foregoing, in no event shall the Clearing House's security interest in the property and assets attributable to an FCM Clearing Member's FCM Omnibus Clearing Product Client Accounts with LCH be exercised to satisfy any obligations or liabilities of (i) such FCM Clearing Member other than in connection with obligations or liabilities relating to such FCM Clearing Member's FCM Omnibus Clearing Product Client Accounts with LCH; or (ii) an FCM Client with an FCM Client ~~Segregated~~ Sub-Account by application of ~~Account Assets held in~~ Margin attributable to the FCM Client ~~Segregated~~ Sub-Account of another FCM Client.
- (o) Each FCM Clearing Member shall ensure that with respect to an FCM Transaction results in the registration of an FCM Contract on behalf of an FCM Contract that is of a "non-hedging nature" (as such term is used in Part 39 the CFTC Regulations), it shall collect or remain furnished with additional ~~cover~~ FCM Client Funds from the relevant FCM Client in respect of such non-hedging FCM Contract in an amount which shall be no less than the minimum percentage as required by the Clearing House and as notified to the relevant FCM Clearing Member from time to time, as further specified in the FCM Procedures.
- (p) Each FCM Clearing Member shall ensure that no FCM Client withdraws ~~cover~~ FCM Client Funds from an FCM Client Segregated Depository Account

unless the “net liquidating value” (as such term is used in Part 39 of the CFTC Regulations) plus the ~~cover~~ FCM Client Funds attributable to such FCM Client remaining in such FCM Client Segregated Depository Account after such withdrawal is sufficient to meet the level of Required Margin, as calculated by the Clearing House in respect of all FCM Contracts entered into on behalf of that FCM Client.

(q) Gross Margining of FCM Client Accounts. FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client’s position in a single Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within a single Business Category of FCM Contract and shall *not* be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable.

~~(r) FCM Contract positions established in an FCM Clearing Member’s Proprietary Account on its own behalf and for its Affiliates shall be subject to net margin requirements with respect to each Business Category of FCM Contract, such that an FCM Clearing Member shall be required to deposit a net margin amount with the Clearing House in connection with all of the FCM Contract positions of itself and its Affiliates for each Business Category of FCM Contract in which it holds positions in its Proprietary Accounts.~~ Net Margining of Proprietary Accounts. FCM Contract positions established in an FCM Clearing Member’s Proprietary Account on its own behalf and for its Affiliates shall be subject to net margin requirements with respect to each Business Category of FCM Contract, such that an FCM Clearing Member shall be required to deposit a net margin amount with the Clearing House in connection with all of the FCM Contract positions of itself and its Affiliates for each Business Category of FCM Contract in which it holds positions in its Proprietary Accounts. An FCM Clearing Member may impose Margin requirements on its Affiliates for which it provides FCM Clearing Services on a net basis, netting the positions and related Margin requirements with respect to a single Affiliate or across multiple Affiliates, or an FCM Clearing Member may impose such Margin requirements on a gross basis.

**Regulation 9A** **Certain Provisions Regarding Margining of Accounts; Without Client Excess Model; With Client Excess Model**

- (a) FCM Buffer. An FCM Clearing Member is permitted to furnish Collateral that is the property of such FCM Clearing Member (and not of its FCM Clients) to the Clearing House to be attributed to any of its FCM Omnibus Clearing Product Client Accounts with LCH as excess Margin for the benefit of all of its FCM Clients with positions registered or to be registered in such account, and the value of such Collateral as determined by the Clearing House in accordance with the FCM Rulebook (such value, the “**FCM Buffer**”) shall be recorded by the Clearing House as attributable to such FCM Clearing Member (for the benefit of its FCM Client) in a sub-account of the applicable FCM Omnibus Clearing Product Client Account with LCH designated as an FCM Buffer sub-account (each such sub-account, with respect to each FCM Clearing Member, an “**FCM Buffer Sub-Account**”). The use and application of FCM Buffer in the With Client Excess Model and the Without Client Excess Model is further discussed below in paragraphs (e) and (f), respectively, and in the FCM Procedures.
- (b) Unallocated Excess.
- ~~(A)~~(i) Any Margin attributable to an FCM Omnibus Clearing Product Client Account with LCH that is not allocated to an FCM Client Sub-Account or the FCM Buffer Sub-Account therein (such Margin, “**Unallocated Excess**”) shall be credited by the Clearing House to the Unallocated Excess sub-account (the “**Unallocated Excess Sub-Account**”) of such FCM Omnibus Clearing Product Client Account with LCH. The Clearing House shall hold Unallocated Excess for the benefit of the FCM Clients corresponding to such FCM Omnibus Clearing Product Client Account with LCH as a class (the identities and amounts of which shall be recorded by such FCM Clearing Member and not the Clearing House in accordance with this FCM Regulation 9 and other applicable provisions of the FCM Rulebook), segregated in accordance with the CEA and CFTC Regulations, including Part 22 of the CFTC Regulations. The Clearing House shall treat and record the Unallocated Excess in respect of an FCM Omnibus Clearing Product Client Account with LCH on an unallocated basis, and the Clearing House shall not attribute any portions of such Unallocated Excess to the individual FCM Clients of such FCM Clearing Member (although the Unallocated Excess shall be held for the benefit of the applicable FCM Clients as a class (in accordance with Part 22 of the CFTC Regulations), the records of which are kept by the applicable FCM Clearing Member).
- ~~(B)~~(ii) Each FCM Clearing Member that maintains Unallocated Excess in any of its Unallocated Excess Sub-Accounts on behalf of its applicable FCM Clients shall ensure that its books and records accurately reflect at all times the FCM Client or FCM Clients to which such Unallocated Excess is attributable and the amount attributable to each such FCM Client.
- (iii) Subject to paragraph (v) below, the Clearing House shall not be permitted to, and shall not, at any time (x) apply any Unallocated Excess to the FCM Clearing Member’s Proprietary Account, or (y) except in accordance with an instruction (provided in accordance with the FCM Rulebook) by the applicable FCM Clearing Member, apply Unallocated Excess to an FCM Client Sub-Account or to the FCM Buffer Sub-Account.

- ~~(e)~~(iv) Upon the request of an FCM Clearing Member (including as a result of a standing instruction of an FCM Clearing Member) in accordance with the FCM Procedures, the Clearing House will return Unallocated Excess to an FCM Clearing Member. The FCM Clearing Member shall be deemed to represent to the Clearing House, upon making any such request, that any such request complies with the CFTC Regulations and that the returned Unallocated Excess will remain segregated as required under the CFTC Regulations and the FCM Rulebook.
- (v) Upon the default of an FCM Clearing Member, any Unallocated Excess in such FCM Clearing Member's Unallocated Excess Sub-Accounts shall be held by the Clearing House for the benefit of the applicable FCM Clients in accordance with Part 190 of the CFTC Regulations and applicable law, and the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the FCM Clearing Member to the Clearing House (on behalf of its FCM Clients or otherwise) except to the extent required by applicable law and/or directed by the applicable bankruptcy trustee or Regulatory Body in accordance with applicable law.
- (vi) Certain additional procedures relating to Unallocated Excess differ based on whether the FCM Omnibus Clearing Product Client Accounts with LCH to which such Unallocated Excess corresponds is subject to the Without Client Excess Model or the With Client Excess Model, as such models are described in FCM Regulation 9A(d) and FCM Regulation 9A(e) (and in other applicable provisions of the FCM Rulebook).
- ~~(ii)~~(c) Excess Margin in Proprietary Accounts. An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its Proprietary Accounts. An FCM Clearing Member that is not a defaulter may request the return of any such Excess Margin at any time, and upon such request the Clearing House shall return such Excess Margin, except the Clearing House may determine not to return such Excess Margin where an unsatisfied margin call is outstanding in respect of one or more of such FCM Clearing Member's FCM Omnibus Clearing Product Client Accounts with LCH (including in respect of any FCM Client Sub-Account therein). Even where an FCM Clearing Member has not requested the return of its Excess Margin held in a Proprietary Account, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member.
- (d) Without Client Excess Model. The provisions of this FCM Regulation 9A(d) describe certain components of the Clearing House's model for margining, in accordance with Part 22 of the CFTC Regulations, FCM Omnibus Clearing Product Client Accounts with LCH in a manner which prohibits the maintenance of Excess Margin in FCM Client Sub-Accounts on a day-to-day basis (such model is referred to in the FCM Rulebook as the "**Without Client Excess Model**"). An alternative model which permits such Excess Margin to be maintained (the With Client Excess Model) is described in FCM Regulation 9A(e). The Without Client Excess Model is the default model that shall apply to an FCM Clearing Member's FCM Omnibus Clearing Product Client Accounts with LCH, and such model shall apply to all such accounts except where an FCM Clearing Member, to the extent permitted by the FCM Procedures, applies to and is approved by the Clearing House to have one or more of its FCM Omnibus Clearing Product Client Accounts with LCH treated in accordance with the alternative model (the With Client Excess Model described in FCM Regulation 9A(e)).

The provisions of this FCM Regulation 9A(d) apply only to FCM Omnibus Clearing Product Client Accounts with LCH that are subject to the Without Client Excess Model.

(i) Restriction on Excess Margin in FCM Client Sub-Accounts on a Day-to-Day Basis. Excess Margin is not permitted to be maintained in any FCM Client Sub-Account on a day-to-day basis. However, an FCM Client's FCM Client Sub-Account is permitted to maintain Excess Margin on an intraday basis. Any Excess Margin attributable to an FCM Client Sub-Account of an FCM Client that exists in such sub-account following a daily close of the FCM Clearing Services shall be transferred by the Clearing House into the corresponding Unallocated Excess Sub-Account on the morning of the following Business Day (and as such, such Excess Margin shall become Unallocated Excess); provided, that all sums due from the relevant FCM Clearing Member at such time in respect of the applicable FCM Omnibus Clearing Product Client Account with LCH have been paid to the Clearing House. If at any time an FCM Clearing Member furnishes Margin to the Clearing House on behalf of an FCM Client in an amount which would cause such FCM Client's FCM Client Sub-Account to contain Excess Margin, the Clearing House shall be permitted to reject the deposit of any such Excess Margin or to immediately transfer any such Excess Margin back to the FCM Clearing Member.

(ii) Application of FCM Buffer.

(A) The Clearing House shall be permitted to apply any portion of an FCM Clearing Member's FCM Buffer (any portion of FCM Buffer when applied, "**Encumbered FCM Buffer**") to any FCM Client Sub-Account held by such FCM Clearing Member in the same FCM Omnibus Clearing Product Client Account with LCH (in which such FCM Buffer is held) which is in or would become in default.

(B) At no time shall the Clearing House apply FCM Buffer in an amount that, in respect of an FCM Client, would cause the sum of the FCM Client's FCM Client Sub-Account Balance and the Encumbered FCM Buffer applicable to such FCM Client's FCM Client Sub-Account at such time (if any) to exceed the amount of Required Margin applicable to such FCM Client Sub-Account. *In the event that any such excess exists (e.g., due to a decrease in Required Margin, the crediting of additional Margin attributable to such FCM Client, or other reasons) with respect to an FCM Client Sub-Account, the Clearing House shall reduce the amount of Encumbered FCM Buffer applicable to such FCM Client in an amount sufficient to remove any such excess, and any such reduced portion of Encumbered FCM Buffer shall again constitute only FCM Buffer (and shall no longer be considered Encumbered FCM Buffer).*

(C) Any Encumbered FCM Buffer that is applied to an FCM Client Sub-Account on a Business Day and remains applied to such sub-account at the opening of the relevant FCM Clearing Service on the following Business Day (as necessary to

satisfy the applicable Required Margin) shall, at such time, be deemed to become part of such FCM Client's FCM Client Sub-Account Balance and shall thereafter no longer constitute Encumbered FCM Buffer or FCM Buffer.

(D) An FCM Clearing Member that is not a defaulter may request the return of any of its FCM Buffer that is not Encumbered FCM Buffer at any time in accordance with the FCM Procedures, and upon such request the Clearing House shall return such FCM Buffer.

(E) In the event that an FCM Clearing Member furnishes Collateral to be applied to its FCM Omnibus Clearing Product Client Account with LCH but does not notify the Clearing House as to whether the Margin in respect of such Collateral should be considered Unallocated FCM Collateral or FCM Buffer, and has not notified the Clearing House that the collateral is attributable to individual FCM Clients, the Clearing House shall treat such Margin as furnished as FCM Buffer and credit it to the FCM Clearing Member's FCM Buffer Sub-Account.

(iii) Unallocated Excess.

(A) An FCM Clearing Member is permitted to furnish Collateral on behalf of its FCM Clients to be applied as Margin directly to the relevant Unallocated Excess Sub-Account, upon its instruction and with the prior written approval of the Clearing House in accordance with the FCM Procedures, and the relevant Margin so furnished shall become Unallocated Excess.

(B) An FCM Clearing Member may provide an instruction (provided in accordance with the FCM Rulebook) to the Clearing House directing it to apply all or a portion of its Unallocated Excess to an FCM Client Sub-Account within the corresponding FCM Omnibus Clearing Product Client Account with LCH.

(e) With Client Excess Model. The provisions of this FCM Regulation 9A(e) describe certain components of the Clearing House's model for margining, in accordance with Part 22 of the CFTC Regulations, FCM Omnibus Clearing Product Client Accounts with LCH in a manner which provides for the maintenance of Excess Margin in FCM Client Sub-Accounts on a day-to-day basis (such model is referred to in the FCM Rulebook as the "With Client Excess Model"). FCM Clearing Members may, to the extent provided in the FCM Procedures, apply for the Clearing House's approval to have one or more of its FCM Omnibus Clearing Product Client Accounts with LCH treated in accordance with the With Client Excess Model. Any FCM Omnibus Clearing Product Client Account with LCH for which no such approval of the Clearing House has been obtained shall be margined in accordance with the Without Client Excess Model (described in FCM Regulation 9A(d)).

The provisions of this FCM Regulation 9A(e) apply only to FCM Omnibus Clearing Product Client Accounts with LCH that are subject to the With Client Excess Model.

- (i) Excess Margin in FCM Client Sub-Accounts. An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its FCM Client Sub-Accounts, in accordance with the provisions of the FCM Rulebook.
- (ii) Collateral Value Reports (CVRs). For each FCM Omnibus Clearing Product Client Account with LCH maintained by an FCM Clearing Member treated in accordance with the With Client Excess Model, an FCM Clearing Member shall provide to the Clearing House, at least once on each Business Day, a “Collateral Value Report” (a “CVR” or “**Collateral Value Report**”) that is compliant (as determined by the Clearing House in accordance with the FCM Procedures) and that instructs the Clearing House as to the appropriate allocation of the Omnibus Collateral Value attributable to each such FCM Omnibus Clearing Product Client Accounts with LCH among (A) each FCM Client Sub-Account therein and (B) the FCM Buffer Sub-Account therein. FCM Clearing Members are required to produce and submit CVRs in accordance with Part 22 of the CFTC Regulations and any other applicable law, and such CVRs must be compliant with the Clearing House’s policies regarding CVRs as set forth in the FCM Procedures and as may be set forth, from time to time, in other written materials of the Clearing House made available to FCM Clearing Members. Each FCM Clearing Member shall be fully responsible for all information contained in its CVRs and the Clearing House shall be entitled to rely fully on such information and has no obligation to conduct its own investigation (although it may do so) with respect to such information. The Clearing House shall update its applicable records in accordance with the most recently submitted compliant CVR corresponding to an FCM Omnibus Clearing Product Client Account with LCH, and the most recent compliant CVR with respect thereto shall supersede any prior CVRs. A CVR will not be compliant if its allocation of the Omnibus Collateral Value would trigger a margin call. Additionally, a CVR may not be used to satisfy a margin call and a CVR that reallocates the Omnibus Collateral Value so as to satisfy a margin call shall not be compliant.
- (iii) Assumed Allocation. When an FCM Clearing Member furnishes Margin to an FCM Omnibus Clearing Product Client Account with LCH for the purposes of satisfying a margin call issued by the Clearing House, such Margin shall be automatically allocated (such allocation, the “**Assumed Allocation**”) by the Clearing House (A) among each of the FCM Client Sub-Accounts therein having at such time an FCM Client Sub-Account Balance shortfall (in respect of the amount of Required Margin then applicable to each such sub-account) and (B) such allocation shall be made on a pro rata basis based on the amount of shortfall in each such sub-account. An FCM Clearing Member is not permitted to deliver a CVR simultaneously with its deposit of Collateral in satisfaction of a margin call so as to avoid the Assumed Allocation. However, an FCM Clearing Member may subsequently deliver a CVR allocating the entire Omnibus Collateral Value in the applicable account and any prior Assumed Allocation shall not limit the ability of subsequently delivered CVRs to

allocate the Omnibus Collateral Value in the normal manner as provided in the FCM Rulebook.

(iv) Application of FCM Buffer. The Clearing House will look to FCM Buffer to offset any FCM Client Sub-Account Balance deficits (on an aggregate basis) in the corresponding FCM Omnibus Clearing Product Client Account with LCH, and will not issue a margin call to an FCM Clearing Member in respect of the amounts of any such deficits to the extent such amounts could be offset by FCM Buffer. An FCM Clearing Member that is not a defaulter may request the return of any of its FCM Buffer that is not, at such time, being used by the Clearing House in such manner to offset any such FCM Client Sub-Account Balance deficits.

(v) Unallocated Excess.

(A) An FCM Clearing Member is permitted to furnish Collateral on behalf of its FCM Clients to be applied as Margin directly to the relevant Unallocated Excess Sub-Account as set forth in the FCM Procedures. Any Margin furnished by an FCM Clearing Member in respect of an FCM Omnibus Clearing Product Client Account with LCH that is (1) not furnished in satisfaction of an outstanding margin call and (2) not accompanied by a new and compliant CVR, shall be automatically deemed to be furnished as Unallocated Excess and shall be credited to the applicable Unallocated Excess Sub-Account.

(B) An FCM Clearing Member may deliver a CVR to the Clearing House which has the effect of allocating all or a portion of the applicable Unallocated Excess into FCM Client Sub-Accounts and/or the FCM Buffer Sub-Account in the same FCM Omnibus Clearing Product Client Account with LCH; provided, that such a CVR delivery may not be used for purposes of allocating Unallocated Excess in order to satisfy a margin call.

(f) Required Margin Increase in an FCM Client Sub-Account Subject to the Without Client Excess Model. If the Required Margin applicable to the FCM Contracts registered to an FCM Client's FCM Client Sub-Account subject to the Without Client Excess Model is increased by the Clearing House and such increase cannot be immediately satisfied by Excess Margin in the corresponding FCM Client Sub-Account Balance, the FCM Client Sub-Account Balance shortfall will be satisfied in whole or in part (as applicable) by (x) the application of any Available FCM Buffer (i.e., FCM Buffer that is not Encumbered FCM Buffer and that is credited to the FCM Buffer Sub-Account within the applicable FCM Omnibus Clearing Product Client Account with LCH) and (y) any credit extended by the Clearing House (in the Clearing House's sole discretion), including any SwapClear Tolerance if applicable.

If the FCM Client Sub-Account Balance shortfall referred to above cannot be fully satisfied with Available FCM Buffer and/or Clearing House credit as set forth above, the obligation of the FCM Clearing Member to satisfy such deficit shall be discharged by:

- (A) the applicable FCM Clearing Member furnishing additional Margin to the Clearing House on behalf of the applicable FCM Client; and/or
- (B) if the obligation of the FCM Clearing Member to satisfy the FCM Client Sub-Account Balance deficit has not been fully discharged pursuant to clause (A) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.
- (g) Required Margin Increase in an FCM Client Sub-Account Subject to the With Client Excess Model. If the Required Margin applicable to the FCM Contracts registered to an FCM Client's FCM Client Sub-Account subject to the With Client Excess Model is increased by the Clearing House and such increase cannot be immediately satisfied by Excess Margin in the corresponding FCM Client Sub-Account Balance, the FCM Client Sub-Account Balance shortfall will be satisfied in whole or in part (as applicable) by (x) any Available FCM Buffer that is credited to the FCM Buffer Sub-Account within the applicable FCM Omnibus Clearing Product Client Account with LCH and (y) any credit extended by the Clearing House (in the Clearing House's sole discretion), including any SwapClear Tolerance if applicable.
- If the FCM Client Sub-Account Balance shortfall referred to above cannot be fully satisfied with Available FCM Buffer and/or Clearing House credit as set forth above, the obligation of the FCM Clearing Member to satisfy such deficit shall be discharged by:
- (A) the applicable FCM Clearing Member furnishing additional Margin to the Clearing House in respect of the applicable FCM Omnibus Clearing Product Client Account with LCH (which shall be allocated in accordance with the Assumed Allocation); and/or
- (B) if the obligation of the FCM Clearing Member to satisfy the FCM Client Sub-Account Balance deficit has not been fully discharged pursuant to clause (A) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.
- (h) Required Margin Increase in a Proprietary Account. Where the amount of Required Margin applicable to the FCM Contracts of an FCM Clearing Member's Proprietary Account is increased by the Clearing House, the obligation of the applicable FCM Clearing Member to furnish additional Margin to the Clearing House to satisfy such increased Required Margin shall be discharged by:
- (A) if and to the extent that there is Excess Margin available in the FCM Clearing Member's Proprietary Account, deduction by the Clearing House of amounts from such Excess Margin;
- (B) the FCM Clearing Member furnishing additional Margin to the Clearing House in respect of such Proprietary Account; and/or
- (C) if the obligation of the FCM Clearing Member to satisfy the Required Margin has not been fully discharged pursuant to

clauses (A) and (B) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

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~~Regulation 23~~ Regulation 24 Exclusion of Liability

- (a) Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to an FCM Clearing Member or any other person in respect of any dispute arising from or in relation to any FCM Contract, including but not limited to, any dispute as to the validity or otherwise of such FCM Contract, the terms of such FCM Contract or whether any alleged agreement or arrangement constitutes an FCM Contract.
- (b) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation 24(d), neither the Clearing House nor any other member of the LCH.Clearnet Group shall ~~have any liability~~ be liable whatsoever to any FCM Clearing Member, or to any other person in contract, tort (including ~~without limitation,~~ negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of ANY NATURE whatsoever suffered or incurred as a result of: any suspension of clearing services, whether for a temporary period or otherwise, a step taken by the Clearing House under FCM Regulations 11, 12, 30(e) or 40(f) or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the FCM Regulations, or any decision by the Clearing House not to exercise any such discretion.
- (c) Without prejudice to FCM Regulation 24(b) and FCM Regulation 24(d), unless otherwise expressly provided in the FCM Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall ~~have any liability~~ be liable under any circumstances (including ~~without limitation,~~ as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives) to any FCM Clearing Member or any other Executing Party for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such FCM Clearing Member or other Executing Party and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.
- (d) Nothing in this FCM Regulation 24 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or willful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or willful default on the part of the Clearing House.
- (e) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation 24(d) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member or to any other person (including ~~without limitation,~~ any FCM Client) in contract, tort (including ~~without limitation,~~ negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by an FCM Clearing Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology.

~~Regulation 24~~ Regulation 25 Rules Relating to FCM Client Segregated Accounts

- (a) Notice of Deficiency in FCM Client Segregated Depository Accounts. Whenever an FCM Clearing Member knows or should know that the aggregate amount of funds on deposit in its FCM Client Segregated Depository Accounts is less than the total amount of such funds required by the CEA, CFTC Regulations and/or the FCM Rulebook to be on deposit, the FCM Clearing Member must report such deficiency immediately by telephone notice, confirmed immediately in writing by facsimile notice, to the Clearing House and the principal office of the CFTC in Washington, DC, to the attention of the Director and the Chief Accountant of the Division of Clearing and Intermediary Oversight, and, if the FCM Clearing Member is a securities broker or dealer, to the Securities and Exchange Commission, in accordance with 17 C.F.R. § 240.17a-11.
- (b) Segregation of Funds.
- (i) With respect to FCM Client ~~f~~unds deposited in connection with FCM Transactions and FCM Contracts in Cleared Swap Products:
- (A) all such ~~funds~~ FCM Client Funds shall be separately accounted for and segregated by the relevant FCM Clearing Member as belonging to FCM Clients and shall be ~~part of a separate account class, treated as a Cleared Swap~~ held in its FCM Client Segregated Depository Account ~~Class~~ in accordance with Section 4d(f) of the CEA and the CFTC Regulations;
- (B) all such ~~funds~~ FCM Client Funds must be held by the applicable Clearing Member or deposited with a Permitted Depository, and such ~~funds~~ FCM Client Funds shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that they are segregated as required by the FCM Rulebook and Part 22 of the CFTC Regulations; and
- (C) each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment, in accordance with CFTC Regulations 22.5, 1.20 and/or 1.26 (as applicable) from such Permitted Depository that it was informed that such ~~funds~~ FCM Client Funds deposited in the FCM Client Segregated Depository Accounts maintained by such Permitted Depository for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.

~~For the avoidance of doubt, all FCM Segregated Accounts maintained by an FCM Clearing Member in connection with Cleared Swap Products shall be treated as segregated accounts and shall be subject to the requirements of the CEA and CFTC Regulations applicable to segregated accounts and to this FCM Regulation 25, regardless of the location of any such account. Without limitation of the foregoing, under no circumstances shall any portion of FCM Client funds held in FCM~~

~~Segregated Accounts be obligated to the Clearing House, an FCM Clearing Member, any depository, or any other person except to purchase, margin, guarantee, secure, transfer, adjust or settle trades, contracts or transactions of FCM Clients. No person, including the Clearing House or any depository, that has received FCM Client funds for deposit in an FCM Segregated Account, as provided in this rule, may hold, dispose of, or use any such funds as belonging to any person other than the FCM Clients of the FCM Clearing Member which deposited such funds.~~

- (ii) ~~All FCM Client funds received by the Clearing House from an FCM Clearing Member~~ All Collateral held or maintained by the Clearing House to purchase, margin, guarantee, secure or settle FCM Contracts of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such FCM Clients, and held in the LCH Swaps Client Segregated Depository Account, in accordance with Section 4d(f) of the CEA and the CFTC Regulations, and the Clearing House shall not hold, use or dispose of such ~~FCM Client funds~~ Collateral except as belonging to such FCM Clients. Without limitation, the value of all such ~~funds~~ Collateral shall be reflected in the appropriate FCM Client ~~Segregated~~ Sub-Account. ~~Such FCM Client funds, when~~ All Collateral deposited by the Clearing House with a Permitted Depository, shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that they are segregated as required by the CEA, the CFTC Regulations and the FCM Rulebook. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, a written acknowledgment, in accordance with CFTC Regulations 22.5, 1.20 and/or 1.26 (as applicable), from such Permitted Depository that it was informed that the funds deposited in any LCH Clearing Product Client Segregated Depository Accounts ~~and any PPS Account(s)~~ maintained by LCH are those of FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA, the CFTC Regulations and the FCM Rulebook.
- (iii) Each FCM Clearing Member shall treat and deal with FCM Client ~~f~~ Funds as belonging to such FCM Clients. ~~on whose behalf such FCM Client Funds are deposited.~~ All FCM Client ~~f~~ Funds held in connection with Cleared Swap Products or other Cleared Swaps shall be separately accounted for, and shall not be commingled with the money, securities or property of an FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; provided, that all FCM Client ~~funds in connection with Cleared Swap Products~~ Funds may be physically commingled (although separately accounted for in accordance with these FCM Regulations), subject to and in accordance with the CEA, the CFTC Regulations and the FCM Rulebook; provided, further, that FCM Client ~~f~~ Funds may be invested in accordance with FCM Regulation ~~25(g)~~ and CFTC Regulation 1.25.
- (iv) In no event may FCM Client ~~f~~ Funds (deposited or held in connection with FCM Transactions and FCM Contracts) be held or commingled and deposited with (A) ~~FCM Client ~~f~~ Funds~~ in the same account or accounts

required to be separately accounted for and segregated pursuant to the provisions of Section 4d of the CEA and the regulations thereunder, or ~~(#)~~ B) money, securities or property representing the foreign futures or foreign options secured amount held in accordance with CFTC Regulation 30.7.

(v) An FCM Clearing Member is required to maintain an FCM Omnibus Clearing Product Client Account with LCH in respect of each Business Category of FCM Contract in which such FCM Clearing Member is approved by the Clearing House to clear such Business Category of FCM Contract; provided, that ~~Account Assets Collateral furnished to the Clearing House on behalf~~ of FCM Clients in respect of Cleared Swap Products ~~are~~ is permitted to be physically commingled in the same LCH Clearing Product Client Segregated Depository Account; provided, further, an FCM Clearing Member is permitted to physically commingle all FCM Client Funds (not furnished to the Clearing House as Collateral) in a single FCM Client Segregated Depository Account ~~when such Account Assets are not being held in an FCM Omnibus Clearing Product Client Account with LCH.~~

(vi) In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the ~~value of all collateral received on behalf of~~ Margin attributable to each FCM Client in connection with Cleared Swap Products as belonging to each such individual FCM Client, and such amount shall be credited to such FCM Client's applicable FCM Client ~~Segregated~~ Sub-Account as provided in the FCM Rulebook, and shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, other FCM Clients or any other person, except as permitted under the FCM Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 22 of the CFTC Regulations. For the avoidance of doubt and notwithstanding the foregoing, the Clearing House is under no obligation to deal directly with an FCM Client (under the terms of the FCM Rulebook or otherwise) and the Clearing House may deal exclusively with the FCM Clearing Members, and the Clearing House shall have no obligations to any FCM Client under the FCM Rulebook.

(c) Care of Money and Securities Accruing to FCM Clients. All money received directly or indirectly by, and all money and securities accruing to, an FCM Clearing Member from the Clearing House or from any FCM Clearing Member or from any other person incident to or resulting from any cleared FCM Contracts made by or through such FCM Clearing Member on behalf of any FCM Client shall be considered as accruing to such FCM Client within the meaning of the FCM Rulebook. Such money and securities shall be treated and dealt with as belonging to such FCM Client in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook. The value of money and securities accruing in connection with an FCM Client's Open Contracts in an FCM Omnibus Clearing Product Client Account with LCH shall be separately credited to the relevant FCM OTC Segregated Client Sub-Account of such FCM Client.

(d) Use of FCM Client Funds Restricted.

~~(d)~~ (i) No FCM Clearing Member shall use, or permit the use of, FCM Client ~~f~~ Funds to purchase, margin, or settle the trades, contracts or transactions

of, or to secure or extend the credit of, any person other than its FCM Clients. FCM Client Funds held in an FCM Client Segregated Depository Account shall not be used to carry trades or positions of the same FCM Client other than in connection with (A) Cleared Swap Products or (B) other Cleared Swaps.

(ii) FCM Client Funds held in an FCM Client Segregated Depository Account that are deposited by a specific FCM Client shall not be used to purchase, margin or settle any Cleared Swap Product, Cleared Swap or other trade or contract of, or to secure or extend the credit of, any person other than such FCM Client.

(e) Interest of FCM Clearing Members in FCM Client Funds; Additions and Withdrawals. FCM Regulation 25(b), which prohibits the commingling of FCM Client Funds with the funds or assets of an FCM Clearing Member, shall not be construed to prevent an FCM Clearing Member from having a residual financial interest in FCM Client Funds, segregated as required by the CEA, the CFTC Regulations and the FCM Rulebook and set apart for the benefit of FCM Clients; nor shall such provisions be construed to prevent an FCM Clearing Member from adding to ~~the segregated~~ FCM Client Funds Funds in an FCM Client Segregated Depository Account such amount or amounts of money, from its own funds or unencumbered securities from its own inventory, ~~including FCM Buffer~~, of the type permitted under FCM Regulation 25(g), as it may deem necessary to ensure that its FCM Client Segregated Depository Accounts hold at all times, at a minimum, an amount equal to the amount required by the CEA, CFTC Regulations and the FCM Rulebook. The books and records of an FCM Clearing Member shall at all times accurately reflect its interest in the segregated FCM Client Funds. An FCM Clearing Member may draw upon ~~such~~ FCM Client Funds Funds in the relevant FCM Client Segregated Depository Account to its own order, to the extent of its actual interest therein, including the withdrawal of securities held in FCM Client Segregated Depository Accounts ~~held by~~ a Permitted Depository; provided, that any such withdrawals do not result in any such account holding less in segregated FCM Client assets than such account is required to contain at such time. Such withdrawal shall not result in FCM Client Funds being used to purchase, margin or carry the trades, contracts or transactions, or extend the credit of any other FCM Client or other person.

(f) Funds Held in FCM Client Segregated Depository Accounts; Exclusions Therefrom. Money held in FCM Client Segregated Depository Accounts by an FCM Clearing Member shall not include (i) money invested in obligations or stocks of any clearing organization or in memberships in or obligations of any contract market or (ii) money held by any clearing organization which it may use for any purpose other than to purchase, margin, guarantee, secure, transfer, adjust, or settle the FCM Contracts of the FCM Clients of such FCM Clearing Member.

(g) Investments of FCM Client Funds. An FCM Clearing Member ~~or~~ may invest FCM Client Funds and the Clearing House may invest ~~FCM Client funds subject to~~ Collateral held on behalf of an FCM Client as permitted by and in accordance with the terms and conditions set forth in CFTC Regulation 1.25, which regulation shall apply to such funds in accordance with the provisions of the CEA and CFTC Regulations thereunder related to transactions in ~~the~~ Cleared Swaps Customer Account Class.

(h) Deposit of Instruments Purchased with FCM Client Funds.

- (i) Each FCM Clearing Member that invests FCM Client funds in instruments permitted under FCM Regulation 25(g) shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients, to the extent required under the CEA and the CFTC Regulations. Such instruments, when deposited with a Permitted Depository, shall be deposited under an account name which clearly shows that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Each FCM Clearing Member, upon opening an FCM Client Segregated Depository Account, shall obtain and retain in its files an acknowledgment from such Permitted Depository that it was informed that the instruments belong to FCM Clients and are being held in accordance with the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such Permitted Depository shall allow inspection of the records of such assets at any reasonable time by representatives of the Clearing House.
- (ii) When it invests money belonging or accruing to FCM Clients of its FCM Clearing Members in instruments permitted under FCM Regulation 25(g), the Clearing House shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients; provided, that any such instruments may be held in commingled accounts other on behalf of all applicable FCM Clients of all FCM Clearing Members, at one or more Permitted Depositories. Such instruments, when deposited with Permitted Depository, shall be deposited under an account name which will clearly show that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Upon opening any such account, the Clearing House shall obtain and retain in its files a written acknowledgment from such Permitted Depository that it was informed that the instruments belong to FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such Permitted Depository shall allow inspection of such instruments at any reasonable time by representatives of the Clearing House.
- (i) Record of Investments.
- (i) Each FCM Clearing Member that invests FCM Client ~~f~~Funds shall keep a record showing the following:
- (A) The date on which such investments were made;
  - (B) The name of the person through whom such investments were made;
  - (C) The amount of money or current market value of securities so invested;
  - (D) A description of the instruments in which such investments were made, including the CUSIP or ISIN numbers;
  - (E) The identity of the depositories or other places where such instruments are held;

- (F) The date on which such investments were liquidated or otherwise disposed of and the amount of money or current market value of securities received of such disposition, if any;
  - (G) The name of the person to or through whom such investments were disposed of; and
  - (H) Daily valuation for each instrument and readily available documentation supporting the daily valuation for each instrument. Such supporting documentation must be sufficient to enable auditors to verify the valuations and the accuracy of any information from external sources used in those valuations.
- (ii) When the Clearing House receives documents from its FCM Clearing Members representing or evidencing investment of FCM Client funds, the Clearing House shall keep a record showing separately for each clearing member the following:
- (A) The date on which such documents were received from the clearing member;
  - (B) A description of such documents, including the CUSIP or ISIN numbers; and
  - (C) The date on which such documents were returned to the clearing member or the details of disposition by other means.
- (iii) Such records shall be retained in accordance with CFTC Regulation 1.31. No such investments shall be made except in instruments permitted under FCM Regulation 25(g).
- (j) Valuation of Instruments Purchased with FCM Client Funds. FCM Clearing Members who invest FCM Client Funds in instruments permitted under FCM Regulation 25(g) shall include such instruments in their FCM Client Segregated Depository Account records and reports at values which at no time exceed their then current market value, determined as of the close of the market on the date for which such computation is made.
- (k) Increment or Interest Resulting from Investment of FCM Client Funds. The investment of FCM Client Funds in instruments permitted under FCM Regulation 25(g) shall not prevent the FCM Clearing Member or the Clearing House so investing such funds from receiving and retaining as its own any increment or interest resulting therefrom.
- (l) FCM Client Segregated Depository Accounts; Daily Computation and Record.
- (i) Each FCM Clearing Member must compute as of the close of the previous Business Day:
    - (A) the aggregate amount of FCM Client Funds on deposit in its FCM Client Segregated Depository Accounts on behalf of FCM Clients, including the amount attributable to each individual FCM Client;

- (B) the amount of such FCM Client fFunds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit in its FCM Client Segregated Depository Accounts on behalf of such FCM Clients, including the amount attributable to each individual FCM Client; and
  - (C) the amount of the FCM Clearing Member's residual interest in such FCM Client fFunds.
- (ii) In computing the aggregate amount of funds required to be in its FCM Client Segregated Depository Accounts, an FCM Clearing Member may offset any net deficit in a particular FCM Client's account against the then current market value of readily marketable securities, less applicable percentage deductions (i.e., "securities haircuts") as set forth in Rule 15c3-1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR § 241.15c3-1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with a Permitted Depository. For purposes of this section, a security will be considered readily marketable if it is traded on a "ready market" as defined in Rule 15c3-1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3-1(c)(11)(i)).
  - (iii) The daily computations required by this FCM Regulation 25 must be completed by the FCM Clearing Member prior to noon on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.
- (m) Classification of Positions. Each FCM Clearing Member shall maintain, as provided in CFTC Regulation 1.31, a record of all securities and property received from FCM Clients in lieu of money to margin, purchase, guarantee or settle the cleared FCM Contracts of such FCM Clients. Such record shall show separately for each FCM Client: a description of the securities or property received; the name and address of such FCM Client; the dates when the securities or property were received; the identity of the Permitted Depositories or other places where such securities or property are segregated; the dates of deposits and withdrawals from such Permitted Depositories; and the dates of return of such securities or property to such FCM Client, or other disposition thereof, together with the facts and circumstances of such other disposition.
  - (n) CFTC Regulations. Without limitation of any other provisions of the FCM Rulebook, FCM Clearing Members shall at all times comply in all respects with the applicable provisions of Part 1, Part 22 and Part 190 of the CFTC Regulations, as well as any other applicable CFTC Regulations, including as provided in FCM Regulation 25(o).
  - (o) Change in Law or Regulations. The Clearing House shall enforce the rules set forth in this FCM Regulation 25 (and set forth in these FCM Regulations generally) at all times in accordance with and subject to the CEA and the CFTC Regulations. In the event that a change in law or in the CFTC Regulations occurs but has not yet been reflected appropriately in the FCM Rulebook, the CFTC Regulations (to the extent compliance therewith has become mandatory under CFTC Regulations) and applicable law will prevail, the provisions of this FCM Rulebook shall be

deemed to be modified accordingly and the Clearing House will enforce these FCM Regulations in accordance with the CFTC Regulations and applicable law.

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**Regulation 26 Acknowledgements and Agreements of FCM Clients and Affiliates**

Each FCM Client and Affiliate, by participating in FCM Transactions and entering FCM Contracts through its respective FCM Clearing Member(s), shall be deemed to understand, acknowledge and agree that:

~~(p)~~(a) the services provided by the Clearing House with regard to the FCM Clearing Services will be subject to and governed by the FCM Rulebook between the Clearing House and the FCM Clearing Member;

~~(q)~~(b) the FCM Regulations shall govern the registration of FCM Contracts and all transactions between an FCM Client or Affiliate and its FCM Clearing Member resulting in the registration of FCM Contracts, and at the time of registration of an FCM Contract the FCM Client or Affiliate on whose behalf it was registered will be deemed to be bound by the relevant FCM Contract on the terms entered into between the FCM Clearing Member and the Clearing House (including, ~~without limitation,~~ all applicable terms of the FCM Regulations and the schedules thereto) automatically and without any further action by such FCM Client or Affiliate or by its FCM Clearing Member, and such FCM Client or Affiliate agrees to be bound by the applicable provisions of the FCM Regulations and by the terms of the applicable FCM Contracts in all respects;

~~(r)~~(c) the provisions of FCM Regulation 24 (Exclusion of Liability) shall apply to each FCM Client and Affiliate *mutatis mutandis* as though entered into by each FCM Client and Affiliate directly with the Clearing House;

~~(s)~~(d) the Clearing House shall be under no obligation to deal directly with any FCM Client or Affiliate, and the Clearing House may deal exclusively with the FCM Clearing Members;

(e) the Clearing House shall have no obligations to any FCM Client or Affiliate with respect to any FCM Contract held by the relevant FCM Clearing Member on behalf of such FCM Client or Affiliate, including to any repayment or redelivery obligations;

(f) FCM Client or Affiliate shall have any right to receive from the Clearing House, or any right to assert a claim against the Clearing House with respect to, nor shall the Clearing House be liable to any FCM Client or Affiliate for, any payment or delivery obligation in connection with any FCM Contract held by the relevant Clearing Member on behalf of such FCM Client or Affiliate and the Clearing House shall make any such payments or redeliveries solely to the FCM Clearing Member;

~~(t)~~(g) upon the default of an FCM Client's or Affiliate's FCM Clearing Member, if the Clearing House is required to do so by any Regulatory Body or applicable laws or regulations, or determines in its discretion that it is necessary for its protection, the Clearing House may close out and terminate the FCM Client's or Affiliate's FCM Contracts entered into by such FCM Clearing Member, subject to applicable law, regardless of whether such FCM Client or Affiliate had itself defaulted, and in certain circumstances the Clearing House will not transfer or otherwise re-establish such positions;

~~(u)~~(h) the Clearing House will not hold any assets transferred to it on behalf of any individual FCM Client or an Affiliate;

(v)(i) where an FCM Clearing Member provides an FCM Client's or Affiliate's securities or other assets to the Clearing House as ~~e~~Collateral, such securities and other assets shall be held by the Clearing House in accordance with the FCM Rulebook and applicable law, and FCM Clients and Affiliates shall not be entitled to assert any equitable or other claim to any such securities or assets in circumstances where the assertion of such a claim would delay or inhibit (x) the disposal by the Clearing House of such securities or assets and/or (y) the application of the proceeds of sale of such securities or assets, in each case in accordance with the provisions of the FCM Rulebook and applicable law; and

(w)(i) each FCM Client and Affiliate provides its respective FCM Clearing Member(s) with its unconditional consent for such FCM Clearing Member(s) to furnish or deposit to or with the Clearing House any ~~securities or other assets~~ FCM Client Funds of such FCM Client or Affiliate in the FCM Clearing Member's possession, and to repledge such property to the Clearing House, as ~~cover~~ Collateral for the purposes of clearing FCM Contracts entered on behalf of the FCM Client or Affiliate.

**PART II – REGULATIONS APPLICABLE TO FCM SWAPCLEAR CONTRACTS****Regulation 30 Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts**

- (a) In order for an FCM to register an FCM SwapClear Contract in respect of the registration of an FCM SwapClear Transaction, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM SwapClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must submit the particulars of an FCM SwapClear Transaction for registration as two FCM SwapClear Contracts or one FCM SwapClear Contract and one Non-FCM SwapClear Contract (as the case may be) in accordance with these FCM Regulations. Each FCM SwapClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member.
- (b) Where an Executing Party enters into an FCM SwapClear Transaction on an FCM Approved Trade Source and such FCM SwapClear Transaction is to be cleared through an FCM Clearing Member, the Clearing House shall notify the FCM Clearing Member of such FCM SwapClear Transaction and request acceptance for registration in accordance with the FCM Procedures. Upon receipt of acceptance for registration by the Clearing House from the FCM Clearing Member, the FCM Clearing Member shall be deemed to have presented the FCM SwapClear Transaction to the Clearing House (and such presentation may not be withdrawn by the FCM Clearing Member unless otherwise provided in the FCM Rulebook) and the Clearing House shall register the FCM SwapClear Transaction subject to, and in accordance, with these FCM Regulations and the FCM Procedures.
- (c) Without prejudice to the Clearing House's rights under paragraph (g) of this FCM Regulation 30, an FCM Clearing Member shall be bound by an FCM SwapClear Contract registered in its name on behalf of an FCM Client or an Affiliate pursuant to the presentation of particulars of an FCM SwapClear Transaction by it, and by the other FCM Clearing Member or Non-FCM Clearing Member, as applicable.
- (d) The Clearing House shall register or reject the registration of an FCM SwapClear Contract in respect of an FCM SwapClear Transaction presented for registration as quickly as would be technologically practicable if fully automated systems were used (the standard required in Part 39 of the CFTC Regulations), provided that:
- (i) both sides of the relevant FCM SwapClear Transaction have been properly presented and submitted for clearing by (or on behalf of) the Executing Parties;
  - (ii) the relevant FCM SwapClear Transaction meets the ~~eligibility criteria~~[FCM SwapClear Product Eligibility Criteria](#) prescribed in the FCM Rulebook at the time the particulars of the FCM SwapClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;
  - (iii) each FCM SwapClear Contract is consented to by the relevant FCM Clearing Member (automatically or otherwise) in accordance with paragraph (b) above and Section 2A.3.2 of the FCM Procedures;

- (iv) the applicable FCM Clearing Member has ~~paid or transferred~~ furnished, upon request of the Clearing House and in accordance with FCM Regulation 9 and such other applicable provisions of the FCM Rulebook, all required ~~cover~~ Margin in respect of such FCM SwapClear Contract prior to registration (taking into account any available SwapClear Tolerance, if any); and
- (v) all the conditions applicable (under the terms of the FCM Rulebook or the UK General Regulations, as the case may be) for the registration of the Non-FCM SwapClear Contract or the other FCM SwapClear Contract (as the case may be) deriving from the relevant FCM SwapClear Transaction. have been satisfied.

If for any reason in respect of an FCM SwapClear Contract the other corresponding FCM SwapClear Contract or Non-FCM SwapClear Contract (as the case may be) is not registered by the Clearing House, the Clearing House shall de-register such FCM SwapClear Contract and shall not have any liability whatsoever to any FCM Clearing Member or to any other person (including, ~~without limitation,~~ any SwapClear Dealer (as such term is defined in the UK General Regulations)) in contract, tort (including ~~without limitation,~~ negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of such de-registration.

- (e) The Clearing House shall be deemed to register an FCM SwapClear Contract, in accordance with this FCM Regulation 30 in the name of an FCM Clearing Member on behalf of an FCM Client or an Affiliate (or, if applicable, on the FCM Clearing Member's own behalf), at the time prescribed in the FCM Procedures ("**Registration Time**"). At the Registration Time, the FCM Clearing Member, and the FCM Client or Affiliate if applicable, will be deemed to be bound by the relevant FCM SwapClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client or Affiliate, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and Schedule A hereto.
- (f) If at any time after registration of an FCM SwapClear Contract, the Clearing House determines that the corresponding FCM SwapClear Transaction of which details were presented for registration did not, at the Registration Time, meet the FCM SwapClear Product Eligibility Criteria in existence at the Registration Time (an "**Ineligible FCM SwapClear Transaction**"), the Clearing House shall, immediately following the next margin run following such determination, set aside both FCM SwapClear Contracts (or, the FCM SwapClear Contract and the Non-FCM SwapClear Contract, if applicable) arising from such Ineligible FCM SwapClear Transaction. Upon an FCM SwapClear Contract being set aside under this paragraph (any such FCM SwapClear Contract, an "**Ineligible FCM SwapClear Contract**"): (i) ~~the~~ the Clearing House will notify the FCM Clearing Member party to such Ineligible FCM SwapClear Contract via the FCM Approved Trade Source System through which details of the relevant Ineligible FCM SwapClear Transaction were originally presented to the Clearing House that such Ineligible FCM SwapClear Contract has been set aside; and (ii) ~~such~~ such Ineligible FCM SwapClear Contract shall immediately be deemed to be terminated and shall thereafter have no force or effect. Where an Ineligible FCM SwapClear Contract is set aside pursuant to this paragraph, all payments (including, ~~without limitation,~~ Variation Margin) (if any) paid by the Clearing House or by an FCM Clearing

Member (or SwapClear Clearing Member, if applicable) in respect of such Ineligible FCM SwapClear Contract up to and including the relevant margin run shall be retained by the receiving party upon termination as a termination payment. Without prejudice to FCM Regulation 24 and its obligations under this FCM Regulation 30, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an Ineligible FCM SwapClear Contract.

- (g) Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM SwapClear Contracts are to be registered to furnish it with ~~ever~~Margin as a condition of registration of such FCM SwapClear Contract(s), and such ~~ever~~Margin shall be furnished to the Clearing House in accordance with FCM Regulation 10 and such other applicable provisions in the FCM Rulebook.
- (h) The Clearing House may decline to register an FCM SwapClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market, provided that the Clearing House shall (subject to the provisions of the FCM Rulebook) register any FCM SwapClear Contract which reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM SwapClear Transaction subject to any conditions stipulated by the Clearing House including, ~~without limitation,~~ the furnishing of additional ~~ever~~Margin by any FCM Clearing Member in whose name any such FCM SwapClear Transaction is to be registered.
- (i) An FCM SwapClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:
- (i) in the case where one Executing Party clears its side of such FCM SwapClear Transaction, either through a SwapClear Clearing Member or directly with the Clearing House in its capacity as a SwapClear Clearing Member, and the other Executing Party clears its side of such FCM SwapClear Transaction as or through an FCM Clearing Member, as one Non-FCM SwapClear Contract pursuant to the UK General Regulations applicable to SwapClear Clearing Members and one FCM SwapClear Contract pursuant to these FCM Regulations, where the FCM SwapClear Contract shall be registered between the FCM Clearing Member, as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the Non-FCM SwapClear Contract shall be registered between the Clearing House, as the party paying Rate X, and the SwapClear Clearing Member, as the party paying Rate Y; or
- (ii) in the case where each Executing Party will clear its respective side of such FCM SwapClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM SwapClear Contracts pursuant to these FCM Regulations where each relevant FCM SwapClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the other FCM Clearing Member as the party paying Rate Y and the Clearing House as the party paying Rate X.

In each of the foregoing cases, to the extent the FCM SwapClear Contract has been entered into by an FCM Clearing Member on behalf of an FCM Client or Affiliate, each FCM Clearing Member will be the agent of its FCM Client or Affiliate, but will nevertheless remain fully liable to the Clearing House for any and all amounts due to the Clearing House in connection with any FCM SwapClear Contract cleared on behalf of its FCM Client or Affiliate.

- (j) With effect from the registration of an FCM SwapClear Transaction in accordance with FCM Regulation 30(i) above:
- (i) such FCM SwapClear Transaction shall be extinguished and replaced by the corresponding FCM SwapClear Contracts (or if applicable, the corresponding FCM SwapClear Contract and Non-FCM SwapClear Contract), and the parties to such FCM SwapClear Transaction shall be released and discharged from all rights and obligations under such FCM SwapClear Transaction which fall due for performance on or after the Registration Time;
  - (ii) each FCM SwapClear Contract registered under FCM Regulation 30(i) above shall be governed by the FCM SwapClear Contract Terms as applicable to that FCM SwapClear Contract;
  - (iii) subject to sub-paragraph (ii) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract as the party paying Rate X had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction; and
  - (iv) subject to sub-paragraph (ii) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract to which it is party as the party paying Rate Y had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction.

In subparagraphs (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM SwapClear Transaction (it being assumed, for this purpose, that such FCM SwapClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

- (k) If an FCM SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM SwapClear Contract arising under this FCM Regulation 30 or any other applicable provision of the FCM Rulebook.
- (l) In the case of an FCM SwapClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed

to be the time chosen by the Clearing House whereupon this FCM Regulation 30 shall take effect.

- (m) An FCM Clearing Member approved to provide FCM SwapClear Clearing Services may provide FCM SwapClear Clearing Services in connection with FCM SwapClear Contracts or FCM SwapClear Transactions to any of its Affiliates. Such FCM SwapClear Clearing Services shall be provided in the same manner as set forth under these FCM Regulations with respect to FCM Clients, as applicable, except that all transactions for Affiliates shall be cleared through the Proprietary Account of the applicable FCM Clearing Member.
- (n) Compression. Notwithstanding any other provision of these FCM Regulations, if one or more FCM SwapClear Contracts registered by an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures has substantially the same Economic Terms as one or more other FCM SwapClear Contracts previously registered for the account of such FCM Clearing Member, and all such FCM SwapClear Contracts are either (i) registered on the FCM Clearing Member's own behalf, (ii) registered on behalf of the same FCM Client or (iii) registered on behalf of the same Affiliate, the FCM Clearing Member may request that the Clearing House compress and combine all such FCM SwapClear Contracts by terminating the relevant existing FCM SwapClear Contracts and compressing them into one FCM SwapClear Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of the original FCM SwapClear Contracts. For purposes of this FCM Regulation 30(o), two or more FCM SwapClear Contracts may be deemed by the Clearing House to have "substantially the same Economic Terms" if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same fundamental economic attributes which influence the amount, value date and direction of all coupon cash flows. Two or more FCM SwapClear Contracts that are compressed under the terms of this FCM Regulation 30(n) shall be aggregated if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client or Affiliate is in the same direction on each such FCM SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated), such that the FCM SwapClear Contract that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the total notional amount of the compressed FCM SwapClear Contracts. Two or more FCM SwapClear Contracts that are compressed under the terms of this Regulation 30(n) shall be netted if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client or Affiliate is in the opposite direction on two or more of each such FCM SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment), such that the FCM SwapClear Contract (if any) that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the net notional amount of the compressed FCM SwapClear Contracts, and provided that in the event that the net notional amount is equal to zero such compression shall result in no replacement FCM SwapClear Contracts. The Clearing House shall determine (in its sole discretion) whether FCM SwapClear Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such FCM SwapClear Contracts are compressed, the Clearing House shall determine the resulting notional amount of the FCM SwapClear Contract(s) (if any) that replaces the compressed FCM SwapClear Contracts, and such determination shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of FCM SwapClear Contracts that the amount of ~~cover~~ Margin that the Clearing House requires in respect of the

original FCM SwapClear Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM SwapClear Contract(s).

- (o) SwapClear Accounts. All FCM Omnibus SwapClear Client Accounts with LCH shall not be permitted to contain any FCM Contracts other than FCM SwapClear Contracts or associated ~~cover~~Margin and credits for other payments and deliveries other than in connection with FCM SwapClear Contracts. Furthermore, the LCH SwapClear Client Segregated Depository Account shall not contain any FCM Contracts other than FCM SwapClear Contracts or associated ~~cover~~Collateral and other payments and deliveries other than in connection with FCM SwapClear Contracts.
- (p) Unallocated FCM SwapClear Transactions. In accordance with all other applicable provisions of the FCM Rulebook, an FCM Clearing Member may register an FCM SwapClear Contract subject to post-registration allocation on behalf of an Account Manager Executing Party in accordance with the following provisions:
- (i) An FCM SwapClear Transaction executed by or on behalf of an Account Manager Executing Party and subject to post-registration allocation (such transaction, an “**Unallocated FCM SwapClear Transaction**”) shall be notified to the Clearing House as such at the time it is submitted or presented to the Clearing House.
- (ii) The FCM SwapClear Contract registered on behalf of an Account Manager Executing Party that results from an Unallocated FCM SwapClear Transaction (an “**Unallocated FCM SwapClear Contract**”) shall be registered in a suspense sub-account of the applicable FCM Clearing Member’s FCM Omnibus SwapClear Client Account with LCH (such sub-account, the “**SwapClear Suspension Sub-Account**”).
- ~~(iii) The allocation of a portion Following registration of an Unallocated FCM SwapClear Contract to an FCM Client is effected by the entering into of an FCM SwapClear Transaction between, the applicable Account Manager Executing Party and the relevant FCM Client (such transaction, an “Allocating SwapClear Transaction”) which results in: (A) an FCM SwapClear Contract being registered in the name of the FCM Clearing Member (on behalf of the Account Manager Executing Party) having substantially the same Economic Terms (but a lower notional value) as FCM Clearing Member must notify the Clearing House (the “Allocation Notice”), prior to the close of the clearing of FCM SwapClear Contracts on the Business Day in which the Unallocated FCM SwapClear Contract ~~such that was registered,~~ of the applicable FCM Client Sub-Accounts to which portions of the Unallocated FCM SwapClear Contract should be allocated and the applicable portions of the Unallocated FCM SwapClear Contract to be allocated to each such FCM Client Sub-Account. The Allocation Notice must provide for the allocation of the full notional amount of the Unallocated FCM SwapClear Contract ~~and that FCM.~~ The Allocation Notice is delivered through Markitwire, the SwapClear Contract can be compressed in accordance with FCM Regulation 30(n); API and/or such other means as may be approved by the Clearing House and ~~(B) the corresponding notified to FCM Clearing Members.~~~~
- (iv) Following receipt of an Allocation Notice, the Clearing House shall

~~(iii)~~(A) close out the outstanding Unallocated FCM SwapClear Contract being registered in the name of the applicable FCM Client and simultaneously register two or more (as applicable) FCM SwapClear Contracts to the same SwapClear Suspension Sub-Account, which such newly registered FCM SwapClear Contracts shall have the same Economic Terms as the Unallocated FCM SwapClear Contract except that they shall have lower notional values corresponding to the allocation instructions provided in the Allocation Notice (which notional values shall, in the aggregate, equal the notional value of the Unallocated FCM SwapClear Contract); and

~~(B)~~ Following the actions described in paragraph (A) above, transfer each of the newly registered FCM SwapClear Contracts resulting from the cancellation of the Unallocated FCM SwapClear Contract to the applicable FCM Client Sub-Accounts in accordance with the Allocation Notice.

Where an Allocation Notice directs the entire notional amount of an Unallocated FCM SwapClear Contract to be allocated to a single FCM Client Sub-Account, then the Clearing House shall not take the steps described above in this paragraph (iv) and shall instead transfer the Unallocated FCM SwapClear Contract to the applicable FCM Client Sub-Account following receipt of the Allocation Notice. In no event can Unallocated FCM SwapClear Contracts be further allocated once they are transferred from the SwapClear Suspension Sub-Account.

By delivering an Allocation Notice to the Clearing House, the FCM Clearing Member ~~must notify~~ shall be deemed to have instructed the Clearing House ~~when it submits~~ to take the steps referred to in this paragraph (iv).

~~(v)~~ The allocation of Unallocated FCM SwapClear Contracts as set forth above is subject to all other applicable provisions of the FCM Rulebook, including the furnishing by the applicable FCM Clearing Member of adequate Margin, at or ~~accepts an FCM SwapClear Transaction which is an~~ prior to the submission of the Allocating SwapClear Transaction Notice, in respect of each of the applicable FCM Client Sub-Accounts to which an Unallocated FCM SwapClear Contract is to be allocated. If adequate Margin is not so furnished in respect of each such FCM Client Sub-Account, the Clearing House may, in its sole discretion, delay the allocation and transfer of all or any portions of the Unallocated FCM SwapClear Contract and may take any other actions permitted under the FCM Rulebook.

~~(iv)~~(vi) An FCM Clearing Member that submits and clears Unallocated FCM SwapClear Transactions and Allocating SwapClear Transactions must comply with the applicable provisions of the CFTC Regulations (including CFTC Regulation 1.35 and CFTC Regulation 1.73) and all other applicable law, and shall be responsible for ensuring that Account Manager Executing Parties clearing through it shall be in compliance therewith. Upon an FCM Clearing Member executing an Unallocated FCM SwapClear Transaction and upon delivering an Allocation Notice, such FCM Clearing Member is deemed to represent to the Clearing House that such transaction and allocation are in accordance with

properly authorized instructions and are in compliance with applicable CFTC Regulations and other applicable law.

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**Regulation 31** Daily Marking to Market

~~(a)~~(a) The Clearing House shall, in accordance with the FCM Procedures, in respect of each FCM SwapClear Contract in an FCM Clearing Member's name, mark each such Open Contract against the price determined by the Clearing House to be the current Settlement Price of such contract to be used for marking to market purposes.

~~(b)~~(b) The Clearing House shall, upon completion of the procedure set out in paragraph (a) above, calculate the daily mark-to-market amounts in accordance with the FCM Procedures and shall thereafter determine the status of the FCM Clearing Member's accounts.

~~(c)~~(c) For the avoidance of doubt, the completion of the calculation and settlement of daily marked-to-market amounts pursuant to paragraph (b) above by the Clearing House shall not affect the validity of any Open Contracts, which shall remain in effect as Open Contracts in all respects.

~~(d)~~(d) The net present value of each FCM SwapClear Contract shall be calculated by the Clearing House in accordance with paragraphs (a) and (b) of this FCM Regulation 31, in such manner and at such times as may be provided in the FCM Procedures. Except as prescribed in the FCM Procedures, the net present value calculated by the Clearing House may in no circumstances be called in question. The Clearing House shall, at least daily, receive payment from, or pay to, the FCM Clearing Member cash ~~cover~~ for Variation Margin, representing the change in the net present value of such FCM Clearing Member's portfolio of FCM SwapClear Contracts from the preceding Business Day, in accordance with the FCM Procedures.

~~(e)~~(e) Netting of Coupon Payments with respect to FCM SwapClear Contracts. In respect of a portfolio of FCM SwapClear Contracts and each payment date for Coupon Payments (in accordance with the FCM Procedures), the Clearing House shall net:

- (i) the sums which would otherwise have been payable by the FCM Clearing Member to the Clearing House as cash ~~cover~~ (in respect of Variation Margin) on such date and the Coupon Payments due on that date; and
- (ii) the sums which would otherwise have been payable by the Clearing House to the FCM Clearing Member as cash ~~cover~~ (in respect of Variation Margin) on such date and the Coupon Payments due on that date,

and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party then the obligations of each party under this FCM Regulation 31 shall be automatically satisfied and discharged on payment by the applicable party of the excess. All netting in respect of a portfolio of FCM SwapClear Contracts shall be calculated separately with respect to FCM SwapClear Contracts held in an FCM Clearing Member's Proprietary Account and with respect to FCM SwapClear Contracts held on behalf of FCM Clients in the relevant FCM Client ~~Segregated~~ Sub-Account.

**PART III – REGULATIONS APPLICABLE TO FCM FOREXCLEAR CONTRACTS****Regulation 40 Registration of FCM ForexClear Contracts; ForexClear Accounts**

- (a) In order for an FCM to submit an FCM ForexClear Transaction for registration as an FCM ForexClear Contract, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM ForexClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must submit the particulars of an FCM ForexClear Transaction for registration as an FCM ForexClear Contract in accordance with the FCM Rulebook. Each FCM ForexClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member. It is a condition for registration as an FCM ForexClear Contract that both sides of the underlying FCM ForexClear Transaction be presented for clearing (as one FCM ForexClear Contract and one Non-FCM ForexClear Contract, or as two FCM ForexClear Contracts, as the case may be).
- (b) *[Intentionally Omitted]*.
- (c) Without prejudice to the Clearing House's rights under paragraph (f) of this FCM Regulation 40, an FCM Clearing Member shall be bound by an FCM ForexClear Contract registered in its name on behalf of an FCM Client or an Affiliate pursuant to the presentation of particulars of an FCM ForexClear Transaction by it, and by the other FCM Clearing Member or Non-FCM Clearing Member, as applicable.
- (d) Without prejudice to the Clearing House's rights under paragraph (f) of this FCM Regulation 40, an FCM ForexClear Transaction, particulars of which are submitted for registration as an FCM ForexClear Contract, must meet the ~~eligibility criteria prescribed in these FCM Regulations and the FCM Procedures~~ [FCM ForexClear Product Eligibility Criteria](#) at the time the particulars of the FCM ForexClear Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as an FCM ForexClear Contract, at which time the FCM ForexClear Contracts (or the FCM ForexClear Contract and the Non-FCM ForexClear Contract, as the case may be) shall replace and supersede such corresponding FCM ForexClear Transaction.
- (e) The Clearing House shall be deemed to register an FCM ForexClear Contract, in accordance with this FCM Regulation 40 in the name of an FCM Clearing Member on behalf of an FCM Client or an Affiliate (or, if applicable, on the FCM Clearing Member's own behalf), at the Registration Time. At the Registration Time, the FCM Clearing Member, and the FCM Client or Affiliate if applicable, will be deemed to be bound by the relevant FCM ForexClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client or Affiliate, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and Schedule B hereto.
- (f) Ineligible Registered FCM ForexClear Transactions.
- (i) If at any time after registration of an FCM ForexClear Contract, the Clearing House determines that the corresponding FCM ForexClear Transaction of which details were submitted for registration did not, at the Registration Time, meet the [FCM ForexClear Product Eligibility Criteria](#)

~~set out at Section 2 of Part B of Schedule B for registration as an FCM ForexClear Contract~~ in existence at the Registration Time (such an FCM ForexClear Transaction, an “**Ineligible FCM ForexClear Transaction**”), the Clearing House shall, as soon as practicable thereafter set aside such FCM ForexClear Contracts (or the FCM ForexClear Contract and the Non-FCM ForexClear Contract, as the case may be).

- (ii) Ineligible FCM ForexClear Transactions. Upon an FCM ForexClear Contract being set aside under subsection (i) above (such set aside contract, an “**Ineligible FCM ForexClear Contract**”), the Clearing House will notify the FCM Clearing Member party to such Ineligible FCM ForexClear Contract via the ForexClear Matcher that such Ineligible FCM ForexClear Contract has been set aside. The following shall take effect immediately upon the delivery of such notice: (A) such Ineligible FCM ForexClear Contract shall be deemed to be terminated at the time of the notification and shall thereafter have no force or effect; (B) all Variation Margin (if any) paid by the Clearing House or by an FCM Clearing Member in respect of such Ineligible FCM ForexClear Contract shall be retained by the receiving party upon termination; (C) where there is a difference between the value of the Ineligible FCM ForexClear Contract as at the last margin run and the value (as determined by the Clearing House) of that Ineligible FCM ForexClear Contract at the time of the next official settlement rate for the relevant currency pair, then a payment shall be made between the FCM Clearing Members (or one FCM Clearing Member and one Non-FCM Clearing Member, as the case may be) to the original Ineligible FCM ForexClear Transaction equal to such difference; and (D) these payments shall be deemed to satisfy in full the relevant party’s obligations under the Ineligible FCM ForexClear Contract and shall be retained by the receiving party upon termination in accordance with clause (A) of this paragraph as a termination payment.

The Clearing House may not determine an FCM ForexClear Transaction to be an Ineligible FCM ForexClear Transaction after the Valuation Date (as defined in Part A of Schedule B to these FCM Regulations) in respect of the FCM ForexClear Contracts arising from the registration of such FCM ForexClear Transaction has occurred.

The Clearing House shall provide no less than 10 ~~business days~~ Business Days prior notice (including by email) to FCM Clearing Members providing FCM ForexClear Clearing Services of an amendment to the eligibility criteria for the registration of FCM ForexClear Contracts.

- (iii) Without prejudice to FCM Regulation 24 and its obligations under this FCM Regulation 40, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM ForexClear Contract in respect of a transaction which did not meet the ~~eligibility criteria~~ FCM ForexClear Product Eligibility Criteria at the Registration Time to enable it to be registered as an FCM ForexClear Contract.

- (g) Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM ForexClear Transactions are to be registered to furnish it with ~~cover~~ Margin as a condition of registration of

such FCM Transaction(s), and such ~~cover~~Margin shall be furnished to the Clearing House in accordance with FCM Regulation—9 and such other applicable provisions in the FCM Rulebook.

- (h) The Clearing House may decline to register an FCM ForexClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market; provided, that the Clearing House shall (subject to the provisions of the FCM Rulebook) register any FCM ForexClear Contract which reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM Transaction subject to any conditions stipulated by the Clearing House including, ~~without limitation~~, the furnishing of additional ~~cover~~Margin by any FCM Clearing Member in whose name any such FCM ForexClear Transaction is to be registered.
- (i) Registration of FCM ForexClear Transactions. An FCM ForexClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:
- (i) in the case where one Executing Party clears its side of such FCM ForexClear Transaction either through a Non-FCM Clearing Member or directly with the Clearing House in its capacity as a Non-FCM Clearing Member, and the other Executing Party clears its side of such FCM ForexClear Transaction as or through an FCM Clearing Member, as one Non-FCM ForexClear Contract pursuant to the UK General Regulations applicable to Non-FCM Clearing Members and one FCM ForexClear Contract pursuant to these FCM Regulations, where (i) the FCM ForexClear Contract shall be registered between the FCM Clearing Member as the Reference Currency Buyer and the Clearing House as the Reference Currency Seller (or vice versa as applicable), and (ii) the Non-FCM ForexClear Contract shall be registered between the Clearing House as the Reference Currency Buyer and the Non-FCM Clearing Member as the Reference Currency Seller (or vice versa as applicable); or
- (ii) in the case where each Executing Party will clear its respective side of such FCM ForexClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM ForexClear Contracts pursuant to these FCM Regulations where each relevant FCM ForexClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the Reference Currency Buyer, and the Clearing House as the Reference Currency Seller, and the other FCM Clearing Member as the Reference Currency Seller and the Clearing House as the Reference Currency Buyer.
- (iii) In each of the foregoing cases in clauses (i) and (ii) above, to the extent the FCM ForexClear Contract has been entered into by an FCM Clearing Member on behalf of an FCM Client or Affiliate, each FCM Clearing Member will be the agent of its FCM Client or Affiliate, but will nevertheless remain fully liable to the Clearing House for any and all amounts due to the Clearing House in connection with any FCM ForexClear Contract cleared on behalf of its FCM Client or Affiliate.

- (j) Effect of Registration of FCM ForexClear Transactions. With effect from the registration of an FCM ForexClear Transaction in accordance with FCM Regulation 40(i):
- (i) Such FCM ForexClear Transaction shall be extinguished and replaced by the corresponding FCM ForexClear Contracts (or if applicable, the corresponding FCM ForexClear Contract and Non-FCM ForexClear Contract), and the parties to such FCM ForexClear Transaction shall be released and discharged from all rights and obligations under such FCM ForexClear Transaction which fall due for performance on or after the Registration Time.
  - (ii) Each FCM ForexClear Contract registered under FCM Regulation 40(i) shall be governed by the FCM ForexClear Contract Terms as applicable to that FCM ForexClear Contract.
  - (iii) Subject to sub-paragraph (ii) above, in respect of the Economic Terms, an FCM Clearing Member (or clearing on behalf of a person) that is the Reference Currency Buyer under an FCM ForexClear Transaction shall have the same rights against, and owe the same obligations to, the Clearing House under the corresponding FCM ForexClear Contract registered by it in respect of such FCM ForexClear Transaction; and
  - (iv) Subject to sub-paragraph (ii) above, in respect of the Economic Terms, an FCM Clearing Member (or clearing on behalf of a person) that is the Reference Currency Seller under an FCM ForexClear Transaction shall have the same rights against, and owe the same obligations to, the Clearing House under the corresponding FCM ForexClear Contract registered by it in respect of such FCM ForexClear Transaction.
- In subsections (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM ForexClear Transaction (it being assumed, for this purpose, that such FCM ForexClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.
- (k) If an FCM ForexClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM ForexClear Contract arising under this FCM Regulation 40 or any other applicable provision of the FCM Rulebook.
  - (l) In the case of an FCM ForexClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 40 shall take effect.
  - (m) An FCM Clearing Member may provide any of its approved FCM Clearing Services in connection with FCM ForexClear Contracts or FCM ForexClear Transactions to any of its Affiliates. Such FCM Clearing Services shall be

provided in the same manner as set forth under these FCM Regulations with respect to FCM Clients, as applicable, except that all transactions for Affiliates shall be cleared through the Proprietary Account of the applicable FCM Clearing Member.

(n) ForexClear Accounts. All FCM Omnibus ForexClear Client Accounts with LCH shall not be permitted to contain any FCM Contracts other than FCM ForexClear Contracts or associated ~~cover~~Margin and credits for other payments and deliveries other than in connection with FCM ForexClear Contracts. Furthermore, the LCH ForexClear Client Segregated Depository Account shall not contain any FCM Contracts other than FCM ForexClear Contracts or associated ~~cover~~Collateral and other payments and deliveries other than in connection with FCM ForexClear Contracts.

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**~~Regulation 41~~ Regulation 42 Variation Margin**

- (a) The Clearing House shall, at least daily and in accordance with and at the times stated in the Procedures, pay to, or require payment from, an FCM Clearing Member cash ~~cover~~ for ~~variation margin~~ Variation Margin in respect of any FCM ForexClear Contracts registered on behalf of such FCM Clearing Member. The amount paid represents the change from the preceding business day in the net present value of all FCM ForexClear Contracts registered in such FCM Clearing Member's name.
- (b) The net present value of each FCM ForexClear Contract shall be calculated by the Clearing House in such manner and at such times as may be provided in the Procedures. Except as prescribed in the Procedures, the net present value calculated by the Clearing House may in no circumstances be challenged.
- (c) The Clearing House pays to (or receives from) each applicable FCM Clearing Member interest on cash ~~cover~~ received (or paid) by the Clearing House, calculated in accordance with the Procedures, in respect of open FCM ForexClear Contracts.
- (d) All payments by an FCM ForexClear Clearing Member made pursuant to this FCM Regulation 42 to the Clearing House shall be reflected in the relevant FCM Omnibus ForexClear Client Account with LCH.
- (e) This FCM Regulation 42 is without prejudice to the Clearing House's right to require ~~cover~~ Margin to be provided to it under FCM Regulation 9.

For interpolated coupons, payment dates must fall between the rolled dates, according to the Modified Following business day convention, of the specified designated maturities. Where this does not occur and extrapolation would be required, SwapClear will reject the trade.

The minimum stub period of a variable notional swap accepted by SwapClear is 1 + Currency Settlement Lag. The minimum stub rate tenor must be  $\geq 1$  week for IRS and basis swap and  $\geq 1$  month for zero coupon swaps.

SwapClear also calculates floating periods subject to 'IMM settlement dates as per ISDA definitions.

(f) Up-Front Fees – Eligibility of FCM SwapClear Transactions

Any up-front fees due under an FCM SwapClear Transaction will form part of the first Variation Margin payment made in connection with such FCM SwapClear Transaction.

FCM SwapClear Transactions with respect to which an FCM Client or an Affiliate is an Executing Party and which are denominated in a One-Day Currency where the up-front fee is due to settle on the day of registration are not eligible for clearing.

FCM SwapClear Transactions with respect to which an FCM Client or an Affiliate is an Executing Party and which are denominated in a Two-Day Currency where the up-front fee is due to settle on the day of registration, or the day following registration, are not eligible for clearing.

A Backloaded Trade will not be eligible for clearing and will be rejected upon presentation in the event that it is presented after a Backload Registration Cycle and as a result would be 'parked' for registration until the following Business Day and as a result of being 'parked' it would no longer be eligible for clearing under these criteria.

For the purposes of this paragraph (f):

"One-Day Currency" means GBP, USD, CAD or EUR.

"Two-Day Currency" means any other eligible currency.

Exhibit A-5  
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and a trade subsequently ensues.

*Special Member*

- (a) An organisation which has the necessary licences, authorisations and approvals to act as a clearing house or otherwise provide clearing services or an organisation which has the necessary licences, authorisations and approvals to administer a futures, options, stock or other market and also to act as a clearing house in respect of such market or markets.
- (b) An organisation carrying on comparable activities as the Clearing House may determine from time to time,

which has concluded a Clearing Membership Agreement with the Clearing House in such form as the parties may agree, pursuant to which such organisation clears specific types of Contract and agrees to be bound by these Regulations as a Member, to the extent and subject to any variations agreed in such Clearing Membership Agreement.

*Standard Terms*

- That part of the SwapClear Contract Terms, the RepoClear Contract Terms, the LCH EnClear OTC Contract Terms, or the ForexClear Contract Terms designated as Standard Terms by the Clearing House from time to time.

*strike price*

- The price specified in an option contract which becomes the price of the commodity under a contract for the future sale and purchase of that commodity for future delivery or, as the case may be, under a delivery contract, in either case on the exercise of the option, the subject of such option contract, in accordance with Exchange Rules, these Regulations and the Procedures.

*SwapClear Clearing Agreement*

- Means the client clearing agreement ~~providing for the creation of a separate ISDA Master Agreement~~ (including any ~~Credit Support Annex~~ credit support documentation and other supplementary agreements) between a SwapClear Clearing Member and a SwapClear Clearing Client in relation to the SwapClear Clearing Services.

*SwapClear Clearing Client*

- Means an Individual Segregated Account Clearing Client or an Omnibus Net Segregated Clearing Client.

*SwapClear Clearing Client Business*

- Means Individual Segregated Account Business and Omnibus Net Segregated Business entered into by a SwapClear Clearing Member in respect of its SwapClear Clearing Clients.

*SwapClear Clearing Client Entitlement*

- Has the meaning assigned to it in Regulation 52B.

*SwapClear Clearing End-User Notice*

- Means the SwapClear Clearing End-User Notice as specified by the Clearing House from time to time.

**Regulation 52B Default Management in respect of SwapClear Clearing Client Business**

- (a) The SwapClear DMP in respect of any contract which is a SwapClear Contract entered into in respect of SwapClear Clearing Client Business shall involve the stages set out in this Regulation 52B. For the purposes of this Regulation 52B, a SwapClear Contract relating to SwapClear Clearing Client Business of an SCM (each a “**Relevant Contract**”) will be included in the Auction Portfolio from such time as the Clearing House determines that such Relevant Contract will not be ported. For the avoidance of doubt, any such Auction Portfolio will only contain Relevant Contracts. The Clearing House shall not be entitled to include client and house positions in an Auction Portfolio for the purposes of this Regulation 52B.
- (b) If an SwapClear Clearing Member becomes a Defaulting SCM the Clearing House shall:
- (i) calculate the Account Balances;
  - (ii) take any action under Rule 6 of the Default Rules as it shall deem necessary in respect of the SwapClear Clearing Client Business of the Defaulting SCM;
  - (iii) ascertain whether each SwapClear Clearing Client of the Defaulting SCM has appointed a Backup SwapClear Clearing Member; and
  - (iv) send details of the open Relevant Contracts and Account Balances to the nominated Backup SwapClear Clearing Member for each Individual Segregated Account and Omnibus Net Segregated Account of the Defaulting SCM, if any.
- (c) In circumstances where (a) an Individual Segregated Account Clearing Client of a Defaulting SCM has appointed a Backup SwapClear Clearing Member; and (b) within such period as the Clearing House may determine of the service of a Default Notice on the relevant SCM 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 SCM (as the case may be), the Clearing House has received confirmation from the Backup SwapClear Clearing Member of its agreement to act as Backup SwapClear Clearing Member in relation to the arrangements described in sub-paragraph (i) below and from the relevant client (in such form as the Clearing House may require at the relevant time):
- (i) the Clearing House shall (a) transfer all of the open Relevant Contracts entered into by the Defaulting SCM in respect of the relevant Individual Segregated Account Clearing Client to the appointed Backup SwapClear 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 SwapClear Clearing Member in respect of the relevant Individual Segregated Account Clearing Client;
  - (ii) where the relevant Individual Segregated Account Clearing Client (in an exercise of its rights under the relevant Deed of Assignment) instructs a transfer of its Individual Segregated Account Balance to the appointed Backup SwapClear Clearing Member, the Clearing House shall give effect to such instruction; and
  - (iii) the amount due to be returned to the Defaulting SCM shall be reduced by an amount equivalent to the amount of the Account Balance transferred to the

Backup SwapClear Clearing Member, as referred to in sub-paragraph (ii) of this Regulation 52B (c).

- (d) In circumstances where (a) all of the Omnibus Net Segregated Clearing Clients of a Defaulting SCM identified as composing an Omnibus Net Segregated Account have appointed a single Backup SwapClear Clearing Member; and (b) within such period as the Clearing House may determine of the service of a Default Notice on the relevant SCM 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 SCM (as the case may be), the Clearing House has received confirmation from the Backup SwapClear Clearing Member of its agreement to act as Backup SwapClear Clearing Member in relation to the arrangements described in sub-paragraph (i) below and from the relevant clients (in such form as the Clearing House may require at the relevant time):
- (i) the Clearing House shall (a) transfer all of the open Relevant Contracts entered into by the Defaulting SCM in respect of the relevant Omnibus Net Segregated Clearing Clients to the appointed Backup SwapClear 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 SwapClear Clearing Member in respect of the relevant Omnibus Net Segregated Clearing Clients;
  - (ii) where all of the relevant Omnibus Net Segregated Clearing Client(s) (in an exercise of their respective rights under the relevant Deeds of Assignment) instruct a transfer of their Omnibus Net Segregated Account Balances to the appointed Backup SwapClear Clearing Member, the Clearing House shall give effect to such instructions; and
  - (iii) the amount due to be returned to the Defaulting SCM in respect of such Omnibus Net Segregated Account shall be reduced by an amount equivalent to the aggregate amount of the Account Balances referred to in sub-paragraph (ii) above.
- (e) For the purposes of Regulations 52B(c) and (d) above, the relevant Individual Segregated Account Clearing Client or Omnibus Net Segregated Clearing Clients (as applicable) may provide consent to the Clearing House orally or in writing (including by facsimile and email) and shall not be entitled to withdraw such consent once received by the Clearing House.
- (f) In relation to those SwapClear Clearing Clients of a Defaulting SCM whose open Relevant Contracts are not dealt with pursuant to sub-paragraphs (i) and (ii) of Regulation 52B (c) or (d) above, the following shall occur:
- (i) the Clearing House shall calculate the entitlement to collateral (the "**SwapClear Clearing Client Entitlement**") of the Defaulting SCM in respect of each such SwapClear Clearing Client following the deduction of (a) the costs of any hedging undertaken; (b) amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulting SCM in respect of the relevant SwapClear Clearing Client; (c) any amounts to be deducted to reflect the operation of ~~the any~~ set-off provision contained in ~~Clause 3.1 of the relevant~~ SwapClear Clearing Agreement and confirmed in writing to the Clearing House by or on behalf of both the Defaulting SCM and the relevant SwapClear Clearing Client; (d) in respect of Omnibus Net Segregated Clearing Clients, amounts required to discharge all obligations

owed to the Clearing House relating to Relevant Contracts entered into by the Defaulting SCM in respect of other Omnibus Net Segregated Clearing Clients relating to the Omnibus Net Segregated Account in question, in each case allocated pro rata as it sees fit in its sole discretion; and (e) in respect of any SwapClear Clearing Client in respect of whom the Clearing House acts as security trustee under a Deed of Assignment, that SwapClear Clearing Client's share (if any) of amounts required to discharge fees incurred by the security trustee (acting in that capacity) allocated between that SwapClear Clearing Client and the other SwapClear Clearing Clients in respect of whom the Clearing House acts as security trustee under such Deed of Assignment by the Clearing House pro rata as it sees fit in its sole discretion.

- (ii) where the relevant SwapClear Clearing Client (in an exercise of its rights under the relevant Deed of Assignment) instructs the Clearing House to pay an amount to it equal to the SwapClear Clearing Client Entitlement due to be returned in respect of it to the Defaulting SCM, the Clearing House shall give effect to such instructions, subject to:
    - (a) the execution of appropriate documentation (which may, without limitation, include an indemnity (secured or otherwise)) between the Clearing House and the relevant SwapClear Clearing Client; and
    - (b) in the case of any deduction made pursuant to (c) of Regulation 52B (f), the provision of appropriate documentation by or on behalf of the Defaulting SCM.
  - (iii) Risk Neutralisation and the auction process relating to the Relevant Contracts shall be conducted in accordance with the provisions of the SwapClear DMP Annex, save that no hedging shall be undertaken in respect of a SwapClear Contract entered into in respect of SwapClear Clearing Client Business until such time as the Clearing House has determined that the SwapClear Contract in question will not be ported, from which time such contract shall be a Relevant Contract and included in an Auction Portfolio.
- (g) Calculation of the Account Balances and the SwapClear Clearing Client Entitlements will be undertaken by the Clearing House in accordance with its own records based on information provided to it by the Defaulting SCM. The Clearing House shall be under no obligation to verify or conduct any independent enquiry in respect of any such information and shall be entitled for all purposes to treat it as definitive. However, the Clearing House may, in its absolute discretion, adjust its records to reflect any matter which it believes should be taken into account in calculating the Account Balances and/or the SwapClear Clearing Client Entitlements.
- (h) Notwithstanding the provisions of Regulation 34, the Clearing House may not make any material change to the terms of this Regulation 52B without the written consent of 50% or more of all SwapClear Clearing Members unless such change is invoked unilaterally against all SCMs and is necessary to manage the Clearing House's risk or otherwise to meet the Clearing House's continuing regulatory obligations including those applicable to it as a Recognised Clearing House and a Derivatives Clearing Organization.

Contract and for the duration of this contract, the Hong Kong dollar rate of exchange against the US Dollar is 7.8 Hong Kong Dollars to one US Dollar. In the event that such exchange rate should vary for any one or more day at any time during the contract, the Clearing House shall have the right, on the giving of written notice, to terminate this contract forthwith.

### 3.3. Negative Interest Rates

The "Negative Interest Rate Method" as set out in Article 6.4(b) of the ISDA Definitions, will apply to a SwapClear Contract.

### 3.4. Withholding Tax Provisions

3.4.1. All payments under the General Regulations, a SwapClear Contract or any SwapClear Transaction will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If the Clearing House or a Clearing Member is so required to deduct or withhold, then the Clearing House or the Clearing Member ("X") will:

I promptly notify the recipient ("Y") of such requirement;

II pay to the relevant authorities the full amount required to be deducted or withheld (in the case of a Clearing Member as X, including the full amount required to be deducted or withheld from any amount paid by the Clearing Member to the Clearing House under Section 3.4.1, Section 3.4.2 or Section 3.4.3) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;

III promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities.

For the purpose of the General Regulations, SwapClear Contracts and SwapClear Transactions, "Tax" shall mean any present or future tax, levy, impost, duty, charge, assessment, or fee of any nature (including interest, penalties, and additions thereto) that is imposed by any government or other taxing authority.

3.4.2. In the event that any payment made by a Clearing Member to the Clearing House under the General Regulations, any SwapClear Contract or any SwapClear Transaction is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax (other than a Tax that would not have been imposed in respect of such payment but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the Clearing House), then the Clearing Member shall pay to the Clearing House an amount (such amount, together with any additional amount paid pursuant to Section 3.4.7, the "Additional Amount"), in addition to the payment to which the Clearing House is otherwise entitled under the General Regulations, SwapClear Contract or any SwapClear Transaction, necessary to ensure that the net amount actually received by the Clearing House (free and clear of any such deduction or withholding for or on account of any such Tax, whether assessed against the Clearing Member or the Clearing House), will equal the full amount the Clearing House would have received in the absence of any such deduction or withholding

However, a Clearing Member will not be required to pay any Additional Amount to the Clearing House under this Section 3.4.2 to the extent that it would not be required to be paid but for (i) the failure by the Clearing House to provide to the Clearing Member such

forms and documents as required under Section 3.4.5 or the SwapClear Procedures, provided that this clause (i) shall apply only if (A) the relevant Clearing Member has notified the Clearing House in writing of such failure and (B) the Clearing House has failed to provide such forms or documents within five Business Days after the receipt of such notice; or (ii) the failure of a representation made by the Clearing House pursuant to the representations that it is obligated to provide under Section 3.4.10 below to be accurate and true (unless the failure under this clause (ii) would not have occurred but for (A) any action taken by a taxing authority, or brought in a court of competent jurisdiction (regardless of whether such action is taken or brought with respect to the relevant party) or (B) a Change in Tax Law, that in each case occurs after the Clearing House and the Clearing Member provide the representations that they are obligated to provide pursuant to Section 3.4.10 below (or, if applicable, the date that the Clearing House and the Clearing Member amend such representations to account for such Change in Tax Law)) or a failure by the Clearing House to provide the representations that it is obligated to provide pursuant to Section 3.4.10 below.

In the event that the failure under clause (ii) of the preceding paragraph would not have occurred but for the reasons described under subclause (A) or (B) thereof, the Clearing House shall use commercially reasonable efforts to provide to the Clearing Member a new representation (to the extent that it is appropriate) for the purpose of the representations that it is obligated to provide pursuant to Section 3.4.10 below, promptly after the learning of such failure (so long as the provision of such representation would not materially prejudice the legal or commercial position of the Clearing House).

A Clearing Member will also not be required to pay any Additional Amount to the Clearing House under this Section 3.4.2 for any tax (a "FATCA Withholding Tax") imposed under U.S. Internal Revenue Code Sections 1471, 1472, 1473 or 1474 (or any successor sections that are substantially similar) and any U.S. or non-U.S. law, regulation or authoritative guidance promulgated thereunder, or any agreements, treaties, or intergovernmental agreements entered into pursuant thereto, (collectively, the "FATCA Rules") provided that such FATCA Withholding Tax would not have been imposed but for the Clearing House's failure to comply with the FATCA Rules.

Notwithstanding the provisions in this section 3.4.2, the Clearing House and SwapClear Members agree to renegotiate these regulations where, for reasons beyond the control of the Clearing House, the provisions of FATCA result in payments beneficially owned by the Clearing House becoming subject to FATCA Withholding Tax.

For the purpose of this Section 3.4.2, "Change in Tax Law" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law or double tax treaty (or in the application or official interpretation of any law or double tax treaty).

3.4.3. If: (i) a Clearing Member is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from any payment made to the Clearing House under the General Regulations, SwapClear Contracts and or any SwapClear Transaction for or on account of any Tax, in respect of which the Clearing Member would be required to pay an Additional Amount to the Clearing House under Section 3.4.2; (ii) the Clearing Member does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and costs).

- 3.4.4. If: (i) the Clearing House is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from any payment made to a Clearing Member under the General Regulations, SwapClear Contracts and or any SwapClear Transaction for or on account of any Tax; (ii) the Clearing House does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and costs).
- 3.4.5. The Clearing House shall provide to each Clearing Member (i) the tax forms and documents specified in Section 3.4.10 below and Section 2C.21 of the SwapClear Procedures and (ii) any other form or document reasonably requested in writing by the Clearing Member in order to allow the Clearing Member to make a payment under the General Regulations, SwapClear Contract, or any SwapClear Transaction without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document as described in this clause (ii) would not materially prejudice the legal or commercial position of the Clearing House).
- 3.4.6. The Clearing House shall request from each Clearing Member: (i) the tax forms and documents specified in Section 3.4.10 below and Section 2C.21 of the SwapClear Procedures and (ii) any other form or document reasonably requested in order to allow the Clearing House to make a payment under the General Regulations, SwapClear Contracts and or any SwapClear Transaction without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate. For the avoidance of doubt, in the event that any payment made by the Clearing House to a Clearing Member under the General Regulations, SwapClear Contracts and or any SwapClear Transaction is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax, the Clearing House is not required to pay any additional amount in respect of such deduction or withholding. the Clearing House will, at the Clearing Member's expense, use commercially reasonable efforts to cooperate with a Clearing Member to seek any credit or remission or other relief available with respect to any such Tax so deducted or withheld (so long as such cooperation would not, in the Clearing House's judgment, materially prejudice the legal or commercial position of the Clearing House).
- 3.4.7. Each Clearing Member will pay any stamp, registration, documentation, excise, sales or value added Tax or any other similar Tax levied or imposed upon it or in respect of its execution or performance of any agreement, contract or transaction in connection with the General Regulations and SwapClear Contract and will indemnify the Clearing House against any such stamp, registration, documentation, excise, sales or value added Tax (to the extent that the Clearing House is not able, in the Clearing House's commercially reasonable judgment, to reclaim or recover such value added Tax) or any other similar Tax levied or imposed upon the Clearing House or in respect of the Clearing House's execution or performance of any agreement, contract or transaction in connection with the General Rules. Any payment required to be made by a Clearing Member to the Clearing House under this Section 3.4.7 shall include an additional amount equal to any Tax levied or imposed on the Clearing House as a result of the receipt of any payment under this Section 3.4.7.
- 3.4.8. Each Clearing Member shall promptly notify the Clearing House in writing upon learning that any payment made by the Clearing House to the Clearing Member or by the Clearing Member to the Clearing House under the General Regulations and is subject to any Tax,

other than any Tax imposed or levied based on the net income of the Clearing Member or the Clearing House, as applicable.

3.4.9. Clearing Members shall not have any termination or other special rights in respect of SwapClear Transactions as a result of the occurrence of adverse Tax consequences, whether relating to a Change in Tax Law or otherwise, it being understood that Clearing Members may, in accordance with the General Regulations, submit for clearing Original Contracts with other Clearing Members (including with any affiliate that is a Clearing Member) that, if accepted, would offset its SwapClear Transaction.

~~3.4.1. The Clearing House shall provide such representations and documentation as are required and reasonably requested by each Clearing Member such that each Clearing Member can make payments to the Clearing House without deduction or withholding being applicable. All payments due under a SwapClear Contract shall be made by the SwapClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the SwapClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.~~

~~3.4.2.3.4.10. The Clearing House shall make any payments due to a SwapClear Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.~~

### 3.5. **Payment of Stamp Tax**

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

### 3.6. **Payments under a SwapClear Contract**

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

### 3.7. **Regulations**

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

### 3.8. **Governing Law**

Each SwapClear Contract shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The SwapClear Clearing Member party hereto irrevocably

Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the Procedures) from time to time, will apply to a ForexClear Contract.

#### 4.2. Withholding Tax Provisions

4.2.1. All payments under the General Regulations, a ForexClear Contract or any ForexClear Transaction will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If the Clearing House or a Clearing Member is so required to deduct or withhold, then the Clearing House or the Clearing Member ("X") will:

I. \_\_\_\_\_ promptly notify the recipient ("Y") of such requirement

II. \_\_\_\_\_ pay to the relevant authorities the full amount required to be deducted or withheld (in the case of a Clearing Member as X, including the full amount required to be deducted or withheld from any amount paid by the Clearing Member to the Clearing House under Section 4.2.1, Section 4.2.2 or Section 4.2.3) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;

III. \_\_\_\_\_ promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities.

For the purpose of the General Regulations, ForexClear Contracts and ForexClear Transactions, "Tax" shall mean any present or future tax, levy, impost, duty, charge, assessment, or fee of any nature (including interest, penalties, and additions thereto) that is imposed by any government or other taxing authority.

4.2.2. In the event that any payment made by a Clearing Member to the Clearing House under the General Regulations, any ForexClear Contract or any ForexClear Transaction is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax (other than a Tax that would not have been imposed in respect of such payment but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the Clearing House), then the Clearing Member shall pay to the Clearing House an amount (such amount, together with any additional amount paid pursuant to Section 4.2.7, the "Additional Amount"), in addition to the payment to which the Clearing House is otherwise entitled under the General Regulations, ForexClear Contract or any ForexClear Transaction, necessary to ensure that the net amount actually received by the Clearing House (free and clear of any such deduction or withholding for or on account of any such Tax, whether assessed against the Clearing Member or the Clearing House), will equal the full amount the Clearing House would have received in the absence of any such deduction or withholding.

However, a Clearing Member will not be required to pay any Additional Amount to the Clearing House under this Section 4.2.2 to the extent that it would not be required to be paid but for (i) the failure by the Clearing House to provide to the Clearing Member such forms and documents as required under Section 4.2.5 or the ForexClear Procedures, provided that this clause (i) shall apply only if (A) the relevant Clearing Member has notified the Clearing House in writing of such failure and (B) the Clearing House has failed to provide such forms or documents within five Business Days after the receipt of such notice; or (ii) the failure of a

representation made by the Clearing House pursuant to the representations that it is obligated to provide under Section 4.2.10 below to be accurate and true (unless the failure under this clause (ii) would not have occurred but for (A) any action taken by a taxing authority, or brought in a court of competent jurisdiction (regardless of whether such action is taken or brought with respect to the relevant party) or (B) a Change in Tax Law, that in each case occurs after the Clearing House and the Clearing Member provide the representations that they are obligated to provide pursuant to Section 4.2.10 below (or, if applicable, the date that the Clearing House and the Clearing Member amend such representations to account for such Change in Tax Law)) or a failure by the Clearing House to provide the representations that it is obligated to provide pursuant to Section 4.2.10 below.

In the event that the failure under clause (ii) of the preceding paragraph would not have occurred but for the reasons described under subclause (A) or (B) thereof, the Clearing House shall use commercially reasonable efforts to provide to the Clearing Member a new representation (to the extent that it is appropriate) for the purpose of the representations that it is obligated to provide pursuant to Section 4.2.10 below, promptly after the learning of such failure (so long as the provision of such representation would not materially prejudice the legal or commercial position of the Clearing House).

A Clearing Member will also not be required to pay any Additional Amount to the Clearing House under this Section 4.2.2 for any tax (a "FATCA Withholding Tax") imposed under U.S. Internal Revenue Code Sections 1471, 1472, 1473 or 1474 (or any successor sections that are substantially similar) and any U.S. or non-U.S. law, regulation or authoritative guidance promulgated thereunder, or any agreements, treaties, or intergovernmental agreements entered into pursuant thereto, (collectively, the "FATCA Rules") provided that such FATCA Withholding Tax would not have been imposed but for the Clearing House's failure to comply with the FATCA Rules.

Notwithstanding the provisions in this section 4.2.2, the Clearing House and ForexClear Members agree to renegotiate these regulations where, for reasons beyond the control of the Clearing House, the provisions of FATCA result in payments beneficially owned by the Clearing House n becoming subject to FATCA Withholding Tax.

For the purpose of this Section 4.2.2, "Change in Tax Law" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law or double tax treaty (or in the application or official interpretation of any law or double tax treaty).

- 4.2.3. If: (i) a Clearing Member is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from any payment made to the Clearing House under the General Regulations, ForexClear Contracts and or any ForexClear Transaction for or on account of any Tax, in respect of which the Clearing Member would be required to pay an Additional Amount to the Clearing House under Section 4.2.2; (ii) the Clearing Member does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and costs).
- 4.2.4. If: (i) the Clearing House is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from any payment made to a Clearing Member under the General Regulations, ForexClear Contracts and or any ForexClear Transaction for or on account of any Tax; (ii) the Clearing House does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and costs).
- 4.2.5. The Clearing House shall provide to each Clearing Member (i) the tax forms and documents specified in Section 4.2.10 below and Section 2K.11 of the ForexClear Procedures and (ii) any other form or document reasonably requested in writing by the Clearing Member in order to allow the Clearing Member to make a payment under the General Regulations, ForexClear Contract, or any ForexClear Transaction without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document as described in this clause (ii) would not materially prejudice the legal or commercial position of the Clearing House).
- 4.2.6. The Clearing House shall request from each Clearing Member: (i) the tax forms and documents specified in Section 4.2.10 below and Section 2K.11 of the ForexClear Procedures and (ii) any other form or document reasonably requested in order to allow the Clearing House to make a payment under the General Regulations, ForexClear Contracts and or any ForexClear Transaction without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate. For the avoidance of doubt, in the event that any payment made by the Clearing House to a Clearing Member under the General Regulations, ForexClear Contracts and or any ForexClear Transaction is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax, the Clearing House is not required to pay any additional amount in respect of such deduction or withholding. the Clearing House will, at the Clearing Member's expense, use commercially reasonable efforts to cooperate with a Clearing Member to seek any credit or remission or other relief available with respect to any such Tax so deducted or withheld (so long as such cooperation would not, in the Clearing House's judgment, materially prejudice the legal or commercial position of the Clearing House).
- 4.2.7. Each Clearing Member will pay any stamp, registration, documentation, excise, sales or value added Tax or any other similar Tax levied or imposed upon it or in respect of its execution or performance of any agreement, contract or transaction in connection with the General Regulations and ForexClear Contract and will indemnify

Exhibit A-6  
Section 2C of the Clearing House Procedures

SCMs should note that LCH Approved Outsourcing Agents may be subject to a more rigorous driving test and fire-drill than SCM (i.e. required to demonstrate an ability to price and bid a greater number of trades at tighter pricing tolerances and within more onerous timeframes). In addition, the Clearing House may require an SCM, that has appointed an LCH Approved Outsourcing Agent, to participate in an ad-hoc fire-drill or driving test with such notice as the Clearing House deems appropriate in its sole discretion.

The Clearing House reserves the right to revoke an entity's status as an LCH Approved Outsourcing Agent, in its sole discretion and without notice. In the event of such a revocation, the relevant SCM shall be required to assume those responsibilities that were previously outsourced. Such revocation may occur where the Clearing House considers that there is an insufficient number of third party entities that are providing outsourced default management services (usually a minimum of five providers at any one time).

Other than in exceptional circumstances and in the Clearing House's sole discretion, an LCH Approved Outsourcing Agent may not act on behalf of more than three clearing members.

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

#### 2C.20.8 SwapClear DMG

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

Each SCM who makes available a representative to serve on the SwapClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the SwapClear DMG complies with Appendix 2C.N covering confidentiality, non-disclosure and other terms.

#### 2C.20.9 Provision of Tax Forms

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