



VIA EMAIL TO: SUBMISSIONS@CFTC.GOV

7 November 2013

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)(6), LCH.Clearnet Limited (“LCH.Clearnet”), a derivatives clearing organization (“DCO”) registered with the Commodity Futures Trading Commission (the “CFTC”), is submitting this emergency self-certification for changes to its rulebook to provide for a post-registration margin determination for trades that are below block size. The rulebook changes were implemented and effective on November 6, 2013.

Please find attached as appendices the Submission Cover Sheet and the relevant changes to the LCH.Clearnet rulebook.

Part I: Explanation and Analysis

LCH.Clearnet is filing rule changes providing that swaps that are below block size will be determined after registration of such swaps. Block size is determined by reference to CFTC rules. Trades of block size or larger will only be accepted for clearing after a determination that each participant to the trade has posted sufficient cover.

To implement this approach, LCH.Clearnet is making the following amendments to the rulebook.

1. **Block IRS Trade.** The rulebook now includes a definition of this term, determined by reference to the block size trades for the interest rate asset class in Part 43 of the CFTC’s regulations.
2. **Non-block Registration.** Rules and procedures that required the furnishing of margin as a pre-condition to the registration of all trades have been amended to remove this condition for swaps that are smaller than block size.
3. **Liability.** Rule amendments make clear that if a block trade is registered with a clearing member even with the margin pre-condition unsatisfied, that member will be bound by it per the rulebook, and if a non-block trade is rejected, the clearing house will work with the clearing member to remedy this but shall have no liability in this regard.

This emergency self-certification is submitted in accordance with CFTC regulation 40.6(a)(6) and 40.1(h)(5), and in response to the Division of Clearing and Risk and Division of Market Oversight’s recent joint no-action letter stating that any trade executed on a swap execution facility (“SEF”) that is rejected by a DCO because a customer breaches its credit limit at a clearing member or a clearing member

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breaches its credit limit at a DCO is void *ab initio*.¹ On November 1, nearly all SEFs submitted emergency rules changes to conform their rules to this portion of the no-action letter. LCH.Clearnet believes that an emergency submission is necessary to facilitate the market's transition to SEF trading and to minimize market disruption occasioned by a concern that a SEF trade could be voided because of a DCO rejection for insufficient credit. This emergency submission accomplishes that goal by providing certainty to clearing members and their customers that trades below block size will not be rejected for insufficient credit.

Part II: Description of Rule Changes

The implementation of these changes requires amendments to Definitions and Regulation 47 of the General Regulations, 2C.3.2, 2C.3.5, 2C.3.8, 2C.6.3 of the SwapClear Clearing House Procedures, Definitions, Regulations 24 and 30 of FCM Regulations, and 2A.3.2, 2A.3.5.1, 2A.3.7, 2A.6.1 of the FCM Procedures. The relevant pages of the rulebook are attached at Appendix II.

Part III: Core Principle Compliance

The rule changes described above relate primarily to LCH.Clearnet's compliance with Core Principle D (Risk Management), and are designed to ensure compliance with high risk management standards while providing flexibility in the timing of trade registration for small trades. 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 would 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/lc/default.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. If any such views are expressed during the CFTC review period, those views will be shared with Commission staff.

Certification

LCH.Clearnet LLC 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 susan.milligan@lchclearnet.com.

Yours sincerely,

A handwritten signature in black ink that reads 'Susan Milligan' followed by a horizontal line.

Susan Milligan
Interim Chief Compliance Officer, LCH.Clearnet LLC
US Contact: +1 212.513.8264

¹ See CFTC Letter No. 13-66.



Appendix I
Submission Cover Sheet

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) LCHLTD Date: 7 Nov 13

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

General Regulations—Definitions and Regulation 47
SwapClear Clearing House Procedures—2C.3.2, 2C.3.5, 2C.6.3
FCM Regulations—Definitions and Regulations 24 and 30
FCM Procedures—2A.3.2, 2A.3.5.1, 2A.3.7, 2A.6.1

DESCRIPTION

Emergency rule certification to provide for a post-registration margin determination for trades below block size.



Appendix II
LCH.Clearnet Limited Rulebook

<i>Approved EquityClear Settlement Provider ("ASP")</i>	- The operator of the securities depository and/or securities settlement system prescribed by the Clearing House from time to time for the provision of settlement services in respect of specified EquityClear Contracts.
<i>Approved EquityClear Trading Platform ("ATP")</i>	- Any trading platform approved as such from time to time by the Clearing House in respect of the EquityClear service.
<i>Associated Account Assets</i>	- The cover to be transferred to the Receiving Clearing Member in respect of the Account Assets of (i) an Individual Segregated Account Client or (ii) all of the Omnibus Net Segregated Clearing Clients within an Omnibus Net Segregated Account (as applicable).
<i>Associated Clearing House</i>	- The clearing house appointed from time to time by a Co-operating Exchange to act as the central counterparty to some or all transactions made on, or under the rules of the Co-operating Exchange.
<i>ATP Market Rules</i>	- The rules, regulations, administrative procedures, Memorandum and Articles of Association or bye-laws which regulate an ATP and the market administered by it as notified from time to time to the Clearing House.
<i>Auction Portfolio</i>	- Has the meaning assigned to it in the Default Rules.
<i>Automated Trading System</i>	- An automated trading system in respect of which the Clearing House has an agreement with the operator thereof and in respect of which the Clearing House has notified RepoClear Participants in accordance with the Procedures.
<i>Backup SwapClear Clearing Member</i>	- Means, in relation to SwapClear Clearing Client Business, the SwapClear Clearing Member(s) indicated by a SwapClear Clearing Client as acting as such and notified to the Clearing House from time to time.
<u>Block IRS Trade</u>	- <u>Means a trade the notional amount of which is at or above the minimum block size established by the CFTC pursuant to CFTC Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such trade to the Clearing House for registration.</u>
<i>Board</i>	- The board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange.
<i>Bond Trade</i>	- A trading activity in which a RepoClear Participant offers to sell RepoClear Eligible Securities, and another RepoClear Participant offers to purchase those RepoClear Eligible Securities, and a trade subsequently ensues.
<i>business day</i>	- In respect of a Cleared Exchange Contract, an OTC Contract (except where specified otherwise in the relevant OTC Contract Terms), an LCH EnClear OTC Contract (except where specified otherwise in the LCH EnClear OTC Contract Terms), and an EquityClear Contract a day on which the Clearing House is open for business.

Regulation 47 Registration of SwapClear Contracts

- (a) A SwapClear Transaction may be presented to the Clearing House for registration as two SwapClear Contracts or one SwapClear Contract, and one FCM SwapClear Contract (in accordance with the other provisions of the Rulebook).
- (b) Once a SwapClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (c) below and Section 2C3.2 of the Procedures) request the consent of each of the relevant SwapClear Clearing Members with whom a SwapClear Contract shall be registered as a result thereof to such registration. Upon each such SwapClear Clearing Member providing its consent, such SwapClear Transaction shall be deemed to have been submitted (as such term is defined in the Procedures) to the Clearing House for registration. Any such consent shall be provided in accordance with the Procedures.
- (c) A SwapClear Clearing Member which has been nominated to clear the SwapClear Contract arising from the registration of a SwapClear Transaction on behalf of a third party Executing Party other than a SwapClear Dealer will be notified by the Clearing House of the relevant SwapClear Transaction and shall choose whether to grant or refuse consent to the registration of such SwapClear Transaction and the SwapClear Contract(s) resulting from such SwapClear Transaction. In circumstances where a SwapClear Clearing Member is an Executing Party in relation to a SwapClear Transaction and shall clear one of the SwapClear Contracts resulting from such SwapClear Transaction, the consent of that SwapClear Clearing Member to the registration of the relevant SwapClear Transaction will occur automatically and without the need for any further action by such SwapClear Clearing Member.
- (d) The Clearing House shall register or reject the registration of a SwapClear Contract in respect of a SwapClear Transaction presented for registration subject to, and in accordance with, these Regulations and the Procedures as quickly as would be technologically practicable if fully automated systems were used (the standard required in Part 39 of the CFTC Regulations), provided that:
- (i) both sides of the relevant SwapClear Transaction have been properly presented and submitted for clearing by (or on behalf of the) the Executing Parties;
 - (ii) the relevant SwapClear Transaction meets the eligibility criteria prescribed in the Rulebook at the time the particulars of the SwapClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;
 - (iii) such SwapClear Contract is consented to by the relevant SwapClear Clearing Member (to the extent such consent is required) in accordance with paragraph (c) above and Section 2C3.2 of the Procedures;
 - (iv) the applicable SwapClear Clearing Member has paid or transferred, upon request of the Clearing House and in accordance with Regulation 12 and such other applicable provisions of the Rulebook, all cover required in respect of such SwapClear Contract prior to registration (taking into account any available MER and/or SwapClear Tolerance, if any); provided that such cover need not be furnished prior to registration as a condition to the registration of such SwapClear Contract unless such SwapClear Contract results from a SwapClear Transaction that is a Block IRS Trade;

Criteria in existence at the Registration Time (an "Ineligible SwapClear Transaction"), the Clearing House shall, immediately set aside both SwapClear Contracts (or, in the case of a SwapClear Transaction that resulted in a SwapClear Contract and an FCM SwapClear Contract, such SwapClear Contract) arising from such Ineligible SwapClear Transaction. Upon a SwapClear Contract (an "Ineligible SwapClear Contract") being set aside under this paragraph (h): (1) the Clearing House will notify the SwapClear Clearing Member party to such Ineligible SwapClear Contract via the Approved Trade Source System through which details of the relevant Ineligible SwapClear Transaction were originally presented to the Clearing House that such Ineligible SwapClear Contract has been set aside; and (2) the such Ineligible SwapClear Contract shall immediately be deemed to be terminated and shall thereafter have no force or effect. Where an Ineligible SwapClear Contract is set aside pursuant to this paragraph (h), all payments (including, without limitation, variation margin) (if any) paid by the Clearing House or by a SwapClear Clearing Member in respect of such Ineligible SwapClear Contract up to and including the time when such Ineligible SwapClear Contract was set aside shall be retained by the receiving party upon termination as a termination payment. Any other payment obligations in respect of an Ineligible SwapClear Contract and/or the relevant Ineligible SwapClear Transaction shall be as agreed between the Executing Parties to such Ineligible SwapClear Transaction and shall not be paid by or to the Clearing House.

- (g) Notwithstanding anything to the contrary in this Rulebook, the Clearing House may decline to register a SwapClear Transaction as a SwapClear Contract or a SwapClear Contract and a FCM SwapClear Contract (as the case may be) where it considers such action advisable for its own protection or the protection of the relevant market; provided that the Clearing House ~~shall~~ may (subject to the provisions of the Rulebook) register any SwapClear Contract which reduces the risk exposure of the Clearing House and the applicable SwapClear Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, subject to sub-paragraph (d) above and without assigning any reason, make the registration of any SwapClear Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of additional cover by any SwapClear Clearing Member in whose name any such SwapClear Transaction is to be registered.
- (h) Any SwapClear Transaction of which details have been presented for registration and which are not so registered will be governed by the applicable Execution Terms among the relevant parties, and the Clearing House shall have no obligations or liability in relation thereto.
- (i) If a SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration such revocation, avoidance or invalidity shall not affect any SwapClear Contract arising under this Regulation 47, Regulation 3(b) or Regulation 11.

In the case of a SwapClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this Regulation 47 shall take effect.

2C.3 REGISTRATION

2C.3.1 Executing Parties and Presentation for Clearing

A SwapClear Transaction may be entered into by and presented for clearing by (or on behalf of), any of the following parties: (1) SwapClear Clearing Members (or the SCM Branches of one of any such SwapClear Clearing Members); (2) SwapClear Dealers; (3) SwapClear Clearing Clients; and (4) FCM SwapClear Members.

The Clearing House receives details of a new eligible SwapClear Transaction using agreed format messages via an Approved Trade Source System. The Approved Trade Source System will send details of a SwapClear Transaction to the Clearing House once it has been bi-laterally agreed by two Executing Parties and will confirm which SwapClear Clearing Member(s) has been elected to register the SwapClear Transaction. For the avoidance of doubt, an Executing Party may appoint a third party to present details of a SwapClear Transaction to the Clearing House on its behalf.

2C.3.2 Clearing House Notification

In the case of a SwapClear Clearing Member which has been nominated to register a SwapClear Transaction on behalf of a third party Executing Party other than a SwapClear Dealer, the Clearing House will provide notification to such SwapClear Clearing Member of the relevant SwapClear Transaction and that it has been so nominated, via member reports, the SwapClear API or otherwise (the "Notification"). Where a SwapClear Clearing Member is nominated to clear both SwapClear Contracts arising from the registration of a SwapClear Transaction (whether for itself or a third party Executing Party) in the capacities described in this paragraph, such SwapClear Clearing Member will receive two separate Notifications from the Clearing House in relation to such SwapClear Transaction. In all other cases, no Notification will be provided to any SwapClear Clearing Member.

Following receipt of a Notification, a SwapClear Clearing Member may choose to grant or refuse consent to register the SwapClear Transaction. It is a condition for registration of a SwapClear Transaction that a SwapClear Clearing Member grants a separate consent (each a "Necessary Consent") in respect of each Notification received by it in relation to the registration of the relevant SwapClear Transaction. The Clearing House has an automated system which it operates on each business day (currently at or around 8 pm (London time)) for the purposes of rejecting SwapClear Transactions which have been presented for clearing but in respect of which any Necessary Consent has not been notified to the Clearing House prior to the LCH Cut-off Time. The "LCH Cut-off Time" in respect of a SwapClear Transaction will be the time on the business day following the day when the relevant SwapClear Transaction was presented for clearing at which the reject system is operated by the Clearing House and the relevant SwapClear Transaction is itself rejected by such system. If a SwapClear Clearing Member has not notified the Clearing House of a Necessary Consent by the LCH Cut-off Time, it will be deemed to have rejected the relevant SwapClear Transaction. Any Necessary Consent of a SwapClear Transaction notified by a SwapClear Clearing Member to the Clearing House prior to the LCH Cut-off Time is irrevocable. Any Necessary Consent notified by a SwapClear Clearing Member to the Clearing House after the LCH Cut-off Time shall be invalid.

In circumstances where the registration of a SwapClear Transaction is conditional upon one or more Necessary Consent(s) being notified by the applicable SwapClear Clearing Member(s), the relevant SwapClear Transaction shall be deemed to have been "submitted" to the Clearing House by each such SwapClear Clearing Member at the time when it notifies the Clearing House of its Necessary Consent. In all other circumstances, a SwapClear Transaction shall be "submitted" to the Clearing House by the applicable SwapClear Clearing Member upon being presented to the Clearing House for clearing by such SwapClear Clearing Member (or its SCM Branch) or by a SwapClear Dealer (acting in such capacity with respect to the relevant SwapClear Transaction) approved to clear SwapClear Transactions through the relevant SwapClear Clearing Member.

In accordance with Section 2C.3.5 of these Procedures, it is a precondition for the registration of a SwapClear Contract that the applicable SwapClear Clearing Member has complied with all requirements to provide sufficient cover (taking into account MER and/or SwapClear Tolerance, if any) to the Clearing House as of the time of "submission" or "deemed submission" of the SwapClear Transaction to which the SwapClear Contract relates, except that such cover shall be required to be furnished prior to registration as a condition thereto only if such SwapClear Transaction is a Block IRS Trade. For the avoidance of doubt, in respect of the registration of a SwapClear Transaction that is a Block IRS Trade, both SwapClear Clearing Members or the relevant SwapClear Clearing Member and FCM Clearing Member must have complied with all requirements to provide sufficient cover (taking into account MER and/or SwapClear Tolerance, if any) at the time when both SwapClear Contracts, or the SwapClear Contract and the FCM SwapClear Contract (as applicable), relating to the relevant SwapClear Transaction have been submitted or deemed to be submitted (as applicable).

2C.3.3 Trade Registration Facilitation: SwapClear Tolerance and MER (Minimum Excess Requirement)

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

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

SwapClear Tolerance

If a SwapClear Clearing Member has not delivered sufficient cover (taking into account any delivered with respect to MER) to enable the registration of a SwapClear Contract, then the Clearing House may provide such SwapClear Clearing Member with temporary "tolerance" in the form of initial margin forbearance ("SwapClear Tolerance") to enable such registration. A SwapClear Clearing Member may utilise SwapClear Tolerance in between margin runs on a one-to-one basis to the value of the initial margin that would have been required to cover that SwapClear Clearing Member's initial margin requirements for newly registered SwapClear Contracts registered in between margin runs. For the avoidance of doubt, SwapClear Tolerance is provided in the form of temporary initial margin forbearance and a SwapClear Clearing Member's utilisation of SwapClear Tolerance does not give rise to any payment or transfer of collateral by the Clearing House or result in any use of default fund resources (except following a Default).

The Clearing House will determine, in its sole discretion, the maximum value of the SwapClear Tolerance (which may be zero) (the "SwapClear Tolerance Limit") which it will make available to a SwapClear Clearing Member at any particular time. SwapClear Tolerance is made available by the Clearing House to a SwapClear Clearing Member at the Clearing House's sole discretion. The Clearing House may adjust the value of a SwapClear Clearing Member's SwapClear Tolerance Limit, and/or require a SwapClear Clearing Member to provide initial margin in respect of any utilised SwapClear Tolerance, at any time and without prior notice to the relevant SwapClear Clearing Member. The Clearing House will provide each SwapClear Clearing Member with information regarding its SwapClear Tolerance Limit and will, as promptly as reasonably practicable, notify it following any adjustment to the amount of its SwapClear Tolerance Limit. Subject to the

means that it will be recorded as initial margin held in relation to such account and shall be treated as part of the Account Balance of such account.

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

2C.3.4 **Approved Trade Source Systems**

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

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

Notwithstanding the designation by the Clearing House of any system as an Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any Approved Trade Source System or the timeliness or otherwise of the delivery of any SwapClear Transaction details by that Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the SwapClear Clearing Members and that Approved Trade Source System.

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

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

SwapClear Clearing Members shall ensure that Necessary Consents are provided by appropriately authorised personnel. Apart from in respect of Necessary Consents, the Clearing House is not able to, and will not, verify the authorisation of the source of any details of any transaction reported to it for registration by any Approved Trade Source System. The Clearing House shall have no liability in the event that any SwapClear Clearing Member suffers any loss through the unauthorised granting of a Necessary Consent.

2C.3.5 **Registration of New Trades**

Prior to it registering a SwapClear Contract resulting from a SwapClear Transaction that is a Block IRS Trade, the Clearing House will require the SwapClear Clearing Member in whose name such SwapClear Contract is to be registered to provide it with cover for initial and variation margin in respect of such contract as a precondition to registration (taking into account any MER and/or SwapClear Tolerance, if any). In accordance with Regulation 47(d)(iv), a SwapClear Clearing Member becomes obligated to provide such

cover (taking into account MER and/or SwapClear Tolerance, if any) to the Clearing House at the time when both SwapClear Contracts, or the SwapClear Contract and the FCM SwapClear Contract (as applicable), relating to the relevant SwapClear Transaction that is a Block IRS Trade have been submitted or deemed to be submitted (as applicable) by the relevant SwapClear Clearing Member(s) or the relevant SwapClear Clearing Member and FCM Clearing Member (as the case may be) and such SwapClear Clearing Member(s) or such SwapClear Clearing Member and such FCM Clearing Member shall provide such cover prior to registration upon request of the Clearing House. Variation margin can be covered intra-day in non-cash collateral. In respect of a SwapClear Contract resulting from a SwapClear Transaction that is not a Block IRS Trade, the SwapClear Clearing Member in whose name such SwapClear Contract is registered shall furnish the Clearing House with sufficient cover in respect of such SwapClear Contract at such time after the registration of such SwapClear Contract as the Clearing House shall require.

Notwithstanding the foregoing (i) if the Clearing House registers a Block IRS Trade where one or both of the relevant SwapClear Clearing Members has not furnished sufficient cover prior to registration, the SwapClear Clearing Members shall be bound by the terms of the SwapClear Contract relating thereto arising under Regulation 47 (and in particular by paragraphs (c), (i) and (j) thereof) and any other applicable provision of the Rulebook; and (ii) if the Clearing House rejects a SwapClear Transaction that is not a Block IRS Trade for insufficient cover, the Clearing House shall use its reasonable endeavors to assist the relevant SwapClear Clearing Member in re-registering the SwapClear Transaction on the correct basis but the Clearing House shall not be liable to any SwapClear Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such SwapClear Transaction.

Upon a SwapClear Transaction being submitted to the Clearing House for registration and the conditions to registration specified in Regulation 47 having been satisfied in respect of the related SwapClear Contract(s), the SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear Clearing Member reporting system (see section 2C.1.3) on the SwapClear Clearing Member reporting account.

2C.3.6 Backloading of Existing Trades

A SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of submission is considered a backloaded trade by the Clearing House (a "**backloaded trade**"). Due to the nature of backloaded trades, SwapClear Clearing Members should note that a relatively large amount of cover is required to register such trades. The Clearing House provides the facility for SwapClear Clearing Members to load such eligible existing SwapClear Transactions, through an Approved Trade Source System (currently, MarkitWire, Bloomberg and Tradeweb). Where the Clearing House approves additional Approved Trade Source Systems for these purposes, it will notify SwapClear Clearing Members via a member circular. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the SwapClear Clearing Member(s) or the SwapClear Clearing Member and the FCM Clearing Member (as the case may be) of the full particulars required by the Clearing House for each such SwapClear Transaction.

Following acceptance, the backloaded trade shall be deemed to have been submitted by the SwapClear Clearing Member(s) or the SwapClear Clearing Member and the FCM Clearing Member (as the case may be) for registration by the Clearing House. In any backloading of a SwapClear Transaction where one leg is to be registered as an FCM SwapClear Contract, the FCM Regulations will apply with respect to such registration of an FCM SwapClear Contract.

It is a pre-condition for registration of any backloaded trades that sufficient cover (taking into account any MER and/or SwapClear Tolerance, if any) for initial and variation margin be provided.

2C.3.7 **Notification**

The Clearing House will send to the originating Approved Trade Source System notification of registration or rejection, as the case may be, and the SwapClear Clearing Members will be notified by the Approved Trade Source System or the SwapClear API or otherwise of the registration or rejection of SwapClear Transactions, or contracts purported as such.

2C.3.8 **Rejected Trades**

Trades submitted for registration that do not meet the product or other eligibility criteria prescribed from time to time by the Clearing House or which contain invalid or incomplete message data or with respect to which the Clearing House has not received sufficient cover (taking into account MER and/or SwapClear Tolerance, if any) will be rejected, except that such cover shall be required to be furnished prior to registration as a condition to the registration of such trade only if such trade is a Block IRS Trade. If, at any time, the Clearing House does not register a trade presented for registration it will send to the originating Approved Trade Source System notification of the rejection.

2C.4 **POSITION ACCOUNTS**

2C.4.1 **SCM Accounts**

For identification purposes each SCM is assigned a unique three-character mnemonic. An SCM's position and financial information are further identified by a single character code: C for segregated client business; and H for house business. The H account is obligatory, the C account is optional.

2C.4.2 **Position-Keeping Accounts**

2C.4.2.1 Clearing Member Accounts

These are identical to Clearing Member accounts as described in Regulation 5. The account types are: H for house business; and C for segregated client business. An SCM's SwapClear positions are also recorded within the SwapClear clearing system in SwapClear Accounts.

2C.4.2.2 SwapClear Accounts

The SwapClear clearing system will provide position-keeping accounts for SCMs. A SwapClear Account will be assigned a code identical to the Bank Identifier Code (BIC) of the SCM. Each SwapClear Account must map to a Member Account.

All registered SwapClear Contracts will be identifiable to SCMs via SwapClear Clearing Member reporting (see section 2C.1.3). Each SwapClear Contract will also be assigned a unique trade identifier. The SwapClear Clearing Member reporting functionality also allows SCMs to identify all SwapClear Contracts, registered in their name, and, if submitted by an SD, the submitting SD.

2C.5 **FINANCIAL ACCOUNTS**

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



Zero coupon yield curves used for daily marking to market will be published on the Clearing House's member reporting website at intervals during the day as the prices and rates are captured.

2C.6.3 Net Present Value

The Clearing House will calculate the net present value (NPV) of each eligible SwapClear Contract using the Clearing House's zero coupon yield curves.

It is a condition of registration that sufficient cover, as determined by the Clearing House, is held with the Clearing House to cover both the NPV and Initial Margin of each SwapClear Transaction (taking into account, for these purposes, any MER and/or SwapClear Tolerance, if any), except that such cover shall be required to be furnished prior to registration as a condition thereto only if such SwapClear Transaction is a Block IRS Trade.

2C.6.4 Price Alignment Interest

The payment of variation margin, or change in NPV, on a daily basis without adjustment would distort the pricing for SwapClear Transactions cleared through the Clearing House. In order to minimise the impact of variation margin, the Clearing House will for each SCM either charge interest on cumulative variation margin received, or pay interest on cumulative variation margin paid (see section 3.5.2).

2C.7 COUPON PAYMENTS

2C.7.1 Calendars and Coupons

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see section 2C.2.3). Changes to the calendar that affect SwapClear Contracts will be published and made available to SCMs by the Clearing House in a Clearing Member Report. The central control and publication of these calendars will assist the reconciliation of coupon payments between SCMs and the Clearing House. Coupon payments will be adjusted, in the event of a holiday amendment, in accordance with the Contract Terms.

2C.7.2 Calculation of Fixed Amount

The Clearing House will calculate the Fixed Amount payable by a party on a Payment Date as either:

- (a) if an amount is specified for the SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, such amount; or
- (b) if an amount is not specified for the SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, an amount calculated on a formula basis for that Payment date or for the related Calculation Period as follows:

<i>Base Currency</i>	-	Has the meaning assigned to such term in FCM Regulation 24A(d)(ii).
<u><i>Block IRS Trade</i></u>	-	<u>Means a trade the notional amount of which is at or above the minimum block size established by the CFTC pursuant to CFTC Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such trade to the Clearing House for registration.</u>
<i>Business Category of FCM Contract</i>	-	Means a category of one or more Products which the Clearing House treats as separate from other Products for purposes of calculating the amount of cover required to be furnished by an FCM Clearing Member (as set forth in the FCM Procedures) in respect of the FCM Contracts in each such category and, except to the extent otherwise set forth in the FCM Procedures, such separate margin categories consist of: (1) FCM SwapClear Contracts (referred to in the FCM Rulebook as the “ <i>SwapClear Business Category</i> ”), (2) FCM ForexClear Contracts (referred to in the FCM Rulebook as the “ <i>ForexClear Business Category</i> ”), (3) FCM EnClear Contracts (referred to in the FCM Rulebook as the “ <i>EnClear Business Category</i> ”) and (4) FCM Nodal Contracts (referred to in the FCM Rulebook as the “ <i>Nodal Business Category</i> ”).
<i>Business Day</i>	-	Means, in respect of an FCM Contract (except where specified otherwise in the relevant FCM SwapClear Contract Terms, FCM ForexClear Contract Terms, FCM EnClear Contract Terms or FCM Nodal Contract Terms, as applicable), a day on which the Clearing House is open for business as set forth in the FCM Procedures.
<i>Buyer</i>	-	Means an FCM Clearing Member (or the Clearing House where the context so requires) who is a buyer under the terms of an FCM Exchange Contract.
<i>Carrying FCM Clearing Member</i>	-	Means an FCM Clearing Member carrying an account for an FCM Client, and in respect of which the FCM Contracts and Collateral attributed to such account is to be transferred to a Receiving FCM Clearing Member pursuant to FCM Regulation 8 and in accordance with the FCM Procedures.
<i>Cash-Settled FCM Exchange Contract</i>	-	Means an FCM Exchange Contract which is to be settled by cash-settlement only.
<i>CEA</i>	-	Means the U.S. Commodity Exchange Act.
<i>CFTC</i>	-	Means the U.S. Commodity Futures Trading Commission.
<i>CFTC Regulations</i>	-	Means the rules and regulations promulgated by the CFTC.
<i>Cleared Swap</i>	-	Means “Cleared Swap” as such term is defined in CFTC Regulation 22.1, which term includes but is not limited to

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~~(e)~~ or 40(f) or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the FCM Regulations, or any decision by the Clearing House not to exercise any such discretion.
- (c) Without prejudice to FCM Regulation 24(b) and FCM Regulation 24(d), unless otherwise expressly provided in the FCM Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall 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.

PART II – REGULATIONS APPLICABLE TO FCM SWAPCLEAR CONTRACTS**Regulation 30 Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts**

- (a) In order for an FCM to register an FCM SwapClear Contract in respect of the registration of an FCM SwapClear Transaction, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM SwapClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must submit the particulars of an FCM SwapClear Transaction for registration as two FCM SwapClear Contracts or one FCM SwapClear Contract and one Non-FCM SwapClear Contract (as the case may be) in accordance with these FCM Regulations. Each FCM SwapClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member.
- (b) Where an Executing Party enters into an FCM SwapClear Transaction on an FCM Approved Trade Source and such FCM SwapClear Transaction is to be cleared through an FCM Clearing Member, the Clearing House shall notify the FCM Clearing Member of such FCM SwapClear Transaction and request acceptance for registration in accordance with the FCM Procedures. Upon receipt of acceptance for registration by the Clearing House from the FCM Clearing Member, the FCM Clearing Member shall be deemed to have presented the FCM SwapClear Transaction to the Clearing House (and such presentation may not be withdrawn by the FCM Clearing Member unless otherwise provided in the FCM Rulebook) and the Clearing House shall register the FCM SwapClear Transaction subject to, and in accordance, with these FCM Regulations and the FCM Procedures.
- (c) Without prejudice to the Clearing House's rights under paragraph (g) of this FCM Regulation 30, an FCM Clearing Member shall be bound by an FCM SwapClear Contract registered in its name on behalf of an FCM Client or an Affiliate pursuant to the presentation of particulars of an FCM SwapClear Transaction by it, and by the other FCM Clearing Member or Non-FCM Clearing Member, as applicable.
- (d) The Clearing House shall register or reject the registration of an FCM SwapClear Contract in respect of an FCM SwapClear Transaction presented for registration subject to, and in accordance with, these FCM Regulations and the FCM Procedures as quickly as would be technologically practicable if fully automated systems were used (the standard required in Part 39 of the CFTC Regulations), provided that:
- (i) both sides of the relevant FCM SwapClear Transaction have been properly presented and submitted for clearing by (or on behalf of) the Executing Parties;
 - (ii) the relevant FCM SwapClear Transaction meets the FCM SwapClear Product Eligibility Criteria prescribed in the FCM Rulebook at the time the particulars of the FCM SwapClear Transaction are presented to the

Clearing House and continues to meet such criteria at the Registration Time;

- (iii) each FCM SwapClear Contract is consented to by the relevant FCM Clearing Member (automatically or otherwise) in accordance with paragraph (b) above and Section 2A.3.2 of the FCM Procedures;
- (iv) the applicable FCM Clearing Member has furnished, upon request of the Clearing House and in accordance with FCM Regulation 9 and such other applicable provisions of the FCM Rulebook, all required Margin in respect of such FCM SwapClear Contract prior to registration (taking into account any available SwapClear Tolerance, if any); provided that such Margin need not be furnished prior to registration as a condition to the registration of such FCM SwapClear Contract unless such FCM SwapClear Contract results from an FCM SwapClear Transaction that is a Block IRS Trade; and
- (v) all the conditions applicable (under the terms of the FCM Rulebook or the UK General Regulations, as the case may be) for the registration of the Non-FCM SwapClear Contract or the other FCM SwapClear Contract (as the case may be) deriving from the relevant FCM SwapClear Transaction. have been satisfied.

If for any reason in respect of an FCM SwapClear Contract the other corresponding FCM SwapClear Contract or Non-FCM SwapClear Contract (as the case may be) is not registered by the Clearing House, the Clearing House shall de-register such FCM SwapClear Contract and shall not have any liability whatsoever to any FCM Clearing Member or to any other person (including any SwapClear Dealer (as such term is defined in the UK General Regulations)) 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 as a result of such de-registration.

- (e) The Clearing House shall be deemed to register an FCM SwapClear Contract, in accordance with this FCM Regulation 30 in the name of an FCM Clearing Member on behalf of an FCM Client or an Affiliate (or, if applicable, on the FCM Clearing Member's own behalf), at the time prescribed in the FCM Procedures ("*Registration Time*"). At the Registration Time, the FCM Clearing Member, and the FCM Client or Affiliate if applicable, will be deemed to be bound by the relevant FCM SwapClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client or Affiliate, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and Schedule A hereto.
- (f) If at any time after registration of an FCM SwapClear Contract, the Clearing House determines that the corresponding FCM SwapClear Transaction of which details were presented for registration did not, at the Registration Time, meet the FCM SwapClear Product Eligibility Criteria in existence at the Registration Time (an "*Ineligible FCM SwapClear Transaction*"), the Clearing House shall, immediately following the next margin run following such determination, set aside both FCM SwapClear Contracts (or, the FCM SwapClear Contract and the Non-FCM

SwapClear Contract, if applicable) arising from such Ineligible FCM SwapClear Transaction. Upon an FCM SwapClear Contract being set aside under this paragraph (any such FCM SwapClear Contract, an “*Ineligible FCM SwapClear Contract*”): (i) the Clearing House will notify the FCM Clearing Member party to such Ineligible FCM SwapClear Contract via the FCM Approved Trade Source System through which details of the relevant Ineligible FCM SwapClear Transaction were originally presented to the Clearing House that such Ineligible FCM SwapClear Contract has been set aside; and (ii) such Ineligible FCM SwapClear Contract shall immediately be deemed to be terminated and shall thereafter have no force or effect. Where an Ineligible FCM SwapClear Contract is set aside pursuant to this paragraph, all payments (including Variation Margin) (if any) paid by the Clearing House or by an FCM Clearing Member (or SwapClear Clearing Member, if applicable) in respect of such Ineligible FCM SwapClear Contract up to and including the relevant margin run shall be retained by the receiving party upon termination as a termination payment. Without prejudice to FCM Regulation 24 and its obligations under this FCM Regulation 30, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an Ineligible FCM SwapClear Contract.

(g) Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM SwapClear Contracts are to be registered to furnish it with Margin as a condition of registration of such FCM SwapClear Contract(s), and such Margin shall be furnished to the Clearing House in accordance with FCM Regulation 10 and such other applicable provisions in the FCM Rulebook.

(h) Notwithstanding anything to the contrary in this Rulebook, ~~the~~ Clearing House may decline to register an FCM SwapClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market, provided that the Clearing House shall may (subject to the provisions of the FCM Rulebook) register any FCM SwapClear Contract which reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM SwapClear Transaction subject to any conditions stipulated by the Clearing House including the furnishing of additional Margin by any FCM Clearing Member in whose name any such FCM SwapClear Transaction is to be registered.

(i) An FCM SwapClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:

(i) in the case where one Executing Party clears its side of such FCM SwapClear Transaction, either through a SwapClear Clearing Member or directly with the Clearing House in its capacity as a SwapClear Clearing Member, and the other Executing Party clears its side of such FCM SwapClear Transaction as or through an FCM Clearing Member, as one Non-FCM SwapClear Contract pursuant to the UK General Regulations applicable to SwapClear Clearing Members and one FCM SwapClear

2A.3.2 Clearing House Notification

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

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

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

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

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

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

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

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

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

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

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

2A.3.5 Registration of New Trades and Backloaded Trades

2A.3.5.1 New Trades

As a precondition of registering an FCM SwapClear Contract resulting from an FCM SwapClear Transaction that is a Block IRS Trade, the Clearing House will require the FCM Clearing Member in whose name such FCM SwapClear Contract is to be registered to furnish to the Clearing House no later than the Clearing House's receipt of the relevant FCM Acceptance (and thereafter maintain) sufficient Margin in respect of such FCM Contract. In determining whether sufficient Margin for registration is available, the Clearing House will take into account any Available FCM Buffer, MER and SwapClear Tolerance. Available FCM Buffer or MER will always be applied prior to taking into account any available SwapClear Tolerance. In respect of an FCM SwapClear Contract resulting from an FCM SwapClear Transaction that is not a Block IRS Trade, the FCM Clearing Member in whose name such FCM SwapClear Contract is registered shall furnish the Clearing House with sufficient Margin in respect of such FCM SwapClear Contract at such time after the registration of such FCM SwapClear Contract as the Clearing House shall require.

Notwithstanding the foregoing (i) if the Clearing House registers a Block IRS Trade where one or both of the relevant FCM Clearing Members has not furnished sufficient Margin prior to registration, the FCM Clearing Members shall be bound

by the terms of the FCM SwapClear Contract relating thereto arising under FCM Regulation 30 (and in particular by paragraphs (c), (i) and (j) thereof) and any other applicable provision of the FCM Rulebook; and (ii) if the Clearing House rejects an FCM SwapClear Transaction that is not a Block IRS Trade for insufficient Margin, the Clearing House shall use its reasonable endeavors to assist the relevant FCM Clearing Members in re-registering the FCM SwapClear Transaction on the correct basis but the Clearing House shall not be liable to any FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Transaction.

Upon an FCM SwapClear Transaction being submitted to the Clearing House for registration and the conditions to registration specified in FCM Regulation 30 having been satisfied in respect of the related FCM SwapClear Contract(s), the SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear Clearing Member reporting system (see Section 2A.1.3) on the SwapClear Clearing Member reporting account.

2A.3.5.2 **Backloaded Trades:**

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

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

2A.3.6 **Notification**

The Clearing House will notify FCM Clearing Members of the registration or rejection of FCM SwapClear Transactions, or contracts purported as such, via the SwapClear FCM Clearing Member Reporting System (see Section 2A.1.3) and the

originating FCM Approved Trade Source System messaging service for onward transmission to the submitting FCM Clearing Member.

2A.3.7 Rejected Trades

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

2A.4 Position Accounts

2A.4.1 FCM Accounts

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

2A.4.2 Position-Keeping Accounts

FCM Clearing Member Accounts

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

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

2A.5 Financial Accounts

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

2A.5.1 Relationship with Position-Keeping Accounts

Trading Account	Financial Account		
H	House	H	Proprietary Account

C	Client	C	LCH SwapClear Client Segregated Depository Account used for Initial Margin Flows
	Client	L	LCH SwapClear Client Segregated Depository Account used for Variation Margin Flows

The C account is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations.

2A.5.2 Other Financial Accounts

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

	Code
Additional Margin accounts (House), used for holding additional cash in relation to Proprietary business	B
Additional Margin account (Client), used for holding additional cash in relation to FCM Client Business	E

The E Account is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations.

2A.5.3 Default Fund (DF) Account

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

2A.6 FCM SwapClear Contract Valuation

2A.6.1 Net Present Value

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

It is a condition of registration that sufficient Margin, as determined by the Clearing House, is furnished to the Clearing House to cover the Clearing House's Margin requirements for each FCM SwapClear Transaction (taking into account, for these purposes, available SwapClear Tolerance, if any), except that such Margin shall be required to be furnished prior to registration as a condition thereto only if such FCM SwapClear Transaction is a Block IRS Trade.

All FCM SwapClear Contracts credited to an FCM Clearing Member will, on submission to the Clearing House, be marked-to-market, in accordance with FCM Regulation 31. The NPV so determined must, subject to Intra-day Registration (see Section 2A.3.5), be paid by the FCM Clearing Member in cash in the currency of the FCM SwapClear Contract. Where an FCM SwapClear Transaction is registered intra-day, and the NPV is covered with non-cash Collateral, the Clearing House will, the following Business Day, require payment of the full cash amount.