

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) LCHLTD Date: April 22, 2014

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

FCM Procedures: 3.2.1(d), 3.3.4, 4.1.7; FCM Regulation: 4(n), 24(f), 27
LCH Clearnet Rulebook (Procedures): Section (3), 3.2.1.5
LCH Clearnet Rulebook: (Procedures): Section (4), 4.1.4
LCH Clearnet Rulebook: General Regulation 39(i), 39(c)

DESCRIPTION

Due to revisions in Section 3 of SI 2013/1908, The Financial Services and Markets Act 2000 (Over the Counter Derivatives, Central Counterparties and Trade Repositories)(No.2) Regulations 2013 (“UK CCP Recognition Requirements”), which become effective on May 1, 2014, LCH.Clearnet is proposing rule changes for the allocation of non default losses and to augment the range of liquidity tools available to deal with times of market stress.



VIA EMAIL TO: SUBMISSIONS@CFTC.GOV

April 22, 2014

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

Dear Ms. Jurgens,

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet Limited ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to its Rulebook and FCM Rulebook to have rules in place for the allocation of solvency threatening losses arising other than as a result of a clearing member default ("non-default losses") and rule changes that enable LCH.Clearnet to more predictably manage contingent liquidity outflows. These changes will be implemented and effective on May 6, 2014 in order to meet UK Central Counterparty Recognition Requirements.

Please find attached as Appendix I the relevant changes to the LCH.Clearnet Rulebook and FCM Rulebook.

Part I: Explanation and Analysis

Due to revisions in Section 3 of SI 2013/1908, The Financial Services and Markets Act 2000 (Over the Counter Derivatives, Central Counterparties and Trade Repositories)(No.2) Regulations 2013 ("UK CCP Recognition Requirements"), which become effective on May 1, 2014, LCH.Clearnet is required to have rules in place for the allocation of non default losses.

Cash collateral that is provided to LCH.Clearnet as margin and default fund contributions is reinvested primarily in reverse repos and high quality sovereign debt instruments. The investment criteria are conservative and consistent with those permissible in regulation, which along with internal controls ensure that the risk within the investment portfolio is minimal. However, in the event that LCH.Clearnet suffers a loss on its treasury investment portfolio due to either the default of the issuer of a debt instrument (e.g. a sovereign government) and/or the default of an investment counterparty, LCH.Clearnet will allocate the loss to clearing members in proportion to each clearing member's average margin weight. LCH.Clearnet will absorb the loss first by utilising its own capital of €15m and then allocating any remaining loss to clearing members (a "Solvency Threatening Treasury Default Loss"). The FCM Regulations and Procedures have been amended to specify LCH.Clearnet's investment criteria in respect of FCM customer funds.

LCH.Clearnet Limited Aldgate House, 33 Aldgate High Street, London EC3N 1EA
Tel: +44 (0)20 7426 7000 Fax: +44 (0)20 7426 7001 www.lchclearnet.com
LCH.Clearnet Group Limited | LCH.Clearnet Limited | LCH.Clearnet SA | LCH.Clearnet LLC



In addition to Solvency Threatening Treasury Default Losses, LCH.Clearnet will implement a rule change to clarify the extent of its liability in the event of the failure of a certain market infrastructure providers (e.g. a Central Securities Depository).

Finally, under the UK CCP Recognition Requirements, LCH.Clearnet must maintain a plan that sets out the steps that it will take in order to maintain the continuity of its exempt activities in the event that such continuity is threatened ("Recovery Plan"). In order to augment LCH.Clearnet's Liquidity management tools to be able to flexibly deal with times of market stress, two rulebook changes will be implemented to:

1. Lower the threshold amount for substitution of non-cash collateral; and
2. Enable LCH.Clearnet to disable auto-repayment of excess collateral during times of stress.

LCH.Clearnet will only utilise the above provisions after regulators have been notified of the intention to do so.

The above changes will be made to the LCH.Clearnet Rulebook and FCM Rulebook as described in Part II and shown in Appendix I.

Part II: Description of Rule Changes

1. FCM Procedure 3.2.1(d); and LCH Clearnet Rulebook (Procedure) 3.2.1.5: enables LCH.Clearnet to disable auto-repay functionality;
2. FCM Procedure 4.1.7; and LCH.Clearnet Rulebook (Procedure) 4.1.4: enables LCH.Clearnet to vary the threshold amount for substitution of non cash collateral;
3. FCM Regulation 24(e); and LCH.Clearnet Rulebook (General Regulation) 39(i): clarifies the extent of LCH.Clearnet's liability in the event of a failure of a market infrastructure provider; and
4. LCH.Clearnet Rulebook (General Regulation) 39C; FCM Regulation 4(n), 24(e) and 27; and FCM Procedure 3.3.4: sets out LCH.Clearnet's approach to allocating Solvency Threatening Treasury losses.

Part III: Core Principle Compliance

The rule changes submitted herein ensure continued compliance with the DCO Core Principles. LCH.Clearnet will continue to comply with all Core Principles following the introduction of these changes and has concluded that its compliance with the Core Principles will not be adversely affected by these changes.

Part IV: Public Information

LCH.Clearnet has posted a notice of pending certification with the CFTC and a copy of the submission on LCH.Clearnet's website at: http://www.lchclearnet.com/rules_and_regulations/ltd/proposed_rules.asp.

Part V: Opposing Views

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



Certification

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

Should you have any questions please contact me at jay.iyer@lchclearnet.com or Vikesh Patel at vikesh.patel@lchclearnet.com

Yours sincerely,

A handwritten signature in black ink, appearing to be "Jay Iyer", written over a light blue horizontal line.

Jay Iyer, Chief Compliance Officer,
LCH.Clearnet Limited

Cc: Robert Wasserman, CFTC
Phyllis Dietz, CFTC
Kenji Takaki, CFTC
Shawn Durrani, CFTC



Appendix I
LCH.Clearnet Rulebook Changes

SECTION 3

CONTENTS

3.	FINANCIAL TRANSACTIONS	2
3.1.	ACCOUNTS.....	2
3.2.	PROTECTED PAYMENTS SYSTEM (PPS)	3
3.3.	ACCEPTABLE FORMS OF COLLATERAL.....	8
3.4.	DISTRIBUTION OF COLLATERAL.....	9
3.5.	INTEREST AND ACCOMMODATION CHARGE STRUCTURE.....	12
3.6.	FEES	15
3.7.	PARTICIPATION MONIES	16
	APPENDIX 3A	18
	LCH.CLEARNET BANK ACCOUNTS IN HONG KONG	18

3.2.1.4. **Intraday PPS Calls**

The intra-day margin call by the Clearing House is for intra-day Collateral transfers. GBP, EUR or USD can be used to collateralise margin obligations intraday. Between 14.30 - 16.00 (London time) only USD will be called in London.

Normally the Clearing House will call Collateral in respect of intra-day margin obligations 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 Clearing Member's nominated US PPS account.

Clearing Members must designate a currency (GBP, EUR or USD) that will be called by default during the hours of London PPS for each mnemonic/sub-account. 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. Member can 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

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).

It is noted that the Clearing House will not accept delivery of US dollar cash other than in satisfaction of an intra-day margin call after 14:00 hours New York time.

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

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

3.2.1.5. **Auto repay**

Clearing Members may request that they are automatically repaid any excess cash balances that remain on their accounts at the end of each day. Clearing Members must contact Treasury Operations in order to have auto-repay applied to their accounts. (LCHOperations-Treasury@lchclearnet.com or Tel +44 (0)20 7426 7505). In certain circumstances and following notification to one or more relevant Regulatory Bodies, the Clearing House may disable the auto-repay functionality for one or more Clearing Members. The Clearing House will notify affected Clearing Members in the event that the functionality is disabled.

3.2.1.6. **Value Date**

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in sections 3.2.1.4, subject to section 3.2.1.8, 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.

SECTION 4**CONTENTS**

4.	COLLATERAL	1
4.1	General Information	1
4.2	Documentation.....	4
4.3	Instructions via CMS	5
4.4	Settlement Procedures – Securities provided on a bilateral basis	6
4.5	Tax Arrangements	8
4.6	References	10
4.7	Contingency Arrangements.....	10
4.8	Triparty Service with Euroclear, Clearstream and BNY Mellon.....	10
4.9	Precious Metals	12
	APPENDIX 4C.....	17
	Client Consent Form	17
	APPENDIX 4DF	18
	Contingency Member Triparty Lodgement Form	18
	APPENDIX 4EG	19
	Contingency Member Triparty Amendment Form.....	19
	APPENDIX 4FH	20
	Contingency Member Triparty Closing Form	20
	APPENDIX 4G	21
	Contingency Member Triparty Lodgement Form	21
	APPENDIX 4H.....	22
	Contingency Member Triparty Amendment Form.....	22
	APPENDIX 4I	23
	Contingency Member Triparty Closing Form	23
	APPENDIX 4J	24
	Contingency Collateral Lodgement Form	24
	APPENDIX 4k	25
	contingency Collateral Release Form.....	25
	Appendix 4l	26
	LCH.CLEARNET ACCOUNTS FOR DELIVERY OF Margin Collateral excluding FCM client.....	26
	APPENDIX 4M	27

PRECIOUS METAL COLLATERAL LODGEMENT FORM..... 27
APPENDIX 4N..... 28

If the Clearing House has received a Substitution Request, it shall, promptly following the Clearing House being satisfied that the New Collateral has been transferred or paid to the Clearing House in accordance with Rules 4.3 and 4.4, take such steps as are necessary to transfer such Original Collateral to or to the order of the Clearing Member, *provided that*, if the Clearing House determines, acting in a commercially reasonable manner, that following such substitution, the Clearing House would be unable to satisfy its policies on concentration limits in respect of the various types of Collateral held by it from time to time, it shall notify the Clearing Member thereof and shall not be obliged to transfer the Original Collateral.

4.1.4 Lodgement of Non-Cash Collateral as Replacement for Cash Collateral

Clearing Members should note that they must give Treasury Operations no less than two (2) business days notice of their intention to transfer non-cash Collateral to the Clearing House with a value of £50 million sterling or more, and which is reasonably likely to have the effect that cash Collateral of a similar value is repayable by the Clearing House to that Clearing Member as a result of such transfer. Treasury Operations must be advised no later than 15:30 two business days prior to the transfer. In the event that a Clearing Member requests the return ~~of such of such~~ cash Collateral without giving such notice, the Clearing House will decline to release such cash Collateral until the end of the required notice period. The Clearing House may extend the required notice period or vary the minimum Collateral value by written notice to Clearing Members.

4.1.5 Force Majeure

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

4.1.6 Regulatory and Supervisory Information

In every case, the Clearing House will be entitled to supply a depository or Collateral Agent with all the information it requires for any purposes relating to a Clearing Member, or relating to non-cash Collateral received by the Clearing House from a Clearing Member which is or may at any time have been held by the depository or Collateral Agent. Non-cash Collateral 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 Deed of Charge and these procedures.

4.1.7 Interest Payments (coupons)

The Clearing House will remit interest amounts, taking into account any withheld tax, to 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.

CONTENTS

FCM PROCEDURES	1
1. FCM CLEARING MEMBER STATUS	1
1.1 FCM Clearing Member Application Procedure	1
1.2 Net Capital	4
1.3 Calculation Of Net Capital	5
1.4 Reporting.....	5
1.5 Additional Requirements	6
1.6 Other Conditions	7
2. PRODUCT-SPECIFIC PROCEDURES	8
2A SWAPCLEAR.....	9
2A.1 The Clearing Process	9
2A.2 Operating Times And Calendars.....	10
2A.3 Registration	10
2A.4 Position Accounts	19
2A.5 Financial Accounts	19
2A.6 FCM SwapClear Contract Valuation	20
2A.7 Coupon Payments	22
2A.8 Initial Margin.....	33
2A.9 Intra-Day Margin Call: Collateral Management	34
2A.10 Compression	35
2A.11 Affiliate Clearing	35
2A.12 Transfers of FCM Clients; Defaulting FCM Clients and Affiliates	36
2A.13 Proprietary Account Position Transfers.....	39
2A.14 Amendment of Trade References	40
2A.15 Default Management	42
2A.16 Payment of Stamp Tax	48
2A.17 Section 696, Corporation Tax Act 2009	48
APPENDIX 2A.A	49
SWAPCLEAR PROCESSING SCHEDULE.....	49
APPENDIX 2A.B	50
FCM CLIENT – PARTIAL TRANSFER FORM	50
APPENDIX 2A.C	52
FCM CLIENT – FULL TRANSFER FORM	52
APPENDIX 2A.D	55
FCM CLIENT TRANSFER – CARRY FCM CLEARING MEMBER REPNSES FORM.....	55
APPENDIX 2A.E	57
CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN THE DEFAULT MANAGEMENT GROUP	57
2B FOREXCLEAR	62
2B.1 Introduction and Interpretation	62
2B.2 Users of FCM ForexClear.....	62

2B.3	Termination of FX FCM Status	62
2B.4	Service Scope	62
2B.5	Position Accounts	63
2B.6	Financial Accounts	64
2B.7	Novation and Registration	65
2B.8	Trade Validation and Registration.....	68
2B.9	Market Data.....	74
2B.10	FCM ForexClear Contract Valuation.....	77
2B.11	Initial Margin ("IM")	79
2B.12	ADDITIONAL MARGIN, MER BUFFER, MCE AND INTRADAY MARGIN CALLS...	80
2B.13	Initial Margin Management Events Service ("IMMES").....	82
2B.14	Intra-Day Margin Call: Collateral Management	83
2B.15	General Margining Process	83
2B.16	Types of Margin Runs	83
2B.17	Margin Run Process.....	84
2B.18	Transfer of FCM Clients; Defaulting FCM Clients and Affiliates	85
2B.19	Proprietary Account Position Transfers.....	89
2B.20	FCM Clearing Member's Client Fund Transfer.....	89
2B.21	ForexClear Reporting	89
2B.22	Treasury Operations & Collateral Management	91
2B.23	Default Management	92
2B.24	Payment of Stamp Tax	97
2B.25	Section 696, Corporation Tax Act 2009	98
2C	ENCLEAR	111
2C.1	General Matters.....	111
2C.2	Freight Division.....	127
2C.3	Option Exercise and Expiry	130
2D.	THE FCM NODAL CLEARING SERVICE.....	131
3.	FINANCIAL TRANSACTIONS.....	139
3.1	Accounts	139
3.2	Protected Payments System (PPS)	140
3.3	Acceptable Forms Of Collateral	144
3.4	Distribution Of Collateral.....	145 144
3.5	Interest And Accommodation Charge Structure.....	145
3.6	Fees	149 148
3.7	Default Fund; SwapClear Contributions.....	149
3.8	Quantifying SwapClear Contributions	150 149
3.9	Default Fund; ForexClear Contributions.....	150 149
3.10	Quantifying ForexClear Contributions	150
3.11	Default Fund Contributions and Loss Distribution Charges: EnClear Service and Nodal Service	150
	APPENDIX 3A.....	152 151

	BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM.....	152452454
	APPENDIX 3B.....	153453452
	BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM.....	153453452
	APPENDIX 3C.....	155455454
	BANK PARTICIPANTS IN THE US PROTECTED PAYMENTS SYSTEM.....	155455454
	APPENDIX 3D.....	156456455
	MANDATE FOR LCH.CLEARNET LIMITED: CLEARING OPERATIONS	156456455
4.	COLLATERAL	157457456
	4.1 General Information.....	157457456
	4.2 Securities	160460459
	4.3 Instructions via the Collateral Management System	160460459
	4.4 Triparty Service with Euroclear, Clearstream and BNY Mellon ...	163463462
	4.5 Withholding Taxes.....	165465464
	4.6 References	167467466
	4.7 Contingency arrangements.....	167467466
	4.8 Return of Unallocated Excess and FCM Buffer.....	167467466
	4.9 Collateral Value Reports.....	167467466
	APPENDIX 4A.....	170470469
	FCM Client Account Lodgment Form	170470469
	APPENDIX 4B.....	171471470
	Contingency FCM House Account Lodgment Form.....	171471470
	APPENDIX 4C.....	172472474
	Contingency Collateral Release Form.....	172472474
	Appendix 4D.....	173473472
	Settlement Accounts.....	173473472
	APPENDIX 4E.....	174474473
	Contingency Member Triparty Lodgement Form.....	174474473
	APPENDIX 4F.....	175475474
	Contingency Member Triparty Amendment Form	175475474
	APPENDIX 4G	176476475
	Contingency Member Triparty Closing Form.....	176476475
	APPENDIX 4H.....	177477476
	Contingency Member Triparty Lodgement Form.....	177477476
	APPENDIX 4I	178478477
	Contingency Member Triparty Amendment Form	178478477
	APPENDIX 4J	179479478
	Contingency Member Triparty Closing Form.....	179479478
	APPENDIX 4K.....	180480479
	Contingency Member Triparty Lodgement Form.....	180480479

APPENDIX 4L	181181180
Contingency Member Triparty Amendment Form	181181180
APPENDIX 4M	182182184
Contingency Member Triparty Closing Form.....	182182184
APPENDIX 4N.....	183183182
Contingency Member Triparty Lodgement Form.....	183183182
APPENDIX 4O	184184183
Contingency Member Triparty Amendment Form	184184183
APPENDIX 4P.....	185185184
Contingency Member Triparty Closing Form.....	185185184
5. BUSINESS RECOVERY	186186185
5.1 Recovery Situations.....	186186185
5.2 Recovery Situations Affecting Members' Offices	186186185
5.3 Aldgate House Evacuation	186186185
5.4 Clearing House Data Centre.....	189189188
5.5 Compliance with Business Continuity Testing.....	189189188
6. APPEAL PROCEDURES	191191190
6.1 Introduction	191191190
6.2 Decisions In Respect Of Which An Appeal May Be Lodged	191191190
6.3 Initiating An Appeal.....	191191190
6.4 The First Tier Appeal.....	192192194
6.5 The Second Tier Appeal.....	193193192
6.6 Requests For Review	195195194
6.7 Market Disorders etc. and Default	195195194
APPENDIX 6A.....	196196195
APPEAL FORM	196196195
APPENDIX 6B.....	198198197
NOTICE OF FURTHER APPEAL.....	198198197
7. COMPLAINTS	200200199
7.1 Introduction	200200199
7.2 How To Make A Complaint	200200199
7.3 Internal Investigation And Review By The Clearing House	201201200
7.4 Referral To An Independent Investigator	201201200
7.5 Procedure For Dealing With The Complaint	202202204
7.6 Outcomes.....	203203202
8. DISCIPLINARY PROCEEDINGS	204204203
8.1 SCOPE OF THIS PROCEDURE	204204203
8.2 INVESTIGATION PROCEDURE	204204203
8.3 IMMEDIATE MEASURE	209209208
8.4 SANCTIONS	210210209
8.5 DISPUTING A DECISION	210210209
8.6 REPORTING AND PUBLICATION	211211210

	8.7	INFRINGEMENT OF APPLICABLE LAW	<u>211211210</u>
--	------------	--------------------------------------	------------------

Only USD 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 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

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). [In certain circumstances and following notification to one or more Regulatory Bodies, the Clearing House may disable the auto-repay functionality for one or more FCM Clearing Members. The Clearing House will notify affected FCM Clearing Members in the event that the functionality is disabled.](#) 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.

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 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 collateral acceptable to it as Collateral, including but not limited to cash, performance bonds or securities.

To view a list of acceptable Collateral, go to: 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 Collateral and its replacement by the lodgment of non-cash Collateral. In the event that an FCM Clearing Member seeks to withdraw such cash Collateral without giving such notice, the Clearing House may decline to release such cash 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 as Collateral:

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

3.3.3 **Securities Value Notification**

FCM Clearing Members may obtain details on the Margin value of securities on their account by viewing the relevant reports available on the Member Reporting Website.

3.3.4 **Investment of FCM Client Funds**

[Pursuant to the application of Regulation 4\(n\), the investment of cash Collateral held on behalf of FCM Clients by the Clearing House is limited to investments in U.S. Treasury securities \(through outright purchases, repurchase or reverse repurchase transactions\).](#)

Each FCM Clearing Member shall instruct the Clearing House as to whether or not to invest such cash Collateral delivered by such FCM Clearing Member to the Clearing House by submitting to the Clearing House such documents as the Clearing House shall provide to FCM Clearing Members for such purpose. If an FCM Clearing Member fails to issue any such instruction to the Clearing House in accordance with such documents, the Clearing House shall invest such cash Collateral from such FCM Clearing Member in accordance with Regulation 4(n).

The Clearing House shall be entitled to charge a cash management fee to FCM Clearing Members that elect to instruct the Clearing House not to invest such cash Collateral. The Clearing House shall notify FCM Clearing Members of the details of such cash management fee via member circular.

3.4 Distribution Of Collateral

3.4.1 Overview

As different types of 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 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 Collateral and applying Collateral sequentially, such that Collateral type 1 is applied first to liability type 1, Collateral type 2 to liability type 1 if there is a deficiency when 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 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 Collateral Application

Note: The following provision applies solely for the purpose of calculating fees during the overnight offsetting of FCM Clearing Members' Collateral against FCM Clearing Members' liabilities. In case of default by an FCM Clearing Member, please see Section 3.4.4-3 below.

An FCM Clearing Member may choose to have cash Collateral applied before securities Collateral to its liabilities or fees, or vice versa.

3.4.3 Order of Priority on Default

Post-default the Clearing House is entitled to realize and/or apply 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:

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 Margin Maintained in Proprietary Accounts

In accordance with FCM Regulation 9(v), 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 Swaps Client 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 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 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 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.

The Clearing House shall have absolute discretion to decide whether and to what extent it is holding Excess Margin at any time.

4.1.6 Return and Provision of Cash Excess Margin

Requests for the return of USD cash Excess Margin must be received by the Clearing House before 09:30 hours. Requests received after 09:30 hours will be rejected.

The Clearing House will not accept deposits of USD cash Collateral as Excess Margin after 14:00 hours.

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.

4.1.7 Lodgement of Non-Cash Collateral as Replacement for Cash Collateral

This Section 4.1.7 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 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 Collateral without giving such notice, the Clearing House will decline to release such cash Collateral until the end of the required notice period. The Clearing House may extend the required notice [or vary the minimum Collateral value](#) by written notice to FCM Clearing Members.

4.1.8 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

CONTENTS

<u>FCM REGULATIONS OF THE CLEARING HOUSE</u>	<u>1</u>
<u>Definitions</u>	<u>2</u>
<u>PART I – REGULATIONS OF GENERAL APPLICABILITY</u>	<u>21</u>
<u>Regulation 1 Obligations of the Clearing House to each FCM Clearing Member</u>	<u>21</u>
<u>Regulation 2 Performance by the Clearing House of its Obligations under the Terms of an Open Contract; Novation</u>	<u>22</u>
<u>Regulation 3 FCM Clearing Member Status of the Clearing House and Application of LCH Regulations</u>	<u>23</u>
<u>Regulation 4 FCM Client Business and FCM Client Account Segregation.....</u>	<u>26</u>
<u>Regulation 5 Proprietary Accounts and Trading</u>	<u>41</u>
<u>Regulation 6 Certain General Provisions Applicable to Accounts</u>	<u>42</u>
<u>Regulation 7 Trading Information</u>	<u>44</u>
<u>Regulation 8 Transfer</u>	<u>45</u>
<u>Regulation 9 Margin and Collateral Generally; Other Obligations.....</u>	<u>50</u>
<u>Regulation 10 Official Quotations and Reference Price; Settlement and Revaluation ...</u>	<u>63</u>
<u>Regulation 11 Market Disorders, Impossibility of Performance, Trade Emergency.....</u>	<u>64</u>
<u>Regulation 12 Force Majeure</u>	<u>66</u>
<u>Regulation 13 Invoicing Back</u>	<u>67</u>
<u>Regulation 14 Currency Conversion</u>	<u>69</u>
<u>Regulation 15 Disclosure</u>	<u>70</u>
<u>Regulation 16 Fees and Other Charges</u>	<u>71</u>
<u>Regulation 17 Records</u>	<u>72</u>
<u>Regulation 18 FCM Procedures</u>	<u>73</u>
<u>Regulation 19 Alteration of FCM Regulations and the FCM Procedures</u>	<u>74</u>
<u>Regulation 20 Interpretation of these FCM Regulations</u>	<u>75</u>
<u>Regulation 21 Waiver.....</u>	<u>76</u>
<u>Regulation 22 Validity of FCM Regulations and Action</u>	<u>77</u>
<u>Regulation 23 Governing Law and Jurisdiction</u>	<u>78</u>
<u>Regulation 24 Exclusion of Liability.....</u>	<u>79</u>
<u>Regulation 24A Netting</u>	<u>81</u>
<u>Regulation 24B Distribution of Assets</u>	<u>83</u>
<u>Regulation 25 Acknowledgements and Agreements of FCM Clients and Affiliates.....</u>	<u>84</u>
<u>Regulation 26 FCM Exchange Contracts</u>	<u>86</u>
<u>Regulation 26A Exercise of Options</u>	<u>87</u>
<u>Regulation 26B Physically-Settled FCM Exchange Contract Arising upon the Exercise of an Option</u>	<u>88</u>
<u>Regulation 26D Obligation to Make and Accept Delivery Notice under FCM Exchange Contracts.....</u>	<u>91</u>

<u>Regulation 26E</u>	<u>Physically-Settled FCM Exchange Contracts not Requiring Delivery Notice.....</u>	<u>94</u>
<u>Regulation 26F</u>	<u>FCM Exchange Contracts Subject to Delivery Notice.....</u>	<u>95</u>
<u>Regulation 26G</u>	<u>Arrangements for Delivery and Payment of Price (Physically-Settled FCM Exchange Contracts).....</u>	<u>97</u>
<u>Regulation 26H</u>	<u>Restrictions on Clearing House’s Obligations and Liability.....</u>	<u>99</u>
<u>Regulation 26I</u>	<u>Arbitration: FCM Exchange Contracts.....</u>	<u>100</u>
<u>Regulation 26J</u>	<u>Cover in Event of a Claim.....</u>	<u>102</u>
<u>Regulation 26K</u>	<u>Default of a Member: Substituted Obligation.....</u>	<u>103</u>
<u>Regulation 26L</u>	<u>Premium Under Option Contracts.....</u>	<u>104</u>
<u>Regulation 27</u>	<u>Solvency Threatening Treasury Default Loss.....</u>	<u>105</u>
<u>PART II – REGULATIONS APPLICABLE TO FCM SWAPCLEAR CONTRACTS.....</u>		<u>108</u>
<u>Regulation 30</u>	<u>Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts.....</u>	<u>108</u>
<u>Regulation 31</u>	<u>Daily Marking to Market.....</u>	<u>116</u>
<u>Regulation 32</u>	<u>The reset rate for, and the net present value of, an FCM SwapClear Contract.....</u>	<u>117</u>
<u>Regulation 33</u>	<u>Withdrawal of the FCM SwapClear Service by the Clearing House.....</u>	<u>118</u>
<u>PART III – REGULATIONS APPLICABLE TO FCM FOREXCLEAR CONTRACTS.....</u>		<u>120</u>
<u>Regulation 40</u>	<u>Registration of FCM ForexClear Contracts; ForexClear Accounts.....</u>	<u>120</u>
<u>Regulation 41</u>	<u>Cancellation of FCM ForexClear Contracts.....</u>	<u>125</u>
<u>Regulation 42</u>	<u>Variation Margin.....</u>	<u>126</u>
<u>Regulation 43</u>	<u>Withdrawal of the FCM ForexClear Service by the Clearing House.....</u>	<u>127</u>
<u>Regulation 44</u>	<u>Discontinuation of a Settlement Rate Option.....</u>	<u>128</u>
<u>Regulation 50</u>	<u>Registration of FCM EnClear Contracts.....</u>	<u>130</u>
<u>Regulation 51</u>	<u>FCM EnClear Contracts.....</u>	<u>131</u>
<u>Regulation 52</u>	<u>Daily Settlement.....</u>	<u>133</u>
<u>Regulation 53</u>	<u>Withdrawal of the FCM EnClear Service by the Clearing House.....</u>	<u>134</u>
<u>PART V – REGULATIONS APPLICABLE TO FCM NODAL CONTRACTS.....</u>		<u>136</u>
<u>Regulation 60</u>	<u>Presentation, Allocation of Nodal Transactions and Registration of Nodal Contracts; Treatment of FCM Client Funds in Connection with FCM Nodal Transactions and FCM Nodal Contracts.....</u>	<u>136</u>
<u>Regulation 61</u>	<u>Nodal Contracts.....</u>	<u>138</u>
<u>Regulation 62</u>	<u>Daily Settlement or Marking to Market.....</u>	<u>140</u>
<u>SCHEDULE A – FCM SWAPCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA.....</u>		<u>1</u>
<u>SCHEDULE B – FCM FOREXCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA.....</u>		<u>1</u>
<u>SCHEDULE C – FCM ENCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA.....</u>		<u>1</u>

<u>FCM REGULATIONS OF THE CLEARING HOUSE</u>	<u>1</u>
<u>Definitions</u>	<u>2</u>
<u>PART I – REGULATIONS OF GENERAL APPLICABILITY</u>	<u>21</u>
<u>Regulation 1 — Obligations of the Clearing House to each FCM Clearing Member</u>	<u>21</u>
<u>Regulation 2 — Performance by the Clearing House of its Obligations under the Terms of an Open Contract; Novation</u>	<u>22</u>
<u>Regulation 3 — FCM Clearing Member Status of the Clearing House and Application of LCH Regulations</u>	<u>23</u>
<u>Regulation 4 — FCM Client Business and FCM Client Account Segregation</u>	<u>26</u>
<u>Regulation 5 — Proprietary Accounts and Trading</u>	<u>41</u>
<u>Regulation 6 — Certain General Provisions Applicable to Accounts</u>	<u>42</u>
<u>Regulation 7 — Trading Information</u>	<u>44</u>
<u>Regulation 8 — Transfer</u>	<u>45</u>
<u>Regulation 9 — Margin and Collateral Generally; Other Obligations</u>	<u>50</u>
<u>Regulation 10 — Official Quotations and Reference Price; Settlement and Revaluation ...</u>	<u>63</u>
<u>Regulation 11 — Market Disorders, Impossibility of Performance, Trade Emergency</u>	<u>64</u>
<u>Regulation 12 — Force Majeure</u>	<u>66</u>
<u>Regulation 13 — Invoicing Back</u>	<u>67</u>
<u>Regulation 14 — Currency Conversion</u>	<u>69</u>
<u>Regulation 15 — Disclosure</u>	<u>70</u>
<u>Regulation 16 — Fees and Other Charges</u>	<u>71</u>
<u>Regulation 17 — Records</u>	<u>72</u>
<u>Regulation 18 — FCM Procedures</u>	<u>73</u>
<u>Regulation 19 — Alteration of FCM Regulations and the FCM Procedures</u>	<u>74</u>
<u>Regulation 20 — Interpretation of these FCM Regulations</u>	<u>75</u>
<u>Regulation 21 — Waiver</u>	<u>76</u>
<u>Regulation 22 — Validity of FCM Regulations and Action</u>	<u>77</u>
<u>Regulation 23 — Governing Law and Jurisdiction</u>	<u>78</u>
<u>Regulation 24 — Exclusion of Liability</u>	<u>79</u>
<u>Regulation 24A — Netting</u>	<u>81</u>
<u>Regulation 24B — Distribution of Assets</u>	<u>83</u>
<u>Regulation 25 — Acknowledgements and Agreements of FCM Clients and Affiliates</u>	<u>84</u>
<u>Regulation 26 — FCM Exchange Contracts</u>	<u>86</u>
<u>Regulation 26A — Exercise of Options</u>	<u>87</u>
<u>Regulation 26B — Physically-Settled FCM Exchange Contract Arising upon the Exercise of an Option</u>	<u>88</u>
<u>Regulation 26D — Obligation to Make and Accept Delivery Notice under FCM Exchange Contracts</u>	<u>91</u>
<u>Regulation 26E — Physically-Settled FCM Exchange Contracts not Requiring Delivery Notice</u>	<u>94</u>

<u>Regulation 26F</u>	<u>FCM Exchange Contracts Subject to Delivery Notice</u>	<u>95</u>
<u>Regulation 26G</u>	<u>Arrangements for Delivery and Payment of Price (Physically Settled FCM Exchange Contracts)</u>	<u>97</u>
<u>Regulation 26H</u>	<u>Restrictions on Clearing House's Obligations and Liability</u>	<u>99</u>
<u>Regulation 26I</u>	<u>Arbitration: FCM Exchange Contracts</u>	<u>100</u>
<u>Regulation 26J</u>	<u>Cover in Event of a Claim</u>	<u>102</u>
<u>Regulation 26K</u>	<u>Default of a Member: Substituted Obligation</u>	<u>103</u>
<u>Regulation 26L</u>	<u>Premium Under Option Contracts</u>	<u>104</u>
<u>Regulation 26M</u>	<u>Solvency Threatening Treasury Default Loss</u>	<u>105</u>
<u>PART II</u>	<u>REGULATIONS APPLICABLE TO FCM SWAPCLEAR CONTRACTS</u>	<u>108</u>
<u>Regulation 30</u>	<u>Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts</u>	<u>108</u>
<u>Regulation 31</u>	<u>Daily Marking to Market</u>	<u>116</u>
<u>Regulation 32</u>	<u>The reset rate for, and the net present value of, an FCM SwapClear Contract</u>	<u>117</u>
<u>Regulation 33</u>	<u>Withdrawal of the FCM SwapClear Service by the Clearing House</u>	<u>118</u>
<u>PART III</u>	<u>REGULATIONS APPLICABLE TO FCM FOREXCLEAR CONTRACTS</u>	<u>120</u>
<u>Regulation 40</u>	<u>Registration of FCM ForexClear Contracts; ForexClear Accounts</u>	<u>120</u>
<u>Regulation 41</u>	<u>Cancellation of FCM ForexClear Contracts</u>	<u>125</u>
<u>Regulation 42</u>	<u>Variation Margin</u>	<u>126</u>
<u>Regulation 43</u>	<u>Withdrawal of the FCM ForexClear Service by the Clearing House</u>	<u>127</u>
<u>Regulation 44</u>	<u>Discontinuation of a Settlement Rate Option</u>	<u>128</u>
<u>Regulation 50</u>	<u>Registration of FCM EnClear Contracts</u>	<u>130</u>
<u>Regulation 51</u>	<u>FCM EnClear Contracts</u>	<u>131</u>
<u>Regulation 52</u>	<u>Daily Settlement</u>	<u>133</u>
<u>Regulation 53</u>	<u>Withdrawal of the FCM EnClear Service by the Clearing House</u>	<u>134</u>
<u>PART V</u>	<u>REGULATIONS APPLICABLE TO FCM NODAL CONTRACTS</u>	<u>136</u>
<u>Regulation 60</u>	<u>Presentation, Allocation of Nodal Transactions and Registration of Nodal Contracts; Treatment of FCM Client Funds in Connection with FCM Nodal Transactions and FCM Nodal Contracts</u>	<u>136</u>
<u>Regulation 61</u>	<u>Nodal Contracts</u>	<u>138</u>
<u>Regulation 62</u>	<u>Daily Settlement or Marking to Market</u>	<u>140</u>
<u>SCHEDULE A</u>	<u>FCM SWAPCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA</u>	<u>1</u>
<u>SCHEDULE B</u>	<u>FCM FOREXCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA</u>	<u>1</u>
<u>SCHEDULE C</u>	<u>FCM ENCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA</u>	<u>1</u>
<u>FCM REGULATIONS OF THE CLEARING HOUSE</u>		<u>1</u>
<u>Definitions</u>		<u>2</u>

PART I—REGULATIONS OF GENERAL APPLICABILITY.....	21
<i>Regulation 1</i> —Obligations of the Clearing House to each FCM Clearing Member.....	21
<i>Regulation 2</i> —Performance by the Clearing House of its Obligations under the Terms of an Open Contract; Novation.....	22
<i>Regulation 3</i> —FCM Clearing Member Status of the Clearing House and Application of LCH Regulations.....	23
<i>Regulation 4</i> —FCM Client Business and FCM Client Account Segregation.....	26
<i>Regulation 5</i> —Proprietary Accounts and Trading.....	41
<i>Regulation 6</i> —Certain General Provisions Applicable to Accounts.....	42
<i>Regulation 7</i> —Trading Information.....	44
<i>Regulation 8</i> —Transfer.....	45
<i>Regulation 9</i> —Margin and Collateral Generally; Other Obligations.....	50
<i>Regulation 10</i> —Official Quotations and Reference Price; Settlement and Revaluation ...	63
<i>Regulation 11</i> —Market Disorders, Impossibility of Performance, Trade Emergency.....	64
<i>Regulation 12</i> —Force Majeure.....	66
<i>Regulation 13</i> —Invoicing Back.....	67
<i>Regulation 14</i> —Currency Conversion.....	69
<i>Regulation 15</i> —Disclosure.....	70
<i>Regulation 16</i> —Fees and Other Charges.....	71
<i>Regulation 17</i> —Records.....	72
<i>Regulation 18</i> —FCM Procedures.....	73
<i>Regulation 19</i> —Alteration of FCM Regulations and the FCM Procedures.....	74
<i>Regulation 20</i> —Interpretation of these FCM Regulations.....	75
<i>Regulation 21</i> —Waiver.....	76
<i>Regulation 22</i> —Validity of FCM Regulations and Action.....	77
<i>Regulation 23</i> —Governing Law and Jurisdiction.....	78
<i>Regulation 24</i> —Exclusion of Liability.....	79
<i>Regulation 24A</i> —Netting.....	80
<i>Regulation 24B</i> —Distribution of Assets.....	82
<i>Regulation 25</i> —Acknowledgements and Agreements of FCM Clients and Affiliates.....	83
<i>Regulation 26</i> —FCM Exchange Contracts.....	85
<i>Regulation 26A</i> —Exercise of Options.....	86
<i>Regulation 26B</i> —Physically Settled FCM Exchange Contract Arising upon the Exercise of an Option.....	87
<i>Regulation 26D</i> —Obligation to Make and Accept Delivery Notice under FCM Exchange Contracts.....	90
<i>Regulation 26E</i> —Physically Settled FCM Exchange Contracts not Requiring Delivery Notice.....	93
<i>Regulation 26F</i> —FCM Exchange Contracts Subject to Delivery Notice.....	94

Regulation 26G—Arrangements for Delivery and Payment of Price (Physically Settled FCM Exchange Contracts)	96
Regulation 26H—Restrictions on Clearing House’s Obligations and Liability	98
Regulation 26I—Arbitration: FCM Exchange Contracts	99
Regulation 26J—Cover in Event of a Claim.....	101
Regulation 26K—Default of a Member: Substituted Obligation	102
Regulation 26L.....Premium Under Option Contracts	103
PART II—REGULATIONS APPLICABLE TO FCM S	
<i>Regulation 30</i> —Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts	105
<i>Regulation 31</i> —Daily Marking to Market.....	113
<i>Regulation 32</i> —The reset rate for, and the net present value of, an FCM SwapClear Contract	114
<i>Regulation 33</i> —Withdrawal of the FCM SwapClear Service by the Clearing House	115
PART III—REGULATIONS APPLICABLE TO FCM FOREXCLEAR CONTRACTS	
<i>Regulation 40</i> —Registration of FCM ForexClear Contracts; ForexClear Accounts	117
<i>Regulation 41</i> —Cancellation of FCM ForexClear Contracts	122
<i>Regulation 42</i> —Variation Margin.....	123
<i>Regulation 43</i> —Withdrawal of the FCM ForexClear Service by the Clearing House.....	124
<i>Regulation 44</i> —Discontinuation of a Settlement Rate Option	125
<i>Regulation 50</i> —Registration of FCM EnClear Contracts	127
<i>Regulation 51</i> —FCM EnClear Contracts	128
<i>Regulation 52</i> —Daily Settlement	130
<i>Regulation 53</i> —Withdrawal of the FCM EnClear Service by the Clearing House	131
PART V—REGULATIONS APPLICABLE TO FCM NODAL CONTRACTS	
<i>Regulation 60</i> —Presentation, Allocation of Nodal Transactions and Registration of Nodal Contracts; Treatment of FCM Client Funds in Connection with FCM Nodal Transactions and FCM Nodal Contracts	133
<i>Regulation 61</i> —Nodal Contracts	135
<i>Regulation 62</i> —Daily Settlement or Marking to Market.....	137
SCHEDULE A—FCM SWAPCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA	
SCHEDULE B—FCM FOREXCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA	
SCHEDULE C—FCM ENCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA	

transactions of, or to secure or extend the credit of, any person other than its FCM Clients. FCM Futures Client Funds held in an FCM Futures Client Segregated Depository Account shall not be used to carry trades or positions other than in connection with (A) Futures Products or (B) other Futures/Options Contracts.

- (ii) FCM Client Funds held in an FCM Futures Client Segregated Depository Account that are deposited by a specific FCM Client shall not be used to purchase, margin or settle any Futures Product, Futures/Options Contracts or other trade or contract of, or to secure or extend the credit of, any person other than such FCM Client.
- (l) Interest of FCM Clearing Members in FCM Client Funds; Additions and Withdrawals. FCM Regulation 4(g) and FCM Regulation 4(h), which prohibit the commingling of any 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 under Section 4d 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 FCM Client 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 of the type permitted under FCM Regulation 4(n), as it may deem necessary to ensure that such FCM Client Segregated Depository Account holds 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 FCM Client 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 such FCM Client Segregated Depository Account; provided, that any such withdrawals do not result in any such account holding less in segregated FCM Client Funds than such account is required to contain at such time.
- (m) Funds Held in FCM Client Segregated Depository Accounts; Exclusions Therefrom. Money held in an FCM Swaps Client Segregated Depository Account or an FCM Futures Client Segregated Depository Account 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 may be used for a purpose other than to purchase, margin, guarantee, secure, transfer, adjust, or settle the FCM Contracts of the FCM Clients of such FCM Clearing Member.
- (n) Investments of FCM Client Funds. An FCM Clearing Member may invest FCM Client Funds as permitted by and in accordance with the terms and conditions set forth in CFTC Regulation 1.25. and ~~†~~The Clearing House may invest Collateral held on behalf of FCM Clients in U.S. Treasury securities (in accordance with the FCM Procedures) as permitted by and in accordance with the terms and conditions set forth in CFTC Regulation 1.25; and subject to all other applicable laws and regulations, including Articles 43, 45 and Annex II of Commission Delegated Regulation (EU) No 153/2013.
- (o) Deposit of Instruments Purchased with FCM Client Funds.

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 be liable whatsoever to any FCM Clearing Member, or to any other person in contract, tort (including 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 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 be liable under any circumstances (including 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 any FCM Client) in contract, tort (including 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.

- (f) Without prejudice to 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 any service failure, whether complete or partial, of any payment or securities services provider, including (without limitation) any Securities System Operator, custodian, settlement agent, securities depository, securities settlement system, settlement facility or central bank.

Regulation 27 Solvency Threatening Treasury Default Loss

(a) In this Regulation:

“Calculation Period” means, in respect of a type of Business, a period of the number of days specified in the “Combined Loss Value” calculation in relation to the Fund Amount of that type of Business and ending on the business day preceding the date on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has occurred (and the terms “Business”, “Combined Loss Value” and “Fund Amount” have the meanings set out in the Default Fund Rules);

“Margin Weight” means:

(i) the aggregate of an FCM Clearing Member’s total margin requirement (in respect of all of its Proprietary Accounts and all of its Client Accounts) for each type of Business undertaken by the FCM Clearing Member averaged over the relevant Calculation Period preceding a determination of a Solvency Threatening Treasury Default Loss under Regulation 27(b) below;

divided by

(ii) the total average margin requirement of all FCM Clearing Members and “Clearing Members” under the UK General Regulations during the same period; and

“Treasury Default” means, in connection with the Clearing House’s treasury management activities, the default of: (A) an issuer of a debt instrument underlying a treasury management contract; and/or (B) a counterparty to a treasury management contract (including a deposit-taking institution), as determined by the Clearing House in its sole discretion.

(b) In the event of a Treasury Default, the Clearing House may determine in its sole discretion that a loss has been caused by or arises out of a Treasury Default. If the Clearing House so determines, it must determine the quantum of that loss by ascertaining the gross amount of the loss and reducing it by EUR 15 million. The result is referred to as a **“Solvency Threatening Treasury Default Loss”**.

(c) The Clearing House will, in respect of each FCM Clearing Member, determine an amount of the Solvency Threatening Treasury Default Loss to be allocated to that FCM Clearing Member based on that FCM Clearing Member’s Margin Weight (an **“Allocated Loss”**). The day on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has taken place shall be the determination day for the purposes of establishing the Calculation Period.

(d) The maximum Allocated Loss that each FCM Clearing Member can be allocated is equal to: (i) the total Clearing House treasury investment portfolio immediately prior to the Solvency Threatening Treasury Default Loss, reduced by EUR 15 million; multiplied by (ii) that FCM Clearing Member’s Margin Weight. For the purpose of the calculation of Margin Weight, the margin requirements for any FCM

- Clearing Member who has become a defaulter at any point prior to the date of allocation, shall be disregarded.
- (e) Each FCM Clearing Member shall pay to the Clearing House within an hour of demand a cash amount equal to its Allocated Loss. The Clearing House shall be entitled to debit such cash amount from the PPS account associated with that FCM Clearing Member's Proprietary Account.
- (f) Any determination made by the Clearing House, and any action taken by the Clearing House, pursuant to this Regulation is binding on a FCM Clearing Member and may in no circumstances be challenged or called into question.
- (g) If, after exercising its rights under this Regulation, the Clearing House makes a recovery in respect of the Treasury Default, the Clearing House will (after replenishing its own losses and expenses) distribute the net proceeds of such recovery pro rata to the amount of the Allocated Loss paid by each FCM Clearing Member and each "Clearing Member" under the UK General Regulations in respect of that Treasury Default by crediting the relevant FCM Clearing Member's Proprietary Account. Nothing in this Regulation 27(g) obliges the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.

CONTENTS

<u>GENERAL REGULATIONS OF THE CLEARING HOUSE</u>	1
<u>Scope</u>	1
<u>Definitions</u>	2
<u>Regulation 1</u> Obligations of the Clearing House to each Member	37
<u>Regulation 2</u> Performance by the Clearing House of its Obligations under the Terms of an Open Contract	38
<u>Regulation 3</u> Novation	39
<u>Regulation 4</u> Clearing Member Status of the Clearing House	40
<u>Regulation 5</u> Accounts	41
<u>Regulation 6</u> Presentation of Particulars of Original Exchange Contracts and Confirmation of Original Exchange Contracts	43
<u>Regulation 7</u> Allocation of Original Exchange Contracts	44
<u>Regulation 8</u> Designation	45
<u>Regulation 9</u> Registration	46
<u>Regulation 10</u> Trading Information	47
<u>Regulation 11</u> Transfer	48
<u>Regulation 12</u> Margin and Collateral	49
<u>Regulation 13</u> Premium under Option Contracts and Payments under LIFFE Credit Default Swap Index Contracts	54
<u>Regulation 14</u> Official Quotations and Reference Price	55
<u>Regulation 15</u> Daily Settlement or Marking to Market	56
<u>Regulation 15A</u> Settlement and Revaluation: Clearing Processing System	58
<u>Regulation 16</u> Other Modes of Settlement and Revaluation	59
<u>Regulation 17</u> Exercise of Options	60
<u>Regulation 18</u> Delivery Contract Arising upon the Exercise of an Option and Event Protection Contracts	61
<u>Regulation 19</u> Obligation to Make and Accept Tender under Cleared Exchange Contracts	63
<u>Regulation 19A</u> Delivery Contracts	65
<u>Regulation 20</u> Open Contracts Subject to Tender	66
<u>Regulation 21</u> Arrangements for Delivery and Payment of Price	68
<u>Regulation 22</u> Restrictions on Clearing House's Obligations and Liability	69
<u>Regulation 23</u> Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery)	70
<u>Regulation 24</u> Collateral in Event of a Claim	73
<u>Regulation 25</u> Default of a Member: Substituted Obligation	74
<u>Regulation 26</u> Market Disorders, Impossibility of Performance, Trade Emergency	75
<u>Regulation 27</u> Force Majeure	77

<u>Regulation 28 Invoicing Back.....</u>	78
<u>Regulation 29 Currency Conversion</u>	80
<u>Regulation 30 Disclosure.....</u>	81
<u>Regulation 31 Fees and Other Charges</u>	82
<u>Regulation 32 Records</u>	83
<u>Regulation 33 Procedures</u>	84
<u>Regulation 34 Alteration of Regulations and the Procedures</u>	85
<u>Regulation 35 Interpretation of these Regulations</u>	86
<u>Regulation 36 Waiver</u>	87
<u>Regulation 37 Validity of Regulations and Action.....</u>	88
<u>Regulation 38 Governing Law and Jurisdiction</u>	89
<u>Regulation 39 Exclusion of Liability.....</u>	91
<u>Regulation 39A Netting</u>	94
<u>Regulation 39B Distribution of Assets</u>	97
<u>Regulation 39C Solvency Threatening Treasury Default Loss.</u>	
<u>LINK REGULATIONS</u>	100
<u>Regulation 40 Application of Link Regulations</u>	100
<u>Regulation 41 Transfer of Contracts on the terms of a Linked Exchange Contract</u>	101
<u>Regulation 41A Transfer to the Clearing House of Participating Exchange Contracts</u>	103
<u>Regulation 42 Default Affecting Transfer</u>	104
<u>Regulation 43 Collateral</u>	107
<u>Regulation 44 Impossibility of Transfer</u>	108
<u>Regulation 45 Cross-Margining Regulations</u>	109
<u>SWAPCLEAR REGULATIONS</u>	110
<u>Regulation 46 Application of SwapClear Regulations</u>	110
<u>Regulation 47 Registration of SwapClear Contracts</u>	111
<u>Regulation 48 Compression.....</u>	114
<u>Regulation 48A [RESERVED].....</u>	115
<u>Regulation 48B Multilateral Compression</u>	116
<u>Regulation 49 SwapClear Dealers</u>	120
<u>Regulation 50 Collateralisation of SwapClear Contracts</u>	121
<u>Regulation 51 The reset rate for, and the net present value of, a SwapClear Contract</u>	123
<u>Regulation 52 Withdrawal of the SwapClear Service by the Clearing House</u>	124
<u>Regulation 52A SwapClear Clearing Client Business.....</u>	125
<u>Regulation 52B Default Management in respect of SwapClear Clearing Client Business.....</u>	128
<u>Regulation 52C Transfer</u>	132
<u>SCHEDULE TO THE SWAPCLEAR REGULATIONS</u>	138
<u>Part A SwapClear Contract Terms</u>	138

Part B	Product Eligibility Criteria for Registration of a SwapClear Contract	147
REPOCLEAR REGULATIONS		159
Regulation 53	Application of RepoClear Regulations	159
Regulation 54	Submission of details of RepoClear Transactions and RepoClear GC Transactions through an Approved Trade Matching System	160
Regulation 55	Registration of RepoClear Contracts and RepoClear GC Contracts following Submission of Details of a RepoClear Transaction or RepoClear GC Transaction	162
Regulation 56	RepoClear transactions entered into by RepoClear Clearing Members through an Automated Trading System	164
Regulation 56A	RepoClear transactions entered into by RepoClear Dealers through an Automated Trading System	168
Regulation 57	RepoClear Dealers	172
Regulation 57A	Authorisation to act as a RepoClear Clearing Member	173
Regulation 58	Daily Margining of RepoClear Contracts and RepoClear GC Contracts	174
Regulation 59	Delivery (or Other) Failures	175
Regulation 60	Withdrawal of RepoClear Service by the Clearing House	176
SCHEDULE TO THE REPOCLEAR REGULATIONS		177
Part A	RepoClear Contract Terms: RepoClear Contracts arising from RepoClear Transactions, Repo Trades or Bond Trades	177
Part B	Product Eligibility Criteria for Registration of a RepoClear Contract	183
Part C	LCH GC Repo Contract Terms	192
Part D	Product Eligibility Criteria for Registration of a LCH GC Repo Contract	193
Part E	RepoClear SGC Contract Terms: RepoClear SGC Contracts arising from RepoClear SGC Transactions or SGC Trades	194
Part F	Product Eligibility Criteria for Registration of a RepoClear SGC Contract..	200
Part G	RepoClear GC Contract Terms: RepoClear €GC Contracts arising from RepoClear €GC Transactions or €GC Trades	202
Part H	Product Eligibility Criteria for Registration of A RepoClear €GC Contract..	209
EQUITYCLEAR REGULATIONS		214
Regulation 61	Application of EquityClear Regulations	214
Regulation 62	EquityClear	215
Regulation 62A	EquityClear (Equities) Open Offer for EquityClear (Equities) ATP Matches	215
Regulation 62B	EquityClear Novation Transactions	220
Regulation 62C	EquityClear Open Offer for EquityClear (ccCFD) ATP Matches ("EquityClear (ccCFD) Open Offer")	225
Regulation 63	EquityClear NCMs	229
Regulation 64	Delivery (or Other) Failures	230
Regulation 65	Suspension of the EquityClear service or the EquityClear Open Offer	231
Regulation 66	Withdrawal of EquityClear Service by the Clearing House	232
Regulation 67	Rejection of ATP Matches and of EquityClear Novation Transactions	233

Regulation 67A Rejection of EquityClear (ccCFD) ATP Matches	234
SCHEDULE TO THE EQUITYCLEAR REGULATIONS	235
Part A EquityClear (Equities) Contract Terms	235
Part B EquityClear Eligible (Equities).....	237
Part C EquityClear (ccCFD) Contract Terms.....	238
LCH ENCLEAR OTC REGULATIONS	242
Regulation 68 Application of LCH EnClear OTC Regulations	242
Regulation 69 Registration of LCH EnClear Contracts.....	243
Regulation 70 LCH EnClear Contracts	244
Regulation 71 LCH EnClear Third Party Clearing Participants	245
Regulation 72 Daily Settlement.....	246
Regulation 73 Withdrawal of the LCH EnClear Service by the Clearing House.....	247
Regulation 73A Registration of LCH EnClear OTC Contracts	248
Regulation 73B LCH EnClear OTC Contracts	249
Regulation 73C Daily Settlement.....	251
Regulation 73D [This provision has been left blank intentionally]	252
Regulation 73E Withdrawal of the LCH EnClear OTC Services by the Clearing House	253
SCHEDULE TO THE LCH ENCLEAR OTC REGULATIONS	254
Part A LCH EnClear OTC Contract Terms.....	254
Part B Product Eligibility Criteria for Registration of a LCH EnClear OTC Contract.....	291
Turquoise Derivatives REGULATIONS	304
Regulation 74 Application of Regulations for TGHL market	304
Regulation 75 Turquoise Derivatives Orderbook Matches made on TGHL Market	305
Regulation 76 Reported Trades and Turquoise Derivatives OTC Trades Reported to TGHL for Registration	309
Regulation 77 Registration of Turquoise Derivatives Cleared Exchange Contracts following Submission of Details of a Reported Trade or Turquoise Derivatives OTC Trade	310
Regulation 78 Delivery (or Other) Failures.....	311
Regulation 79 Suspension of the Open Offer for Turquoise Derivatives	312
Regulation 80 Withdrawal of Clearing House Turquoise Derivatives Services by the Clearing House	313
Regulation 81 Cancellation, variation etc of Turquoise Derivatives Cleared Exchange Contracts	314
Regulation 82 Rejection of Orderbook Matches.....	315
Regulation 83 Cross-Border Transfers to the Clearing House of Contracts Executed by a Member of a Co-operating Exchange - Automatic Transfers.....	316
Regulation 84 Default affecting a Cross-Border Transfer.....	317
Regulation 85 Impossibility of Transfer	318
Regulation 86 Options	319

<u>Regulation 87</u>	<u>Re-registration of Contracts</u>	<u>320</u>
<u>SCHEDULE TO THE TURQUOISE DERIVATIVES REGULATIONS</u>		
<u>Part A</u>	<u>Turquoise Derivatives Cleared Exchange Contract Terms arising from Turquoise Derivatives OTC Trades</u>	<u>321</u>
<u>Part B</u>	<u>Product Eligibility Criteria for Registration of an Turquoise Derivatives OTC Trade</u>	<u>325</u>
<u>HKMEX REGULATIONS</u>		
<u>Regulation 88</u>	<u>Introduction and Application</u>	<u>327</u>
<u>Regulation 89</u>	<u>Presentation, allocation of HKMEX Transactions and registration of HKMEX Contracts</u>	<u>329</u>
<u>Regulation 90</u>	<u>HKMEX Contracts</u>	<u>331</u>
<u>Regulation 91</u>	<u>Daily Settlement or Marking to Market</u>	<u>332</u>
<u>NODAL REGULATIONS</u>		
<u>Regulation 92</u>	<u>Introduction and Application</u>	<u>334</u>
<u>Regulation 93</u>	<u>Presentation, Allocation of Nodal Transactions and Registration of Nodal Contracts</u>	<u>336</u>
<u>Regulation 94</u>	<u>Nodal Contracts</u>	<u>338</u>
<u>Regulation 95</u>	<u>Daily Settlement or Marking to Market</u>	<u>340</u>
<u>NYSE LIFFE CLEARING REGULATIONS</u>		
<u>Regulation 96</u>	<u>Introduction and Application</u>	<u>342</u>
<u>Regulation 97</u>	<u>NYSE Liffe Clearing Membership</u>	<u>343</u>
<u>Regulation 98</u>	<u>Default of a NYSE Liffe Clearing Member</u>	<u>345</u>
<u>RESERVED</u>		
<u>Regulation 99</u>	<u>RESERVED</u>	<u>346</u>
<u>Regulation 100</u>	<u>RESERVED</u>	<u>346</u>
<u>Regulation 101</u>	<u>RESERVED</u>	<u>346</u>
<u>Regulation 102</u>	<u>RESERVED</u>	<u>346</u>
<u>FOREXCLEAR REGULATIONS</u>		
<u>Regulation 103</u>	<u>Application of ForexClear Regulations</u>	<u>347</u>
<u>Regulation 104</u>	<u>Registration of ForexClear Contracts</u>	<u>350</u>
<u>Regulation 105</u>	<u>ForexClear Contracts</u>	<u>352</u>
<u>Regulation 106</u>	<u>Cancellation of ForexClear Contracts</u>	<u>354</u>
<u>Regulation 107</u>	<u>ForexClear Dealers</u>	<u>355</u>
<u>Regulation 108</u>	<u>Variation Margin</u>	<u>356</u>
<u>Regulation 108A</u>	<u>Discontinuation of a Settlement Rate Option</u>	<u>357</u>
<u>Regulation 109</u>	<u>Withdrawal of the ForexClear Service by the Clearing House</u>	<u>358</u>
<u>SCHEDULE TO THE FOREXCLEAR REGULATIONS</u>		
<u>Part A</u>	<u>ForexClear Contract Terms</u>	<u>359</u>
<u>Part B</u>	<u>Product Eligibility Criteria for Registration of a ForexClear Contract</u>	<u>364</u>

NLX REGULATIONS	366
<i>Regulation 110</i> Introduction and Application.....	366
<i>Regulation 111</i> Presentation, Allocation of NLX Transactions and Registration of NLX Contracts	368
<i>Regulation 112</i> NLX Contracts	370
<i>Regulation 113</i> Daily Settlement or Marking to Market	372
GENERAL REGULATIONS OF THE CLEARING HOUSE.....	1
Scope	1
Definitions.....	2
<i>Regulation 1</i> Obligations of the Clearing House to each Member	37
<i>Regulation 2</i> Performance by the Clearing House of its Obligations under the Terms of an Open Contract	38
<i>Regulation 3</i> Novation	39
<i>Regulation 4</i> Clearing Member Status of the Clearing House	40
<i>Regulation 5</i> Accounts.....	41
<i>Regulation 6</i> Presentation of Particulars of Original Exchange Contracts and Confirmation of Original Exchange Contracts	43
<i>Regulation 7</i> Allocation of Original Exchange Contracts	44
<i>Regulation 8</i> Designation.....	45
<i>Regulation 9</i> Registration	46
<i>Regulation 10</i> Trading Information.....	47
<i>Regulation 11</i> Transfer	48
<i>Regulation 12</i> Margin and Collateral.....	49
<i>Regulation 13</i> Premium under Option Contracts and Payments under LIFFE Credit Default Swap Index Contracts.....	54
<i>Regulation 14</i> Official Quotations and Reference Price	55
<i>Regulation 15</i> Daily Settlement or Marking to Market	56
<i>Regulation 15A</i> Settlement and Revaluation: Clearing Processing System	58
<i>Regulation 16</i> Other Modes of Settlement and Revaluation.....	59
<i>Regulation 17</i> Exercise of Options.....	60
<i>Regulation 18</i> Delivery Contract Arising upon the Exercise of an Option and Event Protection Contracts	61
<i>Regulation 19</i> Obligation to Make and Accept Tender under Cleared Exchange Contracts.....	63
<i>Regulation 19A</i> Delivery Contracts	65
<i>Regulation 20</i> Open Contracts Subject to Tender.....	66
<i>Regulation 21</i> Arrangements for Delivery and Payment of Price.....	68
<i>Regulation 22</i> Restrictions on Clearing House's Obligations and Liability	69
<i>Regulation 23</i> Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery).....	70

<i>Regulation 24</i> — Collateral in Event of a Claim	73
<i>Regulation 25</i> — Default of a Member: Substituted Obligation	74
<i>Regulation 26</i> — Market Disorders, Impossibility of Performance, Trade Emergency	75
<i>Regulation 27</i> — Force Majeure	77
<i>Regulation 28</i> — Invoicing Back	78
<i>Regulation 29</i> — Currency Conversion	80
<i>Regulation 30</i> — Disclosure	81
<i>Regulation 31</i> — Fees and Other Charges	82
<i>Regulation 32</i> — Records	83
<i>Regulation 33</i> — Procedures	84
<i>Regulation 34</i> — Alteration of Regulations and the Procedures	85
<i>Regulation 35</i> — Interpretation of these Regulations	86
<i>Regulation 36</i> — Waiver	87
<i>Regulation 37</i> — Validity of Regulations and Action	88
<i>Regulation 38</i> — Governing Law and Jurisdiction	89
<i>Regulation 39</i> — Exclusion of Liability	91
<i>Regulation 39A</i> — Netting	94
<i>Regulation 39B</i> — Distribution of Assets	97
LINK REGULATIONS	98
<i>Regulation 40</i> — Application of Link Regulations	98
<i>Regulation 41</i> — Transfer of Contracts on the terms of a Linked Exchange Contract	99
<i>Regulation 41A</i> — Transfer to the Clearing House of Participating Exchange Contracts	101
<i>Regulation 42</i> — Default Affecting Transfer	102
<i>Regulation 43</i> — Collateral	105
<i>Regulation 44</i> — Impossibility of Transfer	106
<i>Regulation 45</i> — Cross-Margining Regulations	107
SWAPCLEAR REGULATIONS	108
<i>Regulation 46</i> — Application of SwapClear Regulations	108
<i>Regulation 47</i> — Registration of SwapClear Contracts	109
<i>Regulation 48</i> — Compression	112
<i>Regulation 48A</i> — [RESERVED]	113
<i>Regulation 48B</i> — Multilateral Compression	114
<i>Regulation 49</i> — SwapClear Dealers	118
<i>Regulation 50</i> — Collateralisation of SwapClear Contracts	119
<i>Regulation 51</i> — The reset rate for, and the net present value of, a SwapClear Contract	121
<i>Regulation 52</i> — Withdrawal of the SwapClear Service by the Clearing House	122
<i>Regulation 52A</i> — SwapClear Clearing Client Business	123
<i>Regulation 52B</i> — Default Management in respect of SwapClear Clearing Client Business	126

Regulation 52C – Transfer	130
SCHEDULE TO THE SWAPCLEAR REGULATIONS	136
Part A – SwapClear Contract Terms	136
Part B – Product Eligibility Criteria for Registration of a SwapClear Contract	145
REPOCLEAR REGULATIONS	157
Regulation 53 – Application of RepoClear Regulations	157
Regulation 54 – Submission of details of RepoClear Transactions and RepoClear GC Transactions through an Approved Trade Matching System	158
Regulation 55 – Registration of RepoClear Contracts and RepoClear GC Contracts following Submission of Details of a RepoClear Transaction or RepoClear GC Transaction	160
Regulation 56 – RepoClear transactions entered into by RepoClear Clearing Members through an Automated Trading System	162
Regulation 56A – RepoClear transactions entered into by RepoClear Dealers through an Automated Trading System	166
Regulation 57 – RepoClear Dealers	170
Regulation 57A – Authorisation to act as a RepoClear Clearing Member	171
Regulation 58 – Daily Margining of RepoClear Contracts and RepoClear GC Contracts	172
Regulation 59 – Delivery (or Other) Failures	173
Regulation 60 – Withdrawal of RepoClear Service by the Clearing House	174
SCHEDULE TO THE REPOCLEAR REGULATIONS	175
Part A – RepoClear Contract Terms: RepoClear Contracts arising from RepoClear Transactions, Repo Trades or Bond Trades	175
Part B – Product Eligibility Criteria for Registration of a RepoClear Contract	181
Part C – LCH GC Repo Contract Terms	190
Part D – Product Eligibility Criteria for Registration of a LCH GC Repo Contract	191
Part E – RepoClear SGC Contract Terms: RepoClear SGC Contracts arising from RepoClear SGC Transactions or SGC Trades	192
Part F – Product Eligibility Criteria for Registration of a RepoClear SGC Contract	198
Part G – RepoClear GC Contract Terms: RepoClear €GC Contracts arising from RepoClear €GC Transactions or €GC Trades	200
Part H – Product Eligibility Criteria for Registration of A RepoClear €GC Contract	207
EQUITYCLEAR REGULATIONS	212
Regulation 61 – Application of EquityClear Regulations	212
Regulation 62 – EquityClear	213
Regulation 62A – EquityClear (Equities) Open Offer for EquityClear (Equities) ATP Matches	213
Regulation 62B – EquityClear Novation Transactions	218
Regulation 62C – EquityClear Open Offer for EquityClear (ccCFD) ATP Matches ("EquityClear (ccCFD) Open Offer")	223
Regulation 63 – EquityClear NCMs	227
Regulation 64 – Delivery (or Other) Failures	228

<i>Regulation 65</i> — Suspension of the EquityClear service or the EquityClear Open Offer	229
<i>Regulation 66</i> — Withdrawal of EquityClear Service by the Clearing House	230
<i>Regulation 67</i> — Rejection of ATP Matches and of EquityClear Novation Transactions	231
<i>Regulation 67A</i> — Rejection of EquityClear (ccCFD) ATP Matches	232
SCHEDULE TO THE EQUITYCLEAR REGULATIONS	233
Part A ——— EquityClear (Equities) Contract Terms	233
Part B ——— EquityClear Eligible (Equities)	235
Part C ——— EquityClear (ccCFD) Contract Terms	236
LCH ENCLEAR OTC REGULATIONS	240
<i>Regulation 68</i> — Application of LCH EnClear OTC Regulations	240
<i>Regulation 69</i> — Registration of LCH EnClear Contracts	241
<i>Regulation 70</i> — LCH EnClear Contracts	242
<i>Regulation 71</i> — LCH EnClear Third Party Clearing Participants	243
<i>Regulation 72</i> — Daily Settlement	244
<i>Regulation 73</i> — Withdrawal of the LCH EnClear Service by the Clearing House	245
<i>Regulation 73A</i> — Registration of LCH EnClear OTC Contracts	246
<i>Regulation 73B</i> — LCH EnClear OTC Contracts	247
<i>Regulation 73C</i> — Daily Settlement	249
<i>Regulation 73D</i> — [This provision has been left blank intentionally]	250
<i>Regulation 73E</i> — Withdrawal of the LCH EnClear OTC Services by the Clearing House	251
SCHEDULE TO THE LCH ENCLEAR OTC REGULATIONS	252
Part A ——— LCH EnClear OTC Contract Terms	252
Part B ——— Product Eligibility Criteria for Registration of a LCH EnClear OTC Contract	289
Turquoise Derivatives REGULATIONS	302
<i>Regulation 74</i> — Application of Regulations for TGHL market	302
<i>Regulation 75</i> — Turquoise Derivatives Orderbook Matches made on TGHL Market	303
<i>Regulation 76</i> — Reported Trades and Turquoise Derivatives OTC Trades Reported to TGHL for Registration	307
<i>Regulation 77</i> — Registration of Turquoise Derivatives Cleared Exchange Contracts following Submission of Details of a Reported Trade or Turquoise Derivatives OTC Trade	308
<i>Regulation 78</i> — Delivery (or Other) Failures	309
<i>Regulation 79</i> — Suspension of the Open Offer for Turquoise Derivatives	310
<i>Regulation 80</i> — Withdrawal of Clearing House Turquoise Derivatives Services by the Clearing House	311
<i>Regulation 81</i> — Cancellation, variation etc of Turquoise Derivatives Cleared Exchange Contracts	312
<i>Regulation 82</i> — Rejection of Orderbook Matches	313
<i>Regulation 83</i> — Cross-Border Transfers to the Clearing House of Contracts Executed by a Member of a Co-operating Exchange— Automatic Transfers	314

<i>Regulation 84</i> — Default affecting a Cross-Border Transfer	315
<i>Regulation 85</i> — Impossibility of Transfer	316
<i>Regulation 86</i> — Options	317
<i>Regulation 87</i> — Re-registration of Contracts	318
SCHEDULE TO THE Turquoise Derivatives REGULATIONS	319
Part A — Turquoise Derivatives Cleared Exchange Contract Terms arising from Turquoise Derivatives OTC Trades	319
Part B — Product Eligibility Criteria for Registration of an Turquoise Derivatives OTC Trade	323
HKMEX REGULATIONS	325
<i>Regulation 88</i> — Introduction and Application	325
<i>Regulation 89</i> — Presentation, allocation of HKMEX Transactions and registration of HKMEX Contracts	327
<i>Regulation 90</i> — HKMEX Contracts	329
<i>Regulation 91</i> — Daily Settlement or Marking to Market	330
NODAL REGULATIONS	332
<i>Regulation 92</i> — Introduction and Application	332
<i>Regulation 93</i> — Presentation, Allocation of Nodal Transactions and Registration of Nodal Contracts	334
<i>Regulation 94</i> — Nodal Contracts	336
<i>Regulation 95</i> — Daily Settlement or Marking to Market	338
NYSE LIFFE CLEARING REGULATIONS	340
<i>Regulation 96</i> — Introduction and Application	340
<i>Regulation 97</i> — NYSE Liffe Clearing Membership	341
<i>Regulation 98</i> — Default of a NYSE Liffe Clearing Member	343
RESERVED	344
<i>Regulation 99</i> — RESERVED	344
<i>Regulation 100</i> — RESERVED	344
<i>Regulation 101</i> — RESERVED	344
<i>Regulation 102</i> — RESERVED	344
FOREXCLEAR REGULATIONS	345
<i>Regulation 103</i> — Application of ForexClear Regulations	345
<i>Regulation 104</i> — Registration of ForexClear Contracts	348
<i>Regulation 105</i> — ForexClear Contracts	350
<i>Regulation 106</i> — Cancellation of ForexClear Contracts	352
<i>Regulation 107</i> — ForexClear Dealers	353
<i>Regulation 108</i> — Variation Margin	354
<i>Regulation 108A</i> — Discontinuation of a Settlement Rate Option	355
<i>Regulation 109</i> — Withdrawal of the ForexClear Service by the Clearing House	356

SCHEDULE TO THE FOREXCLEAR REGULATIONS	357
Part A — ForexClear Contract Terms	357
Part B — Product Eligibility Criteria for Registration of a ForexClear Contract	362
NLX REGULATIONS	364
Regulation 110 — Introduction and Application	364
Regulation 111 — Presentation, Allocation of NLX Transactions and Registration of NLX Contracts	366
Regulation 112 — NLX Contracts	368
Regulation 113 — Daily Settlement or Marking to Market	370

Regulation 39 Exclusion of Liability

- (a) Without prejudice to the provisions of Regulations 1 and 22 and 39(e) or to the provisions of a Member Link Agreement, neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any Member or to any other person (including, without limitation, any client of a Member) 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 a Member or any other person, as the case may be, as a result of: any suspension, restriction or closure of the market administered by an Exchange, an ATP or a Participating Exchange, whether for a temporary period or otherwise or as a result of a decision taken on the occurrence of a market emergency; any failure by the Clearing House or an Exchange or a Participating Exchange or an ATP or its operator or the relevant approved agent or the Approved EquityClear Settlement Provider to supply each other with data or information in accordance with arrangements from time to time established between any or all of such persons; the failure of any systems, communication facilities or technology supplied, operated or used by the Clearing House, an Exchange, or a Participating Exchange for the purposes of a Link; any event which is outside the control of the Clearing House; any act or omission of an Exchange, or a Participating Exchange in connection with a Linked Exchange Contract or a Participating Exchange Contract or any contracts made on such terms, including, without limitation, any error in the establishment of a settlement price made by an Exchange; any act or omission of the Clearing House, an Exchange, or a Participating Exchange (as the case may be) in connection with the operation of a Link or the arrangements for the transfer of Contracts under a Link; or any act or omission of a Board or an Exchange or any determination made under Exchange Rules in connection with LIFFE Credit Default Swap Index Contracts or the terms thereof.
- (b) Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to a Member or any other person (including without limitation a SwapClear Dealer, or a RepoClear Dealer or an EquityClear NCM or a ForexClear Dealer) in respect of any dispute arising from or in relation to any OTC Transaction, Eligible OTC Trade, or an ATP Match including, but not limited to, any dispute as to the validity or otherwise of such OTC Transaction, Eligible OTC Trade, the terms of such OTC Transaction, Eligible OTC Trade, trade or ATP Match, or whether any alleged agreement or arrangement constitutes an OTC Transaction or Eligible OTC Trade.
- (c) Without prejudice to the provisions of Regulation 1 and Regulation 39(e), neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member, a RepoClear Clearing Member, EquityClear Participant, LCH EnClear OTC Clearing Member, ForexClear Participant or to any other person (including, without limitation, a SwapClear Dealer or a RepoClear Dealer) 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: any suspension of an OTC Service or the EquityClear Service or the LCH EnClear OTC Services (or any part thereof), whether for a temporary period or otherwise, a step taken by the Clearing House under Regulations 26, 27, 47(f), 54(f) or 67 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 Regulations, or any decision by the Clearing House not to exercise any such discretion.

- (d) Without prejudice to Regulation 39(c) and 39(e), unless otherwise expressly provided in the 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 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), be liable to any Member, or a SwapClear Dealer, a RepoClear Dealer, an EquityClear NCM, or a ForexClear Dealer 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 Member, SwapClear Dealer, RepoClear Dealer, an EquityClear NCM, or a ForexClear Dealer, 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.
- (e) Nothing in this Regulation 39 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or wilful 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 wilful default on the part of the Clearing House and for any actions that it may take on the basis of advice given to it by the SwapClear DMG, and for the accuracy of the information that it distributes to the SwapClear Clearing Members in connection with the SwapClear DMP pursuant to the SwapClear DMP Annex, and for any actions that it may take on the basis of advice given to it by the ForexClear DMG, and for the accuracy of the information that it distributes to the ForexClear Clearing Members in connection with the ForexClear DMP pursuant to the ForexClear DMP Annex.
- (f) Without prejudice to the provisions of Regulations 1 and 22 and 39(e) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any Member or to any other person (including, without limitation, any client of a Member or a member of a Participating Exchange or any client of such member) 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 a Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology supplied, operated or used by TGHL or as a result of any negligence, wrongdoing, or other act, error, failure or omission on the part of TGHL, in supplying any services to the Clearing House with regard to the Clearing House Turquoise Derivatives Services or as a result of or in connection with any inconsistency or conflict between any provision contained in the Turquoise Derivatives Rules on the one hand and any provision of these Regulations, Default Rules and Procedures and any other Clearing House documentation on the other hand.
- (g) Without prejudice to the provisions of Regulations 22 and 39(e) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any Member or to any other person (including, without limitation, any client of a Member or a member of a Participating Exchange or any client of such member) 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 a Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology supplied, operated or used by LIFFE, or as a result of any negligence, wrongdoing, or other act, error, failure or omission on the part of LIFFE in relation to the physical settlement of any Contracts or any failure in its administration of deliveries under any Contracts or as a result of or in connection with any inconsistency or conflict between

any provision relating to such settlement contained in the LIFFE Rules on the one hand and any provision of these Regulations, Default Rules and Procedures and any other Clearing House documentation on the other hand.

(h) For the purposes of the Contracts (Rights of Third Parties) Act 1999, save as is expressly set out herein, these Regulations, Default Rules and Procedures do not create any rights in any persons who is/are not a Member/s.

(i) Without prejudice to Regulation 1 and Regulation 39(e), neither the Clearing House, nor any other member of the LCH.Clearnet Group, shall have any liability whatsoever to any Member or to any other person (including, without limitation, any client of a Member) 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 a Member or any other person as the case may be, as a result of any service failure, whether complete or partial, of any payment or securities services provider, including (without limitation) any Securities System Operator, custodian, settlement agent, securities depository, securities settlement system, settlement facility or central bank.

Formatted: Heading 2

Regulation 39C Solvency Threatening Treasury Default Loss

(a) In this Regulation:

“Calculation Period” means, in respect of a type of Business, a period of the number of days specified in the “Combined Loss Value” calculation in relation to the Fund Amount of that type of Business and ending on the business day preceding the date on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has occurred (and the terms “Business”, “Combined Loss Value” and “Fund Amount” have the meanings set out in the Default Fund Rules);

“Margin Weight” means:

(i) the aggregate of a Clearing Member’s total margin requirement (in respect of all of its Proprietary Accounts and all of its Client Accounts) for each type of Business undertaken by the Clearing Member averaged over the relevant Calculation Period preceding a determination of a Solvency Threatening Treasury Default Loss under Regulation 39C(b) below;

divided by

(ii) the total average margin requirement of all Clearing Members (including FCM Clearing Members) during the same period; and

“Treasury Default” means, in connection with the Clearing House’s treasury management activities, the default of: (A) an issuer of a debt instrument underlying a treasury management contract; and/or (B) a counterparty to a treasury management contract (including a deposit-taking institution), as determined by the Clearing House in its sole discretion.

(b) In the event of a Treasury Default, the Clearing House may determine in its sole discretion that a loss has been caused by or arises out of a Treasury Default. If the Clearing House so determines, it must determine the quantum of that loss by ascertaining the gross amount of the loss and reducing it by EUR 15 million. The result is referred to as a **“Solvency Threatening Treasury Default Loss”**.

(c) The Clearing House will, in respect of each Clearing Member, determine an amount of the Solvency Threatening Treasury Default Loss to be allocated to that Clearing Member based on that Clearing Member’s Margin Weight (an **“Allocated Loss”**). The day on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has taken place shall be the determination day for the purposes of establishing the Calculation Period.

(d) The maximum Allocated Loss that each Clearing Member can be allocated is equal to: (i) the total Clearing House treasury investment portfolio immediately prior to the Solvency Threatening Treasury Default Loss, reduced by EUR 15 million; multiplied by (ii) that Clearing Member’s Margin Weight. For the purpose of the calculation of Margin Weight, the margin requirements for any Clearing Member who has become a defaulter at any point prior to the date of allocation, shall be disregarded.

(e) Each Clearing Member shall pay to the Clearing House within an hour of demand a cash amount equal to its Allocated Loss. The Clearing House shall be entitled to debit such cash amount from the PPS account associated with that Clearing Member’s Proprietary Account.

- (f) Any determination made by the Clearing House, and any action taken by the Clearing House, pursuant to this Regulation is binding on a Clearing Member and may in no circumstances be challenged or called into question.
- (g) If, after exercising its rights under this Regulation, the Clearing House makes a recovery in respect of the Treasury Default, the Clearing House will (after replenishing its own losses and expenses) distribute the net proceeds of such recovery pro rata to the amount of the Allocated Loss paid by each Clearing Member and each FCM Clearing Member in respect of that Treasury Default by crediting the relevant Clearing Member's Proprietary Account. Nothing in this Regulation 39C(g) obliges the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.