

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 Rulebook: 2D.6.2; 2D.6.4; 2D.7.1.1; 2D.7.2; 2D.7.2.1

LCH Clearnet Rulebook: 2G.6.2; 2G.6.4; 2G.7.1.1; 2G.7.1.2; 2G.7.2.1; 2G.7.2.2; 2G.7.2.3; 2G.12

DESCRIPTION

LCH.Clearnet provides Central Counterparty clearing for the Nodal market via a system provided by NYSE Technologies. LCH.Clearnet has been planning a migration of the clearing system to one provided by Nodal Exchange LLC (“Nodal Clearing System”), which will perform the functionality currently provided by NYSE Technologies. Changes will be made to the LCH.Clearnet Rulebook, and the FCM Rulebook to remove references to TRS and/or CPS, define the point of registration as the point a matched trade is registered by the Nodal Clearing System and amend the allowable account types to those that will be offered to Clearing Members.



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 reflect the technology migration of the Nodal Clearing Service from the current NYSE Technologies provided system to one provided by Nodal Exchange LLC. The migration is scheduled to occur over the weekend of May 10, 2014, with the Rulebook changes becoming effective prior to market opening on May 12, 2014.

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

Part I: Explanation and Analysis

LCH.Clearnet provides Central Counterparty clearing for the Nodal market via a system provided by NYSE Technologies ("TRS/CPS"). The system primarily provides position and static data management functionality. LCH.Clearnet has been planning a migration of the clearing system to one provided by Nodal Exchange LLC ("Nodal Clearing System"), which will provide the functionality currently supplied by the TRS/CPS system. The migration is scheduled for the weekend of May 10, 2014. Alongside the technology migration, changes are required to the LCH.Clearnet Rulebook and the FCM Rulebook remove references to TRS and/or CPS, define the point of registration as the point a matched trade is registered by the Nodal Clearing System and amend the allowable account types to those that will be offered to Clearing Members. LCH.Clearnet will continue to retain control over critical functions in its role as CCP for the Nodal market.

Part II: Description of Rule Changes

1. LCH Rulebook:2G.6.2 and FCM Rulebook:2D.6.2: define the point of registration as immediately upon a matched trade being registered in the Nodal Clearing System;
2. LCH Rulebook 2G.6.4 and FCM Rulebook 2D.6.4: set out where registered Nodal transactions will be listed and how they will be made available to Clearing Members;

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3. LCH Rulebook 2G.7.1.1; 2G.7.1.2; 2G.7.2.1; 2G.7.2.2; 2G.7.2.3 and FCM Rulebook 2D.7.1.1; 2D.7.2; 2D.7.2.1: define the types of Position-keeping and Financial accounts that will be available to Clearing Members; and
4. LCH Rulebook 2G.12: defines how Clearing Members will be able affect a position transfer.

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.iver@lchclearnet.com or Vikesh Patel at vikesh.patel@lchclearnet.com

Yours sincerely,

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

Jay Iyer, Chief Compliance Officer,
LCH.Clearnet Limited

Cc: Shawn Durrani, CFTC
Kenji Takaki, CFTC



Appendix I
LCH.Clearnet Rulebook Changes

SECTION 2G

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2G. **THE NODAL SERVICE**

2G.1 **INTRODUCTION**

2G.1.1 **Background**

These NODAL Service procedures apply to the clearing of NODAL Eligible Derivative Products listed on NODAL Exchange.

NODAL Service Clearing Members (“CMs”) must inform themselves fully of their obligations under the Clearing House Rulebook (the “Rulebook”) and other relevant documentation, such as the Clearing Membership Agreement and the terms of any approval by the Clearing House to extend clearing activities. NODAL Service CMs should also familiarise themselves with NODAL’s Rules.

The Clearing House provides the NODAL Service in respect of cash settled futures contracts only. Hence, it does not cover options contracts and there are no physical deliveries under this service. There is no provision for allocation or give-ups.

Please note that both the Rulebook (including these Procedures) and NODAL’s Rules are subject to change from time to time. Enquiries regarding these Procedures or any other aspects of the operation of the NODAL Service should be directed to the Clearing House ~~Business~~—Operations Department on +44 (0)20 7426 7689. Enquiries regarding CM status should be directed to the Membership Department on ~~+44 (0)20 7426 7627 / 7063~~ +44 (0)20 7426 7949 or membership@lchclearnet.com. Enquiries relating to NODAL’s Rules should be directed to NODAL.

Full details of contact points may be found on the Clearing House website (<http://www.lchclearnet.com>) and NODAL’s website (<http://www.nodalexchange.com>).

2G.1.2 **Interpretation**

Capitalised terms used in these Procedures have the meaning set out in the NODAL Regulations unless otherwise specified.

Except where otherwise stated, all times shown are London time and the twenty four hour clock is used.

2G.2 **MEMBERSHIP**

NODAL Service CMs may submit NODAL Transactions for registration by the Clearing House. NODAL Transactions may also be submitted for registration on behalf of a NODAL Service CM by a NODAL Non-Clearing Participant (“NODAL NCP”) as set out at Section 2G.4.1.

A NODAL Service CM must comply with all Clearing House requirements and with any NODAL requirements relating to participation in the relevant NODAL Trading System.

It is the responsibility of each NODAL Service CM to keep any report, including, but not limited to, the NODAL Service CM ~~Statement Report~~, required for its own historic, audit or legal purposes.

Details of how to be approved as a NODAL Service CM can be obtained from the Clearing House Membership Department on +44 (0)20 7426 7949 or membership@lchclearnet.com 627 / 7063.

2G.2.1 **Submission of NODAL Transactions for registration**

NODAL Service CMs who wish a NODAL Transaction to be registered by the Clearing House must comply with all requirements of the NODAL Exchange, as relevant.

2G.3 **GENERAL**

2G.3.1 **Operating Times**

2G.3.1.1 **Opening Days**

Details of the days on which the NODAL Service is operational will be published by the Clearing House by Clearing Member circular. Details of the days on which NODAL is operational is available from NODAL.

2G.3.1.2 **Opening Hours**

The NODAL Service will be operational from 012:00 to 178:300 hours, Eastern Prevailing Time (the "Opening Hours").

2G.4 **NODAL TRANSACTIONS**

2G.4.1 **Eligible Transactions**

Only the transactions in this 2G.4 in NODAL Eligible Derivative Products executed or registered through a NODAL Trading System in accordance with NODAL's Rules will be designated as NODAL Transactions eligible for registration by the Clearing House.

Any such transactions must satisfy the Clearing House's requirements as set out in these Procedures and in the NODAL Regulations, and NODAL's requirements as set out in its Rules.

(a) **Parties to Transactions presented for Registration**

The Clearing House only registers NODAL Contracts arising from NODAL Transactions between NODAL Service CMs.

Such NODAL Transactions may arise through trades executed or registered through a NODAL Trading System by NODAL Service CMs, or by NODAL NCPs.

- (i) The NODAL Transaction may have been entered into by two NODAL Service CMs, each acting as principal.
- (ii) One side (or both sides) of the NODAL Transaction may arise through a NODAL NCP executing or registering a trade on the NODAL Trading System. In such case, the trade will immediately be replaced with:

The static data form executed by both the NODAL NCP and the NODAL Service CM shall be definitive proof of the NODAL Service CM clearing for a NODAL NCP.

The Clearing House contracts with the NODAL Service CM alone and, to the fullest extent permitted by law, disclaims any duties or obligations to a NODAL NCP.

Further details regarding clearing for NODAL NCPs can be obtained from ~~the Clearing House Membership Department on +44 (0) 207426 7627 / 7063~~[NODAL](#).

2G.5.2 **Termination**

The NODAL Service CM may terminate its agreement with a NODAL NCP at any time by giving 21 days written notice to NODAL and the Clearing House. For the avoidance of doubt, the Clearing House need not receive any notice of or any confirmation of such termination from the NODAL NCP.

For the avoidance of doubt, termination by the NODAL Service CM of its agreement with a NODAL NCP will be without prejudice to the NODAL Service CM's obligations arising from or in relation to any NODAL Transaction or NODAL Contracts arising prior to such termination.

2G.6 **REGISTRATION OF NODAL TRANSACTIONS**

2G.6.1 **General**

The Clearing House may require a NODAL Service CM in whose name a NODAL Transaction is to be registered to transfer Collateral in respect of initial and variation margin obligations to the Clearing House as a condition of registration as a NODAL Contract.

2G.6.2 **Registration**

All matched transactions which have been presented for registration and comply with the Clearing House requirements for registration of a NODAL Transaction, are deemed to have been registered by the Clearing House immediately upon receipt by [the Nodal Clearing System \(NCS\) TRS/GPS](#).

2G.6.3 **Novation**

With effect from registration, novation operates to replace each NODAL Transaction with two separate NODAL Contracts, one between the selling NODAL Service CM and the Clearing House and the other between the buying NODAL Service CM and the Clearing House. Novation is described in more detail in the NODAL Regulations.

2G.6.4 **Notification**

All NODAL Contracts arising from registered NODAL Transactions are listed on the NODAL Service [Clearing Member Statement \(CMS\)](#) rReport available [via LCH.C's Member Reporting website](#) through TRS.

2G.7 **POSITION AND FINANCIAL ACCOUNTS**

2G.7.1 **Position-Keeping Accounts**

2G.7.1.1 **Types of Account**

Positions with regard to NODAL Contracts are recorded within **NCSCPS** in position-keeping accounts at Individual Trader Mnemonic (ITM) level-, which are not CM accounts as described in Regulation 5. The account types are as follows:

H House [excluding Clients]¹

~~N—Non-segregated client~~

SC Segregated client

~~Z—Default account, only to be used in the event of a CM default~~

~~D—Default “transactions” which have not been assigned to one of the above account codes~~

The requirement to open a H_ and D_ accounts is compulsory. Other position-keeping accounts may be opened by agreement with the Clearing House.

¹ The “house position-keeping account” represents a Member’s principal business; ~~the “house financial account” (see 2G.8.2.1 below) also includes non-segregated clients’ positions.~~

2G.7.1.2 **Basis of Position Keeping**

(a) **Net Accounts**

The following position-keeping accounts are held net at ITM level, e.g. a position of bought one lot and sold two lots will be reported as sold one:-

H House

N—Non-segregated client

SC Segregated client

~~(b) **Gross Accounts**~~

~~The following position-keeping accounts are held gross at ITM level e.g. a position of bought one lot and sold two lots will show both bought and sold positions:-~~

~~D—Default “transactions” which have not been assigned to one of the above account codes~~

2G.7.2 **Financial Accounts**

NODAL Service CM position-keeping accounts have financial accounts associated with them. These are, amongst other things, used to record cash balances, securities/documentary credits and non-realised margin obligations.

Where appropriate, a NODAL Service CM's financial accounts are identified by a single character code: C for segregated client and non segregated client business (~~recorded as S within CPS~~); H for house ~~and non-segregated business (recorded as H within CPS)~~. Only the H financial account is obligatory.

Information contained within position-keeping accounts is consolidated into financial accounts, as follows:

2G.7.2.1 Relationship with Position-keeping accounts

| Position-keeping accounts | Financial account |
|--|-------------------|
| H House | H |
| N Non-segregated client | H |
| <u>SC</u> Segregated client | C |
| D Default "transactions" which have not been assigned to one of the above account codes | H |

By permitting a transaction to be allocated to a position-keeping account, a NODAL Service CM is also deemed to be designating that transaction for the associated financial account.

2G.7.2.2 Other Financial Accounts

Subject to approval by the Clearing House, further financial accounts, used only to record financial balances, may be opened as follows:

| | Code |
|--|--------------|
| Buffer account (House), used for holding additional cash in relation to House business | B |
| Buffer account (Client), used for holding additional cash in relation to Client business | E |
| Resources account, used for holding supplementary financial resources | Q |
| Buyers' and Sellers' security account (segregated business) used for certain delivery contracts | X |

2G.7.2.3 Default Fund (DF) Account

Each NODAL Service CM's Default Fund Contribution is held on a separate financial account. ~~In accordance with the Default Fund Rules this account attracts a rate of interest at 3 month LIBOR +1%.~~ The Default Fund account code is F.

as the contracts traded. A list of acceptable Collateral to cover initial margin requirements can be found at the following location:

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

2G.9.2.1 Initial Margin Parameters

Initial margin parameters are set by the Clearing House. ~~However, in~~ accordance with the NODAL Regulations, the Clearing House retains the discretion to vary the rates for the whole market or for a NODAL Service CM's house and/or client accounts.

NODAL Service CMs will be notified by the Clearing House of alterations to initial margin parameters no later than the day before calls are made based on the new rates.

2G.9.2.2 Intra-day Margin Calls

In accordance with the Regulations, the Clearing House is entitled to make additional margin calls for ~~payment transfer of the Collateral on the Clearing House on~~ the same day (intra-day margin calls) where it considers it necessary. Intra-day margin calls will be made through the protected payments system ("PPS") in London ("London PPS") or the USA ("US PPS") (see section 3.2 of these Procedures - "Protected Payments System").

2G.9.2.3 Calculation of Initial Margin

VaR

Initial margin obligations are re-calculated at the close of each business day using a VaR algorithm developed to margin Nodal exchange contracts.

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

2G.10 **TAX**

NODAL Service CMs should take their own advice regarding any taxation liabilities in any country in which a liability to pay tax may arise.

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

2G.11 **SETTLEMENT OF NODAL CONTRACTS**

NODAL Contracts are settled depending upon their terms, as set out in the relevant NODAL Contract Terms.

2G.11.1 Cash Settlement

Cash settlement is a final settlement derived from the difference between the final Settlement Price and the previous trading day's daily Settlement Price or such other quotation as is specified in NODAL's Rules. This is debited from or credited to the NODAL Service CMs' financial accounts.

2G.11.2 Reference Prices for daily settlement to market

Should NODAL fail to determine Reference Prices, the Clearing House will itself determine these as necessary. This will be done at the Clearing House's discretion and be announced as soon as possible following such determination.

2G.12 POSITION TRANSFERS

A Nodal Service Clearing Member may affect a transfer with agreement from the Clearing House. The Clearing House will effect such transfer (in conjunction with Nodal) within two days of receiving a request for such transfer from the relevant Receiving Nodal Service Clearing Member; provided, that the Nodal Service Clearing Member completes, to the satisfaction of the Clearing House, any documentation as required and provided by the Clearing House.

~~NODAL Service CMs will not have the functionality to affect a position transfer to another NODAL Service CM or between internal accounts.~~

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2D. THE FCM NODAL CLEARING SERVICE

2D.1 Introduction

2D.1.1 Background

This Section 2D of the FCM Procedures is referred to as the “**Nodal Procedures**”. FCM Nodal Clearing Members must inform themselves fully of their obligations under the FCM Rulebook, and under the other relevant documentation, such as the FCM Clearing Membership Agreement and the terms of any approval by the Clearing House to extend clearing activities. FCM Nodal Clearing Members should also familiarize themselves with Nodal’s Rules.

The Clearing House provides the FCM Nodal Clearing Service in respect of cash-settled FCM Nodal Contracts only. Hence, it does not cover options contracts and there are no physical deliveries under this service. There is no provision for allocation or give-ups.

Please note that each of the FCM Rulebook and Nodal’s Rules are subject to change from time to time. Enquiries regarding these Nodal Procedures or any other aspects of the operation of the FCM Nodal Clearing Service should be directed to the Clearing House’s Business Operations Department at +44 (0)20 7426 7689. Enquiries regarding FCM Nodal Clearing Member status should be directed to the Clearing House’s Membership Department at +44 (0)20 7426 7949627 / 7063 or membership@lchclearnet.com. Enquiries relating to Nodal’s Rules should be directed to Nodal.

Full details of contact points may be found on the Clearing House website (<http://www.lchclearnet.com>) and Nodal website (<http://www.nodalexchange.com>).

2D.1.2 Interpretation

Except where otherwise stated, all times shown are London time and the twenty four hour clock is used.

2D.2 Membership

An FCM Nodal Clearing Member may submit an FCM Nodal Transaction for registration by the Clearing House. Note that a transaction in a Nodal Eligible Derivative Product that will be cleared on one side by an FCM Nodal Clearing Member and on the other side by a Nodal Service Clearing Member is both an FCM Nodal Transaction (with respect to the FCM Nodal Clearing Member) and a Nodal Transaction, as such term is defined in the UK General Regulations (with respect to the Nodal Service Clearing Member). An FCM Nodal Transaction may also be submitted for registration on behalf of the applicable FCM Nodal Clearing Member by a Nodal Non-Clearing Participant (“**Nodal NCP**”) as set out at Section 2D.4.1.

FCM Nodal Clearing Members must comply with all Clearing House requirements and with any Nodal requirements relating to participation in the relevant Nodal Trading Facility.

It is the responsibility of each FCM Nodal Clearing Member to keep any report, including, but not limited to, the NODAL Service CM_S Report, required for its own historic, audit or legal purposes.

Details of how to be approved as an FCM Nodal Clearing Member can be obtained from the Clearing House Membership Department at +44 (0)20 7426 7949 or membership@lchclearnet.com 627 / 7063.

2D.2.1 **Submission of Nodal Transactions for Registration**

An FCM Nodal Clearing Member that wishes to register an FCM Nodal Transaction with the Clearing House must comply with all requirements of Nodal and Nodal's Rules.

2D.3 **GENERAL**

2D.3.1 **Operating Times**

2D.3.1.1 **Opening Days**

Details of the days on which the FCM Nodal Clearing Service is operational will be published by the Clearing House by circular to FCM Nodal Clearing Members. Details of the days on which the Nodal Trading Facility is operational are available from Nodal.

2D.3.1.2 **Opening Hours**

The FCM Nodal Clearing Service will be operational from 012:3000 to 178:390 hours, Eastern Prevailing Time (the "Opening Hours").

2D.4 **NODAL TRANSACTIONS**

2D.4.1 **Eligible Transactions**

Only the transactions referenced in this Section 2D.4 in Nodal Eligible Derivative Products that are executed or registered through a Nodal Trading Facility in accordance with Nodal's Rules will be designated as FCM Nodal Transactions eligible for registration by the Clearing House.

Any such FCM Transactions must satisfy the Clearing House's requirements as set out in these Nodal Procedures and in the FCM Regulations, and Nodal's requirements as set out in Nodal's Rules.

Presentation for Registration.

An FCM Nodal Transaction will be presented to the Clearing House for registration as either two FCM Nodal Contracts or one FCM Nodal Contract and one Non-FCM Nodal Contract, as applicable, with the Clearing House (i) as seller to the buying FCM Nodal Clearing Member or Nodal Service Clearing Member (as applicable) and (ii) as buyer to the selling FCM Nodal Clearing Member or Nodal Service Clearing Member (as applicable).

Where two Nodal NCPs both clear through the same FCM Nodal Clearing Member, then each side of the trade will be presented to the Clearing House for registration as a separate FCM Nodal Contract:

- with one in which such FCM Nodal Clearing Member is buyer and the Clearing House is the seller;
- and the other in which such FCM Nodal Clearing Member is the seller and the Clearing House is the buyer.

2D.4.2 **FCM Nodal Contracts and Nodal Contracts – Eligibility Criteria**

It is part of the eligibility criteria for registration as an FCM Nodal Contract, that the particulars of an FCM Nodal Transaction presented to the Clearing House must include matched information in respect of the following:

- (a) Seller and the Buyer;
- (b) the Nodal Eligible Derivatives Product which is the subject of the FCM Nodal Transaction; and
- (c) the transaction specific information in respect of the Nodal Eligible Derivative Product.

2D.5 **CLEARING FOR NODAL NON-CLEARING PARTICIPANTS**

2D.5.1 **NODAL NCPs**

Certain FCM Nodal Clearing Members may clear for one or more Nodal NCPs. In order to do so, the following conditions must be satisfied at all times:

- (a) the Nodal NCP is a participant of Nodal; and
- (b) the FCM Nodal Clearing Member and the Nodal NCP are party to a valid and enforceable agreement under which the FCM Nodal Clearing Member agrees to clear FCM Nodal Transactions on behalf of such person. Such agreement must confer rights on the FCM Nodal Clearing Member and the FCM Nodal Clearing Member must lawfully be entitled at all times to pass to the Clearing House, in accordance with FCM Regulation 15, such information and data relating to the Nodal NCP as the Clearing House may in its sole discretion deem appropriate.

The static data form executed by both the Nodal NCP and the FCM Nodal Clearing Member shall be definitive proof of the FCM Nodal Clearing Member clearing for such Nodal NCP.

The Clearing House contracts with the FCM Nodal Clearing Member alone and, to the fullest extent permitted by law, disclaims any duties or obligations to any Nodal NCP.

Further details regarding clearing for Nodal NCPs can be obtained from the Clearing House's Membership Department at +44 (0) 20 7426 7949 or membership@lchclearnet.com 627-7063.

2D.5.2 **Termination**

The FCM Nodal Clearing Member may terminate its agreement with a Nodal NCP at any time by giving 21 days written notice to Nodal and the Clearing House. For the avoidance of doubt, (i) the Clearing House need not receive any

notice of or any confirmation of such termination from the Nodal NCP and (ii) termination by the FCM Nodal Clearing Member of its agreement with a Nodal NCP will be without prejudice to the FCM Nodal Clearing Member's obligations arising from or in relation to any FCM Nodal Transaction or FCM Nodal Contracts arising prior to such termination.

2D.6 REGISTRATION OF NODAL TRANSACTIONS

2D.6.1 General

The Clearing House may require an FCM Nodal Clearing Member in whose name an FCM Nodal Transaction is to be registered to provide it with Collateral for Initial Margin and Variation Margin as a condition of registration as an FCM Nodal Contract.

2D.6.2 Registration

All matched transactions which have been presented for registration and comply with the Clearing House requirements for registration of an FCM Nodal Transaction, are deemed to have been registered by the Clearing House immediately upon receipt by [the Nodal Clearing System \(NCS\) TRS/CPS](#).

2D.6.3 Novation

Upon registration, each FCM Nodal Transaction is novated and replaced with either two separate FCM Nodal Contracts or one FCM Nodal Contract and one Non-FCM Nodal Contract, as applicable, one between the selling FCM Nodal Clearing Member or Nodal Service Clearing Member (as applicable) and the Clearing House and the other between the buying FCM Nodal Clearing Member or Nodal Service Clearing Member (as applicable) and the Clearing House. Novation is described in more detail in the FCM Regulations.

2D.6.4 Notification

With respect to an individual FCM Nodal Clearing Member, all FCM Nodal Contracts arising from its FCM Nodal Transactions are listed on its Nodal Service [Clearing Member Statement \(CMS\)](#) Report available [via LCH.C's Member Reporting website through TRS](#).

2D.7 POSITION AND FINANCIAL ACCOUNTS

2D.7.1 Position-Keeping Accounts

2D.7.1.1 Types of Account

Positions with regard to FCM Nodal Contracts are recorded within [NCS/CPS](#) in position-keeping accounts at Individual Trader Mnemonic ("ITM") level, which are not FCM Nodal Clearing Member accounts as described in FCM Regulation 4. The account types are as follows:

H House (excluding FCM Clients)

[N](#) Non-segregated (not to be used for FCM Client business)

[SC](#) Segregated FCM Client

~~Z~~ Default account, only to be used in the event of a FCM Nodal Clearing Member default under the Default Rules

The requirement to open an H account and an ~~S~~C account is compulsory. ~~Other position-keeping accounts may be opened by agreement with the Clearing House.~~

2D.7.1.2 **Basis of Position Keeping**

The ITM represents a trading desk within the NCP. As such, the ITM is the basis for the position keeping account and NCPs can have several ITMs.

Note also that the position-keeping accounts are held net at the ITM level. Netting is permitted with respect to the positions of an individual FCM Client of an FCM Nodal Clearing Member (e.g., a position of bought one lot and sold two lots will be reported as sold one).

2D.7.2 **Financial Accounts**

FCM Nodal Clearing Member position-keeping accounts have financial accounts associated with them. These are, among other things, used to record cash balances, securities/documentary credits and unrealized margin.

Where appropriate, an FCM Nodal Clearing Member's financial accounts are identified by a single character code: C for segregated client business (~~recorded as S within NCSCPS~~); H for house business (~~recorded as H within NCSCPS~~).

Information contained within position-keeping accounts is consolidated into financial accounts, as follows:

2D.7.2.1 **Relationship with Position-keeping accounts**

| Position-keeping accounts | Financial account |
|--|-------------------|
| H House | H |
| N Non-segregated | H |
| S C Segregated FCM Client (used for Initial Margin flows) | C |

By permitting a transaction to be allocated to a position-keeping account, an FCM Nodal Clearing Member is also deemed to be designating that transaction for the associated financial account.

2D.7.2.2 **Other Financial Accounts**

Subject to approval by the Clearing House, further financial accounts, used only to record financial balances, may be opened as follows:

| | Code |
|--|------|
| Additional Margin accounts, used for holding additional deposits in relation to House Business (FCM Nodal Clearing Members only) | B |