

# SUBMISSION COVER SHEET

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

1. FCM Regulations: Definitions, Regulations 46(o) and 15(c)(ii)(C)
2. FCM Procedures 2.1.4

## DESCRIPTION

Self-certification pursuant to §40.6(a) in respect of enhancements to the Bunched Order Trade Registration.

**Via Electronic mail**

June 13, 2014

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

**RE: Bunched Order enhancements**

Dear Ms. Jurgens:

Pursuant to §40.6(a) of the Commission Regulations, LCH.Clearnet Limited (“LCH.Clearnet”), a Derivatives Clearing Organization registered with the Commodity Futures Trading Commission (“CFTC”), hereby submits proposed enhancements to its Bunched Order functionality pursuant to Commission Regulation §40.6. The changes will be implemented with effect from June 30, 2014.

**Part I: Explanation and Analysis**

SwapClear currently supports the bunched order workflow by allowing an FCM to establish a suspension sub-account (“SwapClear Suspension Sub-Account”) for an “Account Manager Executing Party” (eg Fund Manager) within its FCM Clearing Member’s Omnibus Client Swaps Account with LCH.Clearnet. The “Account Manager Executing Party” can execute a bunched orders (Unallocated SwapClear Transaction) and submit them for registration under the suspension sub-account. SwapClear subsequently processes the allocations which can be either submitted via an Approved Trade Source system or via FCM instructions.

SwapClear is planning to extend its clearing platform to automatically apply the additional validation on each allocation it receives via Approved Trade Source Systems (ATSS) or via FCM instructions with effect from June 30, 2014.

A workflow for bunched orders and allocation workflows will be implemented to avoid errors with regards to the following scenarios: (i) overallocation of the bunched order (e.g. sending allocations greater than the original bunch order), (ii) submission of allocations which does not economically identically match the original bunch order and (iii) submission of the allocation before the bunched order is cleared.

**Part II: Amendments to the Rules and regulations of LCH.Clearnet**

The enhancements to the Bunched order functionality will result in the amendment of definitions and the insertion of new definitions. Regulations 46(o) and 15(c)(ii)(C) in LCH.Clearnet’s FCM Regulations will be amended to cater for the amendments of the new workflows. In addition, the FCM Procedures at Section 2.1.4 will be amended addressing the treatment of allocation notices.

There are no changes to the General Regulations as the enhancements are being introduced in the FCM model only.

The changes to the FCM Regulations at Appendix A-1 and the FCM Procedures at Appendix A-2 are fully explained in the document Summary Explanation attached at Appendix A-3.

### **Part III: Public Information**

LCH.Clearnet 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](http://www.lchclearnet.com/rules_and_regulations/ltd/proposed_rules.asp)

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

LCH.Clearnet will continue to comply with all Core Principle as following the introduction of these rule amendments. LCH.Clearnet has concluded that its compliance with Core Principles would not be adversely affected by these changes.

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

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

### **Part VI: Certification**

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

Should you have any questions regarding this submission please contact me at

[julian.oliver@lchclearnet.com](mailto:julian.oliver@lchclearnet.com)

Sincerely yours,



Julian Oliver  
LCH Clearnet Limited

cc: Shawn Durrani, CFTC  
cc: Jay Iyer, LCH.Clearnet Limited

**Appendix A-1**

## REGULATION 1 DEFINITIONS

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

- “Account Manager Executing Party”** means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated FCM SwapClear Transactions.
- “Affected Client”** means a client of an FCM Clearing Member (or potential client of an FCM Clearing Member) in respect of which the application of laws or regulations in the client’s jurisdiction of establishment or applicable in the context of activity on a relevant trading platform do not prevent or prohibit EMIR Client Clearing being provided to such client.
- “Aggregate Excess Loss”** has the meaning assigned to it in the Clearing House’s **“General Regulations”**.
- “Allocation Notice”** ~~has the meaning assigned to such term in FCM Regulation 46(e)(iii)~~means a message delivered to the Clearing House which contains the following information: (i) details of the Client Segregated Sub-Account or the Proprietary Account of the Post-Allocation FCM Clearing Member to which an Unallocated FCM SwapClear Contract should be allocated; (ii) the amount of notional value of the Unallocated FCM SwapClear Contract to be allocated to each such Client Segregated Sub-Account or Proprietary Account of the Post-Allocation FCM Clearing Member; and (iii) confirmation of the Unallocated FCM SwapClear Contract to which the Allocation Notice relates. Any additional information contained in the Allocation Notice (including any economic details) shall be disregarded by the Clearing House.
- “Approved Broker”** means a person authorized by the Clearing House to participate as a broker in the LCH EnClear OTC Services (as such term is used in the UK General Regulations), including the FCM EnClear Clearing Services as the context may require.
- “Assumed Allocation”** has the meaning assigned to it in FCM Regulation 15(d)(iii).
- “Auction Portfolio”** has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
- “Available FCM Buffer”** means, at any given time, (i) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps

Client with LCH that is subject to the Without Client Excess Model, FCM Buffer credited therein that is not Encumbered FCM Buffer (as described in FCM Regulation 15(c)(ii)(A)), and (ii) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the With Client Excess Model, FCM Buffer credited therein that is not being used by the Clearing House to offset Margin deficits in the relevant FCM Client Sub-Accounts (as described in FCM Regulation 15(d)(iv)).

**“Backload Registration Cycle”**

has the meaning assigned to such term in the FCM Procedures.

**“Backloaded Trade”**

has the meaning assigned to such term in the FCM Procedures.

**“Base Currency”**

has the meaning assigned to such term in FCM Regulation 37(d)(ii).

**"Block IRS Trade"**

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.

**“Business Category of FCM Contract”**

means a category of one or more Products which the Clearing House treats as separate from other Products for purposes of calculating the amount of Margin required to be furnished by an FCM Clearing Member (as set forth in the FCM Procedures) in respect of the FCM Contracts in each such category and, except to the extent otherwise set forth in the FCM Procedures, such separate margin categories consist of: (1) FCM SwapClear Contracts (referred to in the FCM Rulebook as the **“SwapClear Business Category”**), (2) FCM ForexClear Contracts (referred to in the FCM Rulebook as the **“ForexClear Business Category”**), (3) FCM EnClear Contract (referred to in the FCM Rulebook as the **“EnClear Business Category”**) and (4) FCM Nodal Contracts (referred to in the FCM Rulebook as the **“Nodal Business Category”**).

**“Business Day”**

means, in respect of an FCM Contract (except where specified otherwise in the relevant FCM SwapClear Contract Terms, FCM ForexClear Contract Terms, 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.

**“Buyer”**

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.

<b>“Carrying Clearing Member”</b>	Means (i) an FCM Clearing Member that has 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 13 and in accordance with the FCM Procedures or (ii) in respect of a transfer as described in sub-paragraph (b) of the definition of “Receiving Clearing Member”, a Clearing Member (as defined in the UK General Regulations, and being an entity other than an FCM Clearing Member).
<b>“Cash-Settled FCM Exchange Contract”</b>	means an FCM Exchange Contract which is to be settled by cash-settlement only.
<b>“CEA”</b>	means the U.S. Commodity Exchange Act.
<b>“CFTC”</b>	means the U.S. Commodity Futures Trading Commission.
<b>“CFTC Regulations”</b>	means the rules and regulations promulgated by the CFTC.
<b>“Cleared Swap”</b>	means “Cleared Swap” as such term is defined in CFTC Regulation 22.1, which term includes but is not limited to Swap Products.
<b>“Cleared Swaps Account Class”</b>	means the account class for cleared swaps accounts (as defined in CFTC Regulations 190.01(a)(i)) for purposes of Part 190 of the CFTC Regulations and Section 4d(f) of the CEA.
<b>“Cleared Swaps Customer Account”</b>	means “Cleared Swaps Customer Account” as such term is defined in CFTC Regulation 22.1.
<b>“Clearing House”</b>	means LCH.Clearnet Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom.
<b>“Closing-out Contract”</b>	means, for the purposes of these FCM Regulations, an FCM Contract effected by or on behalf of the Clearing House and registered in an FCM Clearing Member's name, being an FCM Contract on the same terms (except as to price) as an Open Contract in the FCM Clearing Member's name, save that where the Clearing House has position “X” under the terms of such open FCM Contract (where such FCM Contract consists of positions “X” and “Y”), the Clearing House shall have position “Y” under the terms of such closing-out FCM Contract, and vice-versa.
<b>“Collateral”</b>	means the cash, securities or other collateral or assets deposited with or to be deposited with (as the context may require) the Clearing House by an FCM Clearing Member or otherwise furnished to (including any proceeds therefrom) an FCM Clearing Member’s Proprietary Account or its FCM



Omnibus Client Accounts with LCH for the purpose of margining, guaranteeing and/or securing (as Margin) FCM Contracts for such accounts. The Clearing House will only credit deposited securities or other non-cash collateral or assets as Collateral to the extent such securities or other noncash collateral or assets are acceptable forms of collateral as set forth in the FCM Procedures or as otherwise explicitly permitted by the Clearing House. For the avoidance of doubt, Collateral will not include, and will not be comprised of, an FCM Clearing Member's Contribution.

**“Commodity” or  
“commodity”**

means any “commodity” (as such term is defined in Section 1a(9) of the CEA and CFTC Regulation 1.3(e)) that is the subject matter of an FCM Exchange Contract.

**“Contribution”**

has the meaning assigned to it in the UK General Regulations, and as used herein refers to one or more of the Contributions of one or more FCM Clearing Members or Non-FCM Clearing Members, as the context may require.

**“cover”**

means either Collateral, Margin or both, as the context may require as used in the FCM Rulebook.

**“CVR” or “Collateral Value  
Report”**

has the meaning assigned to it in FCM Regulation 15(d)(ii).

**“Defaulter”**

has the meaning assigned to it in rule 4 of the Default Rules.

**“Default Notice”**

has the meaning assigned to it in rule 3 of the Default Rules.

**“Default Rules”**

means the Clearing House's Default Rules from time to time in force pursuant to part II of schedule 21 to the UK Companies Act 1989.

**“Delivery Month”**

in respect of an FCM Exchange Contract, has the meaning ascribed to it in the Exchange Rules applicable to such FCM Exchange Contract.

**“Delivery Notice”**

means a notice in writing, given by or on behalf of a Seller (or Buyer where Exchange Rules so require) pursuant to Exchange Rules, these FCM Regulations and the FCM Procedures, of the Seller's (or Buyer's) intention to make (or take) delivery of a commodity in connection with an FCM Exchange Contract.

**“Economic Terms”**

means that part of the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms, or the FCM EnClear Contract Terms designated as Economic Terms by the Clearing House from time to time.

**“EMIR Client Clearing”**

means the provision of Client Clearing Services on an Individual Segregated Account or Omnibus Segregated

Account basis as set out in the Regulation 10 and Regulation 11 of the UK General Regulations (capitalized terms used and not otherwise defined herein bearing the same meanings set out in the UK General Regulations).

- “Encumbered FCM Buffer”** has the meaning assigned to it in FCM Regulation 15(c)(ii).
- “Exchange”** means an organization (whether an exchange, association, company, corporation, limited partnership or otherwise), including a designated contract market (designated as such by the CFTC), responsible for administering a futures, options, or stock market (in its capacity as the administrator of such a market), to which the Clearing House provides FCM Clearing Services.
- “Exchange Board”** means the board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange.
- “Exchange Rules”** means the rules, regulations, administrative procedures, memorandum and articles of association, charter, certificate of incorporation, by-laws or similar constituent documents which regulate an Exchange and the market administered by it as notified from time to time to the Clearing House and, without prejudice to the generality of the foregoing, any regulations or directions made by its Board and any procedures, practices and administrative requirements of the Exchange.
- “Excess Margin”** means, in respect of (i) an FCM Client Sub-Account (excluding FCM Buffer and Encumbered FCM Buffer), (ii) an FCM Clearing Member’s Proprietary Account, or (iii) an FCM Omnibus Futures Client Account with LCH, the amount (if any) by which the Margin attributable to any such account exceeds the Required Margin applicable to the FCM Contracts registered to such account each as determined by the Clearing House in accordance with the FCM Rulebook.
- “Executing Party”** means each person described as a party to an FCM Transaction in the details submitted to the Clearing House via the relevant FCM Clearing Member and/or via the relevant FCM Approved Trade Source System.
- “Expiry Month”** means a month prescribed by Exchange Rules in respect of an FCM Option Contract.
- “FCM”** means a futures commission merchant, as defined in the CEA and the CFTC Regulations promulgated thereunder, that is registered in such capacity with the CFTC.
- “FCM Approved Trade** means a system or facility, such as an exchange, a clearing

<b>Source System</b>	house, a swap execution facility, a designated contract market, trade affirmation or routing system or other similar venue or system, approved by the Clearing House for submitting or presenting FCM Transactions to the Clearing House. For the avoidance of doubt, the “ <b>SwapClear API</b> ” is not an FCM Approved Trade Source System.
<b>“FCM Buffer”</b>	has the meaning assigned to such term in FCM Regulation 15(a).
<b>“FCM Buffer Sub-Account”</b>	has the meaning assigned to such term in FCM Regulation 15(a).
<b>“FCM Clearing Member”</b>	means an FCM that has been approved by the Clearing House for the clearing of one or more categories of FCM Contracts on behalf of FCM Clients, in accordance with an FCM Clearing Membership Agreement and the FCM Procedures, and pursuant to these FCM Regulations, and as such is a “ <b>Clearing Member</b> ” for all purposes under the Default Rules and the FCM Default Fund Agreement, unless otherwise specified in these FCM Regulations.
<b>“FCM Clearing Membership Agreement”</b>	means the agreement so designated under which, <i>inter alia</i> , the Clearing House agrees to make available clearing services to an FCM Clearing Member in respect of FCM Contracts together with any ancillary agreements.
<b>“FCM Clearing Services”</b>	means the FCM SwapClear Clearing Services, the FCM ForexClear Clearing Services, the FCM EnClear Clearing Services and the FCM Nodal Clearing Services, collectively.
<b>“FCM Client”</b>	means a client of an FCM Clearing Member with positions in FCM Contracts on behalf of which the FCM Clearing Member provides FCM Clearing Services and clears FCM Contracts; <b>provided, that</b> any such client is only an FCM Client with respect to its positions in FCM Contracts; <b>and provided, further, that</b> any entity whose account would be considered a Cleared Swaps Proprietary Account pursuant to CFTC Regulation 22.1 or a proprietary account pursuant to CFTC Regulation 1.3(y) if such account were carried by an FCM Clearing Member (such as in the case of an affiliate), shall not be an “FCM Client” of any such FCM Clearing Member.
<b>“FCM Client Business”</b>	means the provision of FCM Clearing Services by an FCM Clearing Member to its FCM Clients.
<b>“FCM Client Funds”</b>	means all FCM Swaps Client Funds and/or FCM Futures Client Funds, as the context may require.
<b>“FCM Client Segregated</b>	means an FCM Swaps Client Segregated Depository Account

<b>Depository Account”</b>	or an FCM Futures Client Segregated Depository Account, as the context may require.
<b>“FCM Client Sub-Account”</b>	means an individual segregated sub-account on behalf of an individual FCM Client, established on the books of the Clearing House as a sub-account of the relevant FCM Omnibus Swaps Client Account with LCH of an FCM Clearing Member which shall reflect the relevant Margin balance attributable to such sub-account, and the relevant FCM Contracts registered to such sub-account and carried for such FCM Client by its FCM Clearing Member, based on information provided by the applicable FCM Clearing Member and/or an FCM Approved Trade Source System to the Clearing House. Each FCM Client will have an FCM Client Sub-Account in the relevant FCM Omnibus Swaps Client Account with LCH for each Business Category of FCM Contracts in which such FCM Client clears Swap Products.
<b>“FCM Client Sub-Account Balance”</b>	means, at any given time, the legally segregated value of the Margin balance attributable to an FCM Client Sub-Account of the relevant FCM Client as determined by the Clearing House in accordance with the FCM Rulebook. For the avoidance of doubt, an FCM Client Sub-Account Balance at no time reflects the value of any FCM Buffer (including any Encumbered FCM Buffer) or the value of any Unallocated Excess.
<b>“FCM Contract”</b>	means an FCM SwapClear Contract, an FCM ForexClear Contract, an FCM EnClear Contract or an FCM Nodal Contract. <b>“FCM Contracts”</b> means FCM SwapClear Contracts, FCM ForexClear Contracts, FCM EnClear Contracts and FCM Nodal Contracts, collectively.
<b>“FCM Contract Terms”</b>	means the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms, the FCM EnClear Contract Terms and the FCM Nodal Contract Terms, collectively.
<b>“FCM Default Fund Agreement”</b>	means an agreement in a form prescribed by the Clearing House, entered into between an FCM Clearing Member and the Clearing House relating to the “default funds” of the Clearing House.
<b>"FCM Eligible US Trading Venue"</b>	means, in respect of an FCM Clearing Member, an FCM US Trading Venue for which the Clearing House’s records reflect that such FCM Clearing Member has completed the Clearing House’s process for enabling the FCM Clearing Member to be eligible to submit (or have submitted on its behalf) a transaction executed on such FCM US Trading Venue to the Clearing House for registration.

<b>“FCM EnClear Clearing Services”</b>	means the services provided by an FCM Clearing Member in connection with FCM EnClear Contracts cleared on behalf of its FCM Clients.
<b>“FCM EnClear Clearing Member”</b>	means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM EnClear Transactions and register FCM EnClear Contracts.
<b>“FCM EnClear Contract”</b>	means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM EnClear Contract Terms, and which is governed by these FCM Regulations.
<b>“FCM EnClear Contract Terms”</b>	means the terms applicable to each FCM EnClear Contract as set out from time to time in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.
<b>“FCM EnClear Product Eligibility Criteria”</b>	means the product criteria set out in paragraph 1.2 of Part B of Schedule 3 to the FCM Product Specific Contract Terms and Eligibility Manual.
<b>“FCM EnClear Transaction”</b>	means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM EnClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM EnClear Contract or a Non-FCM EnClear Contract.
<b>“FCM Exchange Contract”</b>	means an FCM Contract arising out of a transaction executed on a market administered by an Exchange in accordance with the Exchange Rules of the relevant Exchange. Such FCM Contracts are: FCM Nodal Contracts.
<b>“FCM Exchange Contract Subject to Delivery Notice”</b>	means a Physically-Settled FCM Exchange Contract in respect of which a Delivery Notice has been given, and which has not been closed out, settled or invoiced back, in accordance with the FCM Rulebook.
<b>“FCM Exchange Transaction”</b>	means a transaction entered on, or subject to, the Exchange Rules of the relevant Exchange of which particulars are to be presented to the Clearing House for registration as (i) an FCM Exchange Contract in the name of the relevant FCM Clearing Member in accordance with the relevant Exchange Rules, and the FCM Regulations and FCM Procedures and (ii) as applicable, as either (A) a second such FCM Exchange Contract or (B) a “Cleared Exchange Contract” with a Non-FCM Clearing Member governed by the UK General Regulations.
<b>“FCM ForexClear Clearing</b>	means an FCM Clearing Member approved by the Clearing

<b>Member”</b>	House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM ForexClear Transactions and register FCM ForexClear Contracts.
<b>“FCM ForexClear Clearing Services”</b>	means the services provided by an FCM Clearing Member in connection with FCM ForexClear Contracts cleared on behalf of its FCM Clients.
<b>“FCM ForexClear Contract”</b>	means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM ForexClear Contract Terms, and which is governed by these FCM Regulations.
<b>“FCM ForexClear Contract Terms”</b>	means the terms applicable to each FCM ForexClear Contract as set out from time to time in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.
<b>“FCM ForexClear Product Eligibility Criteria”</b>	means the product criteria set out in paragraph 2 of Part B of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.
<b>“FCM ForexClear Transaction”</b>	means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM ForexClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM ForexClear Contract or a Non-FCM ForexClear Contract.
<b>“FCM Futures Client Funds”</b>	means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member ( <i>i.e.</i> , not furnished to the Clearing House) on behalf of its FCM Clients with respect to Futures Products or other Futures/Options Contracts.
<b>“FCM Futures Client Segregated Depository Account”</b>	means an omnibus account maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository (including any applicable “PPS Accounts”, which are described in the FCM Procedures), which is segregated in accordance with Section 4d(a) of the CEA and the CFTC Regulations, and which contains the FCM Futures Client Funds of its FCM Clients held in connection with Futures Products or other Futures/Options Contracts (and, if applicable, the funds of other futures customers of an FCM Clearing Member held in connection with other Futures/Options Contracts).
<b>“FCM Nodal Clearing Member”</b>	means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM Nodal Transactions and register FCM Nodal Contracts.

<b>“FCM Nodal Clearing Services”</b>	means the services provided by an FCM Clearing Member in connection with FCM Nodal Contracts cleared on behalf of its FCM Clients.
<b>“FCM Nodal Contract”</b>	means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM Nodal Contract Terms, and which is governed by these FCM Regulations.
<b>“FCM Nodal Contract Terms”</b>	means the terms applicable to each FCM Nodal Contract as set out from time to time in the Nodal contract specifications provided in the Nodal Rules.
<b>“FCM Nodal Transaction”</b>	means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM Nodal Contract, and the other side of such transaction registered with the Clearing House as either an FCM Nodal Contract or a Non-FCM Nodal Contract.
<b>“FCM Omnibus Client Account with LCH”</b>	means either an FCM Omnibus Swaps Client Account with LCH or an FCM Omnibus Futures Client Account with LCH.
<b>“FCM Omnibus EnClear Client Account with LCH”</b>	means an omnibus account maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM EnClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus EnClear Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM EnClear Contracts. Each FCM Omnibus EnClear Client Account with LCH is a book-entry account, the associated Collateral of which is contained in the LCH Swaps Client Segregated Depository Account. The Clearing House will establish FCM Client Sub-Accounts within each FCM Omnibus EnClear Client Account with LCH.
<b>“FCM Omnibus ForexClear Client Account with LCH”</b>	means an omnibus account maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM ForexClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus ForexClear Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM ForexClear Contracts. Each FCM Omnibus ForexClear Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Swaps Client Segregated Depository

Account. The Clearing House will establish FCM Client Sub-Accounts within each FCM Omnibus ForexClear Client Account with LCH.

**“FCM Omnibus Nodal Client Account with LCH”**

means an omnibus account maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM Nodal Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus Nodal Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM Nodal Contracts. Each FCM Omnibus Nodal Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Futures Client Segregated Depository Account.

**“FCM Omnibus Futures Client Account with LCH”**

means an FCM Omnibus Nodal Client Account with LCH.

**“FCM Omnibus SwapClear Client Account with LCH”**

means an omnibus account maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM SwapClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus SwapClear Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM SwapClear Contracts. Each FCM Omnibus SwapClear Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Swaps Client Segregated Depository Account. The Clearing House will establish FCM Client Sub-Accounts within each FCM Omnibus SwapClear Client Account with LCH.

**“FCM Omnibus Swaps Client Account with LCH”**

means either an FCM Omnibus SwapClear Client Account with LCH, an FCM Omnibus ForexClear Client Account with LCH, or an FCM Omnibus EnClear Client Account with LCH.

**“FCM Option Contract”**

means an FCM Exchange Contract which is a contract for an Option.

**“FCM Procedures”**

means the document containing the working practices and administrative or other requirements of the Clearing House for the purposes of implementing or supplementing these FCM Regulations, or the procedures for application for and regulation of membership of the Clearing House. For the avoidance of doubt, a reference to “FCM Procedures” is not intended to refer to procedures provided for or required by



any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organization.

**“FCM Product Specific Contract Terms and Eligibility Criteria Manual”**

means the FCM Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time.

**“FCM Regulations”**

means these FCM Regulations entitled as such, relating to FCM Contracts and the clearing of FCM Contracts only, from time to time in force.

**“FCM Rulebook”**

means the FCM Regulations, the Other Specific Regulations, the FCM Procedures and such other rules of the Clearing House, which are applicable to FCM Clearing Services, as published and amended from time to time.

**“FCM SwapClear Clearing Services”**

means the services provided by an FCM Clearing Member in connection with FCM SwapClear Contracts cleared on behalf of its FCM Clients.

**“FCM SwapClear Contract”**

means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM SwapClear Contract Terms, and which is governed by these FCM Regulations.

**“FCM SwapClear Contract Terms”**

means the terms applicable to each FCM SwapClear Contract as set out from time to time in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

**“FCM SwapClear Product Eligibility Criteria”**

means the product criteria set out in paragraphs 1.1(a), 1.1(b) or 1.1(c), and paragraph 3 of Part B of Schedule 1 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

**“FCM SwapClear Suspension Sub-Account”**

means the sub-account of a Pre-Allocation FCM Clearing Member's Omnibus Client Swaps Account which has been established by the FCM SwapClear Clearing Member with a view to registering Unallocated FCM SwapClear Contracts.

**“FCM SwapClear Transaction”**

means any transaction the details of which are presented to the Clearing House via an FCM Approved Trade Source System for the purpose of having such transaction registered at the Clearing House as two FCM SwapClear Contracts (or, where a corresponding presentation has been made in respect of the same transaction for registration of a Non-FCM SwapClear Contract, one Non-FCM SwapClear Contract and one FCM SwapClear Contract), regardless of whether (a) such transaction is an existing swap transaction, (b) it was

entered into in anticipation of clearing, and (c) it is contingent on clearing.

**“FCM Swaps Client Funds”** means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member (*i.e.*, not furnished to the Clearing House) on behalf of its FCM Clients with respect to Swaps Products or other Cleared Swaps.

**“FCM Swaps Client Segregated Depository Account”** means an omnibus account maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository (including any applicable “PPS Accounts”, which are described in the FCM Procedures), which is segregated in accordance with Section 4d(f) of the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account and which contains the FCM Swaps Client Funds of its FCM Clients held in connection with Swap Products or other Cleared Swaps (and, if applicable, the funds of other Cleared Swaps customers of an FCM Clearing Member held in connection with other Cleared Swaps).

**“FCM Transaction”** means either an FCM SwapClear Transaction, an FCM ForexClear Transaction, an FCM EnClear Transaction or an FCM Exchange Transaction (including an FCM Nodal Transaction), as the context may require.

**“FCM US Trading Venue”** means a swap execution facility or designated contract market registered as such with the CFTC which the Clearing House has approved for the purposes of having transactions executed thereon submitted to the Clearing House for registration. For the avoidance of doubt, an FCM US Trading Venue need not be an FCM Approved Trade Source System.

**“FCM US Trading Venue Transaction”** means, in respect of an FCM Clearing Member, a transaction recorded in the Clearing House’s systems (via applicable messaging from the relevant FCM US Trading Venue, FCM Approved Trade Source System or otherwise) as a transaction that was executed on a swap execution facility or designated contract market that, as at the time of such execution, was an FCM Eligible US Trading Venue in respect of such FCM Clearing Member.

**“FDICIA”** means the Federal Deposit Insurance Corporation Improvement Act of 1991, as amended.

**“First EnClear Clearing Member”** has the meaning assigned to it in FCM Regulation 53(a).

**“First Nodal Clearing Member”** has the meaning assigned to it in FCM Regulation 56(a).

<b>“ForexClear Clearing Member”</b>	means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
<b>“ForexClear Contribution”</b>	means, in relation to the Default Rules, the meaning assigned to it in rule 16 of the Default Rules.
<b>“ForexClear DMP”</b>	has the meaning assigned to it in the ForexClear DMP Annex of the Default Rules.
<b>“Futures Account Class”</b>	means the account class for futures accounts (as defined in CFTC Regulation 190.01(a)(i)) for purposes of Part 190 of the CFTC Regulations and Section 4d(a) of the CEA.
<b>“Futures/Options Contract”</b>	means the type of contract which is either (i) a contract for the purchase or sale of a commodity for future delivery that is traded on or subject to the rules of an Exchange, (ii) an option on any such contract or (iii) any similar type of contract, and which, in the case of any of the foregoing, is required to be segregated (along with any related margin) pursuant to Section 4d(a) of the CEA if cleared by an FCM for a customer.
<b>“Futures Product”</b>	means a Product which constitutes a Futures/Options Contract. Such Products are: FCM Nodal Contracts.
<b>“Hedged Account”</b>	has the meaning assigned to it in the FCM Procedures.
<b>“Ineligible FCM ForexClear Contract”</b>	has the meaning assigned to it in FCM Regulation 49(e)(ii).
<b>“Ineligible FCM ForexClear Transaction”</b>	has the meaning assigned to it in FCM Regulation 49(e)(i).
<b>“Ineligible FCM SwapClear Contract”</b>	has the meaning assigned to it in FCM Regulation 46(f).
<b>“Ineligible FCM SwapClear Transaction”</b>	has the meaning assigned to it in FCM Regulation 46(f).
<b>“Initial Margin”</b>	means, with respect to the amount of Margin attributable to a particular account or accounts of an FCM Clearing Member with the Clearing House, the portion of such Margin held in respect of the Clearing House’s initial margin requirements (as published from time to time by the Clearing House) in respect of the relevant FCM Contracts attributable to such account or accounts.
<b>“LCH.Clearnet Group”</b>	means the group of undertakings consisting of LCH.Clearnet Limited, LCH.Clearnet Group Limited, LCH.Clearnet LLC, LCH.Clearnet (Luxembourg) S.a.r.l., LCH.Clearnet Service Company Limited and Banque Centrale de Compensation

S.A. trading as LCH.Clearnet SA. (any reference to a “**member**” of LCH.Clearnet Group Limited within these FCM Regulations is to be construed accordingly).

**“LCH Approved Outsourcing Agent”**

means a person, designated as such by the Clearing House, as may be provided for in the FCM Procedures.

**“LCH EnClear OTC Clearing Member”**

means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.

**“LCH Futures Client Segregated Depository Account”**

means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and the CFTC Regulations, which is part of the Futures Account Class and which contains the Collateral deposited by such FCM Clearing Members on behalf of their FCM Clients solely in connection with Futures Products cleared for such FCM Clients by such FCM Clearing Members.

**“LCH Swaps Client Segregated Depository Account”**

means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account that is part of the Cleared Swaps Account Class and which contains the Collateral deposited by such FCM Clearing Members on behalf of their FCM Clients solely in connection with Swaps Products cleared for such FCM Clients by such FCM Clearing Members.

**“Lot”**

means the standard unit or quantity prescribed by an Exchange, with the approval of the Clearing House, as the trading unit of an FCM Exchange Contract.

**“Margin”**

means, with respect to a particular account or accounts of an FCM Clearing Member with the Clearing House, the Collateral value that is attributable to such account or accounts as margin for the margining of FCM Contracts in such account or accounts, as determined by the Clearing House in accordance with the FCM Rulebook.

**“MCE”**

has the meaning assigned to it in Section 2.2.12(c) of the

FCM Procedures.

<b>“MER”</b>	Has the meaning assigned to it in Section 2.1.3(c) of the FCM Procedures.
<b>“Nodal”</b>	means Nodal Exchange, LLC of 8065 Leesburg Pike, 3 <sup>rd</sup> Floor, Vienna, VA 22182, United States of America.
<b>“Nodal Eligible Derivative Product”</b>	means a derivative product prescribed from time to time by the Clearing House as eligible for the FCM Nodal Clearing Service.
<b>“Nodal’s Rules”</b>	means the rules, practices, procedures, trading protocols and arrangements of the Nodal Trading Facility as the case may be and as may be prescribed from time to time relating to Nodal Eligible Derivative Products.
<b>“Nodal Service Clearing Member”</b>	means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
<b>“Nodal Trading Facility”</b>	means the facility, trading system or systems operated directly or indirectly by Nodal on which Nodal Eligible Derivative Products may be traded.
<b>“Non-FCM Clearing Member”</b>	means either a SwapClear Clearing Member, a ForexClear Clearing Member, an LCH EnClear OTC Clearing Member or a Nodal Service Clearing Member, as applicable.
<b>“Non-FCM Contract”</b>	means either a Non-FCM SwapClear Contract, a Non-FCM ForexClear Contract, a Non-FCM EnClear Contract or a Non-FCM Nodal Contract, as applicable.
<b>“Non-FCM EnClear Contract”</b>	means an “LCH EnClear OTC Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
<b>“Non-FCM ForexClear Contract”</b>	means a “ForexClear Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
<b>“Non-FCM Nodal Contract”</b>	means a “Nodal Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
<b>“Non-FCM SwapClear Contract”</b>	means a “SwapClear Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
<b>“Non-Porting Client”</b>	has the meaning assigned to it in the FCM Procedures.

<b>“Official Quotation”</b>	means a price determined by the Clearing House under FCM Regulation 15.
<b>“Omnibus Collateral Value”</b>	means, at any given time in respect of an FCM Omnibus Swaps Client Account with LCH, the aggregate Margin, as determined by the Clearing House in accordance with the FCM Rulebook, attributable to such FCM Omnibus Swaps Client Account with LCH (and regardless of whether such Margin is attributed to an FCM Client Sub-Account, the FCM Buffer Sub-Account or the Unallocated Excess Sub-Account).
<b>“Open Contract” or “open contract”</b>	means an FCM Contract which has not been closed-out, settled or invoiced back in accordance with the FCM Regulations and the FCM Procedures. The terms <b>“Open Contract”</b> and <b>“open contract”</b> shall not include a Closing-out Contract.
<b>“Option”</b>	means a right (but not the obligation) pursuant to an FCM Option Contract, to enter into a Cash-Settled FCM Exchange Contract or a Physically-Settled FCM Exchange Contract.
<b>“Other Specific Regulations”</b>	means the Clearing House's Default Rules, Default Fund Rules, Settlement Finality Regulations and related Definitions and provisions relating to construction as published and amended by the Clearing House from time to time.
<b>“Permitted Depository”</b>	means (i) with respect to FCM Swaps Client Funds or Collateral held in connection with Swap Products, “Permitted Depository” as such term is defined in CFTC Regulations 22.1 and 22.4, and (ii) with respect to FCM Futures Client Funds or Collateral held in connection with Futures Products, a depository qualified to hold customer funds in accordance with CFTC Regulation 1.49.
<b>“Physically-Settled FCM Exchange Contract”</b>	means an FCM Exchange Contract between the Clearing House and an FCM Clearing Member: (i) for the sale and purchase of a commodity that is the result of the exercise of an Option pursuant to these FCM Regulations; or (ii) for the sale and purchase of a commodity for delivery on the date specified in the FCM Exchange Contract or on the date agreed between the parties.
<b>“Portfolios”</b>	has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
<b>“Porting Collateral”</b>	has the meaning assigned to it in FCM Regulation 13(a)

<b>“Porting Contracts”</b>	has the meaning assigned to it in FCM Regulation 13(a)
<b><u>“Post-Allocation FCM Clearing Member”</u></b>	<u>means the FCM Clearing Member associated with a Client Segregated Sub-Account or Proprietary Account to which part or all of an Unallocated FCM SwapClear Contract is to be allocated pursuant to an Allocation Notice.</u>
<b><u>“Pre-Allocation FCM Clearing Member”</u></b>	<u>Has the meaning assigned to it in FCM Regulation 46(o)(i).</u>
<b><u>“Pre-Allocation Executing Party” or “Account Manager Executing Party”</u></b>	<u>means an Executing Party, including an Account Manager Executing Party, which is not an FCM Clearing Member and which is authorized to execute Unallocated FCM SwapClear Transactions on its own behalf or on behalf of one or more FCM Clients.</u>
<b>“Premium”</b>	means the consideration for the selling of an Option payable by the Buyer in accordance with these FCM Regulations and the FCM Procedures.
<b>“Price”</b>	means, in the case of an FCM Contract, the price calculated by the Clearing House in accordance with the FCM Regulations and the FCM Procedures.
<b>“Product”</b>	means a Swap Product or a Futures Product, as the context may require.
<b>“Prompt Date”</b>	in respect of an FCM Exchange Contract, has the meaning ascribed to it in the Exchange Rules governing such FCM Exchange Contract.
<b>“Proprietary Account”</b>	means the house account with the Clearing House opened in the name of an FCM Clearing Member to which FCM Contracts made by the FCM Clearing Member for its own account are registered and to which monies in respect of such FCM Contracts are credited.
<b>“Rate X and Rate Y”</b>	means, in relation to an FCM SwapClear Transaction or an FCM SwapClear Contract, the outstanding payment obligations of each party to the transaction, such that Rate X comprises the outstanding payment obligations of one party to the other and Rate Y comprises the outstanding payment obligations of the other party to the first party.
<b>“Receiving FCM Clearing Member”</b>	means (i) an FCM Clearing Member or (ii) where the Porting Contracts are FCM SwapClear Contracts, a Clearing Member (as defined in the UK General Regulations, and being an entity other than an FCM Clearing Member) in each case nominated by an FCM Client to receive the transfer of part or all of the FCM Contracts and associated Collateral attributable to such FCM Client from the Carrying Clearing

Member that previously carried such account, pursuant to FCM Regulation 13 and in accordance with the FCM Procedures. For the avoidance of doubt, where the Porting Contracts are FCM SwapClear Contracts: (a) an entity that is an FCM Client may also be a Receiving Clearing Member, and (b) a Receiving Clearing Member that is an FCM Clearing Member may be nominated to receive the transfer of Relevant SwapClear Contracts and Associated Collateral Balance from a Carrying Clearing Member that is not an FCM Clearing Member pursuant to Regulation 60 of the UK General Regulations (capitalized terms used in this sub-paragraph (b) having the meanings set out in the UK General Regulations).

**“Reference Currency Buyer”** has the meaning assigned to it in the Clearing House’s **“General Regulations”**.

**“Reference Currency Seller”** has the meaning assigned to it in the Clearing House’s **“General Regulations”**.

**“Reference Price”** means a price (howsoever called) by reference to which an FCM Contract is marked to market or valued in accordance with the FCM Regulations and FCM Procedures.

**“Registration Time”** means, in respect of an FCM Contract, the applicable time at which the Clearing House registers such FCM Contract, as prescribed in the FCM Procedures.

**“Regulatory Body”** means the Secretary of State, The Financial Services Authority or professional body designated under Part 20 of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Bank of England, the CFTC or any department, agency, office, court or tribunal of a nation, state, province or any other body or authority which exercises a regulatory or supervisory function under the laws of the United Kingdom or under any foreign law.

**“Required Margin”** means, with respect to a particular account or accounts of an FCM Clearing Member with the Clearing House, the amount of Initial Margin required by the Clearing House (in accordance with the FCM Rulebook) to be held in such account or accounts from time to time.

**“Resignation Effective Date”** means the date on which the termination of a Resigning Member’s FCM Clearing Member status in respect of a specific FCM Clearing Service becomes effective as specified in FCM Regulation 5(a).

**“Resigning Member”** means at any time any FCM Clearing Member: (i) who has given notice to the Clearing House for the purposes of resigning from a particular FCM Clearing Service; or (ii) in



respect of whom the Clearing House has given notice for the purposes of requiring such FCM Clearing Member to resign from a particular FCM Clearing Service.

- “Retirement Effective Date”** means the date on which the termination of a Retiring Member's FCM Clearing Member status becomes effective in accordance with Section 17 of the FCM Clearing Membership Agreement and the FCM Procedures as specified in FCM Regulation 5(e).
- “Retiring Member”** means at any time any FCM Clearing Member or, as the context may require, any former FCM Clearing Member: (i) who has given notice to terminate its FCM Clearing Member status to the Clearing House; or (ii) in respect of whom the Clearing House has terminated or given notice to terminate its FCM Clearing Member status, in each case in accordance with Section 17 of the FCM Clearing Membership Agreement and the FCM Procedures.
- “Risk Neutralisation”** has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
- “Rules Change Committee”** means the decision-making body of the Clearing House that will oversee and implement all material alterations, amendments or extensions to the FCM Rulebook or the FCM Clearing Membership Agreement in accordance with its terms of reference
- “Second EnClear Clearing Member”** has the meaning assigned to it in FCM Regulation 53(a).
- “Second Nodal Clearing Member”** has the meaning assigned to it in FCM Regulation 56(a).
- “Seller”** means an FCM Clearing Member (or the Clearing House where the context so requires) who is a seller under the terms of an FCM Exchange Contract.
- “Settlement Finality Regulations”** means the Clearing House's Settlement Finality Regulations from time to time in force.
- “Settlement Price”** means, in relation to an FCM Contract, one or more prices determined in accordance with the FCM Regulations or the FCM Procedures.
- “Standard Terms”** means those parts of the FCM Contract Terms designated as Standard Terms by the Clearing House from time to time.
- “Strike Price”** means the price specified in an FCM Option Contract which becomes the price of the commodity under an FCM Exchange Contract, upon the exercise of the FCM Option Contract, in

	accordance with the relevant Exchange Rules, and the FCM Regulations and FCM Procedures.
<b>“Swap Product”</b>	means a Product which constitutes a Cleared Swap. Such Products are: (1) FCM SwapClear Contracts, (2) FCM ForexClear Contracts and (3) FCM EnClear Contracts.
<b>“SwapClear Contribution”</b>	means, in relation to the Default Rules, the meaning assigned to it in rule 16 of the Default Rules.
<b>“SwapClear Clearing Member”</b>	means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
<b>“SwapClear DMP”</b>	has the meaning assigned to it in the SwapClear DMP Annex of the Default Rules.
<del><b>“SwapClear Suspension Sub-Account”</b></del>	<del>has the meaning assigned to such term in FCM Regulation 46(o)(ii).</del>
<b>“SwapClear Tolerance”</b>	has the meaning assigned to it in Section 2.1.3(c) of the FCM Procedures.
<b>“Termination Amount”</b>	has the meaning assigned to such term in FCM Regulation 37(d)(iii).
<b>“UK General Regulations”</b>	means the Clearing House’s Default Rules and the Settlement Finality Regulations, and the Clearing House’s General Regulations from time to time in force.
<b>“UK General Procedures”</b>	means the Clearing House’s <b>“Procedures”</b> as such term is defined in the UK General Regulations, which are applicable to the UK General Regulations.
<b>“Unallocated Excess”</b>	has the meaning assigned to such term in FCM Regulation 15(b).
<b>“Unallocated Excess Sub-Account”</b>	has the meaning assigned to such term in FCM Regulation 15(b).
<b>“Unallocated FCM SwapClear Contract”</b>	has the meaning assigned to such term in FCM Regulation 46(o)(ii).
<b>“Unallocated FCM SwapClear Transaction”</b>	has the meaning assigned to such term in FCM Regulation 46(o)(i).
<b>“Variation Margin”</b>	means the amount payable by an FCM Clearing Member to the Clearing House or by the Clearing House to an FCM Clearing Member, as applicable, in respect of, and in the amount of, the Clearing House’s variation margin requirements (as published from time to time by the Clearing House) in respect of an FCM Contract and with reference to

the change in the NPV of such FCM Contract over a particular period of time.

**“Withdrawal Date”** means the date upon which the Clearing House determines to withdraw the FCM SwapClear Service, the FCM ForexClear Service or the FCM EnClear Service, as applicable, in accordance with these FCM Regulations and the FCM Procedures.

**“With Client Excess Model”** has the meaning assigned to it in FCM Regulation 15(d).

**“Without Client Excess Model”** has the meaning assigned to it in FCM Regulation 15(c).

Any reference in these FCM Regulations or the FCM Procedures to statutes, laws or regulations (or to specific provisions within them) thereof shall be to such statutes, laws or regulations (or to specific provisions within them) as amended, modified, supplemented or replaced from time to time.

Any reference to a Regulatory Body includes any successor or replacement Regulatory Body.

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

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

The words **“include”**, **“includes”** or **“including”** are to be deemed followed by the words **“without limitation”**.

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

Any reference in these FCM Regulations or the FCM Procedures to a person or a party (however described) shall include its legal successors or assigns.

Headings are used herein for ease of reference only.

**REGULATION 15 MARGINING OF SWAP PRODUCT CLIENT ACCOUNTS:  
CERTAIN ADDITIONAL PROVISIONS; WITHOUT CLIENT EXCESS  
MODEL; WITH CLIENT EXCESS MODEL**

The contents of this FCM Regulation 15 apply only with respect to the clearing and margining of Swap Products.

- (a) **FCM Buffer.** An FCM Clearing Member is permitted to furnish Collateral that is the property of such FCM Clearing Member (and not of its FCM Clients) to the Clearing House to be attributed to any of its FCM Omnibus Swaps Client Accounts with LCH as excess Margin for the benefit of all of its FCM Clients with positions registered or to be registered in such account, and the value of such Collateral as determined by the Clearing House in accordance with the FCM Rulebook (such value, the “**FCM Buffer**”) shall be recorded by the Clearing House as attributable to such FCM Clearing Member (for the benefit of its FCM Clients) in a sub-account of the applicable FCM Omnibus Swaps Client Account with LCH designated as an FCM Buffer sub-account (each such sub-account, with respect to each FCM Clearing Member, an “**FCM Buffer Sub-Account**”). The use and application of FCM Buffer in the With Client Excess Model and the Without Client Excess Model is further discussed below in paragraphs (e) and (f), respectively, and in the FCM Procedures.
- (b) **Unallocated Excess.**
- (i) Any Margin attributable to an FCM Omnibus Swaps Client Account with LCH that is not allocated to an FCM Client Sub-Account or the FCM Buffer Sub-Account therein (such Margin, “**Unallocated Excess**”) shall be credited by the Clearing House to the Unallocated Excess sub-account (the “**Unallocated Excess Sub-Account**”) of such FCM Omnibus Swaps Client Account with LCH. The Clearing House shall hold Unallocated Excess for the benefit of the FCM Clients corresponding to such FCM Omnibus Swaps Client Account with LCH as a class (the identities and amounts of which shall be recorded by such FCM Clearing Member and not the Clearing House in accordance with this FCM Regulation 15 and other applicable provisions of the FCM Rulebook), segregated in accordance with the CEA and CFTC Regulations, including Part 22 of the CFTC Regulations. The Clearing House shall treat and record the Unallocated Excess in respect of an FCM Omnibus Swaps Client Account with LCH on an unallocated basis, and the Clearing House shall not attribute any portions of such Unallocated Excess to the individual FCM Clients of such FCM Clearing Member (although the Unallocated Excess shall be held for the benefit of the applicable FCM Clients as a class (in accordance with Part 22 of the CFTC Regulations), the records of which are kept by the applicable FCM Clearing Member).
- (ii) Each FCM Clearing Member that maintains Unallocated Excess in any of its Unallocated Excess Sub-Accounts on behalf of its applicable FCM Clients shall ensure that its books and records accurately reflect at all times the FCM Client or FCM Clients to which such Unallocated Excess is attributable and the amount attributable to each such FCM Client.

- (iii) Subject to paragraph (v) below, the Clearing House shall not be permitted to, and shall not, at any time (x) apply any Unallocated Excess to the FCM Clearing Member's Proprietary Account, or (y) except in accordance with an instruction (provided in accordance with the FCM Rulebook) by the applicable FCM Clearing Member, apply Unallocated Excess to an FCM Client Sub-Account or to the FCM Buffer Sub-Account.
  - (iv) Upon the request of an FCM Clearing Member (including as a result of a standing instruction of an FCM Clearing Member) in accordance with the FCM Procedures, the Clearing House will return Unallocated Excess to an FCM Clearing Member. The FCM Clearing Member shall be deemed to represent to the Clearing House, upon making any such request, that any such request complies with the CFTC Regulations and that the returned Unallocated Excess will remain segregated as required under the CFTC Regulations and the FCM Rulebook.
  - (v) Upon the default of an FCM Clearing Member, any Unallocated Excess in such FCM Clearing Member's Unallocated Excess Sub-Accounts shall be held by the Clearing House for the benefit of the applicable FCM Clients in accordance with Part 190 of the CFTC Regulations and applicable law, and the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the FCM Clearing Member to the Clearing House (on behalf of its FCM Clients or otherwise) except to the extent required by applicable law and/or directed by the applicable bankruptcy trustee or Regulatory Body in accordance with applicable law.
  - (vi) Certain additional procedures relating to Unallocated Excess differ based on whether the FCM Omnibus Swaps Client Accounts with LCH to which such Unallocated Excess corresponds is subject to the Without Client Excess Model or the With Client Excess Model, as such models are described in FCM Regulation 15(c) and FCM Regulation 15(d) (and in other applicable provisions of the FCM Rulebook).
- (c) **Without Client Excess Model.** The provisions of this FCM Regulation 15(c) describe certain components of the Clearing House's model for margining, in accordance with Part 22 of the CFTC Regulations, FCM Omnibus Swaps Client Accounts with LCH in a manner which prohibits the maintenance of Excess Margin in FCM Client Sub-Accounts on a day-to-day basis (such model is referred to in the FCM Rulebook as the "**Without Client Excess Model**"). An alternative model which permits such Excess Margin to be maintained (the With Client Excess Model) is described in FCM Regulation 15(d). The Without Client Excess Model is the default model that shall apply to an FCM Clearing Member's FCM Omnibus Swaps Client Accounts with LCH, and such model shall apply to all such accounts except where an FCM Clearing Member, to the extent permitted by the FCM Procedures, applies to and is approved by the Clearing House to have one or more of its FCM Omnibus Swaps Client Accounts with LCH treated in accordance with the alternative model (the With Client Excess Model described in FCM Regulation 15(d)).

The provisions of this FCM Regulation 15(c) apply only to FCM Omnibus Swaps Client Accounts with LCH that are subject to the Without Client Excess Model.

- (i) **Restriction on Excess Margin in FCM Client Sub-Accounts on a Day-to-Day Basis.** Excess Margin is not permitted to be maintained in any FCM Client Sub-Account on a day-to-day basis. However, an FCM Client's FCM Client Sub-Account is permitted to maintain Excess Margin on an intraday basis. Any Excess Margin attributable to an FCM Client Sub-Account of an FCM Client that exists in such sub-account following a daily close of the FCM Clearing Services shall be transferred by the Clearing House into the corresponding Unallocated Excess Sub-Account on the morning of the following Business Day (and as such, such Excess Margin shall become Unallocated Excess); **provided, that** all sums due from the relevant FCM Clearing Member at such time in respect of the applicable FCM Omnibus Swaps Client Account with LCH have been paid to the Clearing House. If at any time an FCM Clearing Member furnishes Margin to the Clearing House on behalf of an FCM Client in an amount which would cause such FCM Client's FCM Client Sub-Account to contain Excess Margin, the Clearing House shall be permitted to reject the deposit of any such Excess Margin or to immediately transfer any such Excess Margin back to the FCM Clearing Member.
- (ii) **Application of FCM Buffer.**
- (A) The Clearing House shall be permitted to apply any portion of an FCM Clearing Member's FCM Buffer (any portion of FCM Buffer when applied, "**Encumbered FCM Buffer**") to any FCM Client Sub-Account held by such FCM Clearing Member in the same FCM Omnibus Swaps Client Account with LCH (in which such FCM Buffer is held) which is in or would become in default.
- (B) At no time shall the Clearing House apply FCM Buffer in an amount that, in respect of an FCM Client, would cause the sum of the FCM Client's FCM Client Sub-Account Balance and the Encumbered FCM Buffer applicable to such FCM Client's FCM Client Sub-Account at such time (if any) to exceed the amount of Required Margin applicable to such FCM Client Sub-Account. In the event that any such excess exists (*e.g.*, due to a decrease in Required Margin, the crediting of additional Margin attributable to such FCM Client, or other reasons) with respect to an FCM Client Sub-Account, the Clearing House shall reduce the amount of Encumbered FCM Buffer applicable to such FCM Client in an amount sufficient to remove any such excess, and any such reduced portion of Encumbered FCM Buffer shall again constitute only FCM Buffer (and shall no longer be considered Encumbered FCM Buffer).
- (C) Any Other than any Encumbered FCM Buffer applied to an FCM SwapClear Suspension Account, any Encumbered FCM Buffer that is applied to an FCM Client Sub-Account on a Business Day and remains applied to such sub-account at the opening of the relevant FCM Clearing Service on the following Business Day (as necessary to satisfy the applicable Required Margin) shall, at such time, be deemed to become part of such FCM Client's FCM Client Sub-Account Balance and shall thereafter no longer constitute Encumbered FCM Buffer or FCM Buffer.

- (D) An FCM Clearing Member that is not a Defaulter may request the return of any of its FCM Buffer that is not Encumbered FCM Buffer at any time in accordance with the FCM Procedures, and upon such request the Clearing House shall return such FCM Buffer.
  - (E) In the event that an FCM Clearing Member furnishes Collateral to be applied to its FCM Omnibus Swaps Client Account with LCH but does not notify the Clearing House as to whether the Margin in respect of such Collateral should be considered Unallocated FCM Collateral or FCM Buffer, and has not notified the Clearing House that the collateral is attributable to individual FCM Clients, the Clearing House shall treat such Margin as furnished as FCM Buffer and credit it to the FCM Clearing Member's FCM Buffer Sub-Account.
- (iii) **Unallocated Excess.**
- (A) An FCM Clearing Member is permitted to furnish Collateral on behalf of its FCM Clients to be applied as Margin directly to the relevant Unallocated Excess Sub-Account, upon its instruction and with the prior written approval of the Clearing House in accordance with the FCM Procedures, and the relevant Margin so furnished shall become Unallocated Excess.
  - (B) An FCM Clearing Member may provide an instruction (provided in accordance with the FCM Rulebook) to the Clearing House directing it to apply all or a portion of its Unallocated Excess to an FCM Client Sub-Account within the corresponding FCM Omnibus Swaps Client Account with LCH.
- (d) **With Client Excess Model.** The provisions of this FCM Regulation 15(d) describe certain components of the Clearing House's model for margining, in accordance with Part 22 of the CFTC Regulations, FCM Omnibus Swaps Client Accounts with LCH in a manner which provides for the maintenance of Excess Margin in FCM Client Sub-Accounts on a day-to-day basis (such model is referred to in the FCM Rulebook as the "**With Client Excess Model**"). FCM Clearing Members may, to the extent provided in the FCM Procedures, apply for the Clearing House's approval to have one or more of its FCM Omnibus Swaps Client Accounts with LCH treated in accordance with the With Client Excess Model. Any FCM Omnibus Swaps Client Account with LCH for which no such approval of the Clearing House has been obtained shall be margined in accordance with the Without Client Excess Model (described in FCM Regulation 15(c)).

The provisions of this FCM Regulation 15(d) apply only to FCM Omnibus Swaps Client Accounts with LCH that are subject to the With Client Excess Model.

- (i) **Excess Margin in FCM Client Sub-Accounts.** An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its FCM Client Sub-Accounts, in accordance with the provisions of the FCM Rulebook.

- (ii) **Collateral Value Reports (CVRs).** For each FCM Omnibus Swaps Client Account with LCH maintained by an FCM Clearing Member treated in accordance with the With Client Excess Model, an FCM Clearing Member shall provide to the Clearing House, at least once on each Business Day, a “Collateral Value Report” (a “**CVR**” or “**Collateral Value Report**”) that is compliant (as determined by the Clearing House in accordance with the FCM Procedures) and that instructs the Clearing House as to the appropriate allocation of the Omnibus Collateral Value attributable to each such FCM Omnibus Swaps Client Accounts with LCH among (A) each FCM Client Sub-Account therein and (B) the FCM Buffer Sub-Account therein. FCM Clearing Members are required to produce and submit CVRs in accordance with Part 22 of the CFTC Regulations and any other applicable law, and such CVRs must be compliant with the Clearing House’s policies regarding CVRs as set forth in the FCM Procedures and as may be set forth, from time to time, in other written materials of the Clearing House made available to FCM Clearing Members. Each FCM Clearing Member shall be fully responsible for all information contained in its CVRs and the Clearing House shall be entitled to rely fully on such information and has no obligation to conduct its own investigation (although it may do so) with respect to such information. The Clearing House shall update its applicable records in accordance with the most recently submitted compliant CVR corresponding to an FCM Omnibus Swaps Client Account with LCH, and the most recent compliant CVR with respect thereto shall supersede any prior CVRs. A CVR will not be compliant if its allocation of the Omnibus Collateral Value would trigger a margin call. Additionally, a CVR may not be used to satisfy a margin call and a CVR that reallocates the Omnibus Collateral Value so as to satisfy a margin call shall not be compliant.
- (iii) **Assumed Allocation.** When an FCM Clearing Member furnishes Margin to an FCM Omnibus Swaps Client Account with LCH for the purposes of satisfying a margin call issued by the Clearing House, such Margin shall be automatically allocated (such allocation, the “**Assumed Allocation**”) by the Clearing House (A) among each of the FCM Client Sub-Accounts therein having at such time an FCM Client Sub-Account Balance shortfall (in respect of the amount of Required Margin then applicable to each such sub-account) and (B) such allocation shall be made on a pro rata basis based on the amount of shortfall in each such sub-account. An FCM Clearing Member is not permitted to deliver a CVR simultaneously with its deposit of Collateral in satisfaction of a margin call so as to avoid the Assumed Allocation. However, an FCM Clearing Member may subsequently deliver a CVR allocating the entire Omnibus Collateral Value in the applicable account and any prior Assumed Allocation shall not limit the ability of subsequently delivered CVRs to allocate the Omnibus Collateral Value in the normal manner as provided in the FCM Rulebook.
- (iv) **Application of FCM Buffer.** The Clearing House will look to FCM Buffer to offset any FCM Client Sub-Account Balance deficits (on an aggregate basis) in the corresponding FCM Omnibus Swaps Client Account with LCH, and will not issue a margin call to an FCM Clearing Member in respect of the amounts of any such deficits to the extent such amounts could be offset by FCM Buffer. An FCM Clearing Member that is not a Defaulter may request the return of any of



its FCM Buffer that is not, at such time, being used by the Clearing House in such manner to offset any such FCM Client Sub-Account Balance deficits.

(v) **Unallocated Excess.**

(A) An FCM Clearing Member is permitted to furnish Collateral on behalf of its FCM Clients to be applied as Margin directly to the relevant Unallocated Excess Sub-Account as set forth in the FCM Procedures. Any Margin furnished by an FCM Clearing Member in respect of an FCM Omnibus Swaps Client Account with LCH that is (1) not furnished in satisfaction of an outstanding margin call and (2) not accompanied by a new and compliant CVR, shall be automatically deemed to be furnished as Unallocated Excess and shall be credited to the applicable Unallocated Excess Sub-Account.

(B) An FCM Clearing Member may deliver a CVR to the Clearing House which has the effect of allocating all or a portion of the applicable Unallocated Excess into FCM Client Sub-Accounts and/or the FCM Buffer Sub-Account in the same FCM Omnibus Swaps Client Account with LCH; **provided, that** such a CVR delivery may not be used for purposes of allocating Unallocated Excess in order to satisfy a margin call.

(e) **Required Margin Increase in an FCM Client Sub-Account Subject to the Without Client Excess Model.** If the Required Margin applicable to the FCM Contracts registered to an FCM Client's FCM Client Sub-Account subject to the Without Client Excess Model is increased by the Clearing House and such increase cannot be immediately satisfied by Excess Margin in the corresponding FCM Client Sub-Account Balance, the FCM Client Sub-Account Balance shortfall will be satisfied in whole or in part (as applicable) by (x) the application of any Available FCM Buffer (*i.e.*, FCM Buffer that is not Encumbered FCM Buffer and that is credited to the FCM Buffer Sub-Account within the applicable FCM Omnibus Swaps Client Account with LCH) and (y) any credit extended by the Clearing House (in the Clearing House's sole discretion), including any SwapClear Tolerance or MCE if applicable.

If the FCM Client Sub-Account Balance shortfall referred to above cannot be fully satisfied with Available FCM Buffer and/or Clearing House credit as set forth above, the obligation of the FCM Clearing Member to satisfy such deficit shall be discharged by:

- (i) the applicable FCM Clearing Member furnishing additional Margin to the Clearing House on behalf of the applicable FCM Client; or
- (ii) if the obligation of the FCM Clearing Member to satisfy the FCM Client Sub-Account Balance deficit has not been fully discharged pursuant to clause (i) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

(f) **Required Margin Increase in an FCM Client Sub-Account Subject to the With Client Excess Model.** If the Required Margin applicable to the FCM Contracts registered to an FCM Client's FCM Client Sub-Account subject to the With Client

Excess Model is increased by the Clearing House and such increase cannot be immediately satisfied by Excess Margin in the corresponding FCM Client Sub-Account Balance, the FCM Client Sub-Account Balance shortfall will be satisfied in whole or in part (as applicable) by (x) any Available FCM Buffer that is credited to the FCM Buffer Sub-Account within the applicable FCM Omnibus Swaps Client Account with LCH and (y) any credit extended by the Clearing House (in the Clearing House's sole discretion), including any SwapClear Tolerance of MCE if applicable.

If the FCM Client Sub-Account Balance shortfall referred to above cannot be fully satisfied with Available FCM Buffer and/or Clearing House credit as set forth above, the obligation of the FCM Clearing Member to satisfy such deficit shall be discharged by:

- (i) the applicable FCM Clearing Member furnishing additional Margin to the Clearing House in respect of the applicable FCM Omnibus Swaps Client Account with LCH (which shall be allocated in accordance with the Assumed Allocation); or
- (ii) if the obligation of the FCM Clearing Member to satisfy the FCM Client Sub-Account Balance deficit has not been fully discharged pursuant to clause (i) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

## CHAPTER XII - FCM SWAPCLEAR REGULATIONS

### REGULATION 46 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 and such FCM SwapClear Transaction is to be cleared through an FCM Clearing Member, the Clearing House shall (only where such FCM SwapClear Transaction is not an FCM US Trading Venue Transaction) notify the FCM Clearing Member of such FCM SwapClear Transaction and request acceptance for registration in accordance with the FCM Procedures. Upon (i) receipt of acceptance for registration by the Clearing House from the FCM Clearing Member (where such FCM SwapClear Transaction is not an FCM US Trading Venue Transaction), and (ii) receipt of the FCM SwapClear Transaction details by the Clearing House in accordance with the FCM Procedures (where such FCM SwapClear Transaction is an FCM US Trading Venue Transaction), 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 46, an FCM Clearing Member shall be bound by an FCM SwapClear Contract registered in its name on behalf of an FCM Client.
- (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 Product Specific Contract Terms and Eligibility Criteria Manual 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 resulting from an FCM SwapClear Transaction that is not an FCM US Trading Venue Transaction is consented to by the relevant FCM Clearing Member in accordance with paragraph (b) above and Section 2.1.3 of the FCM Procedures;
- (iv) the applicable FCM Clearing Member has furnished, upon request of the Clearing House and in accordance with FCM Regulation 14 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 46 in the name of an FCM Clearing Member on behalf of an FCM Client, at the time prescribed in the FCM Procedures (“**Registration Time**”). At the Registration Time, the FCM Clearing Member, and the FCM Client 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, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and of Schedule 1 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.
- (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 time when such Ineligible FCM SwapClear Contract was set aside shall be retained by the receiving party upon termination as a termination payment. Without prejudice to FCM Regulation 44 and its obligations under this FCM Regulation 46, 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 14 and such other applicable provisions in the FCM Rulebook.
- (h) Notwithstanding anything to the contrary in the FCM 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 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, subject to paragraph (d) above and 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 Contract pursuant to these FCM Regulations, where the FCM SwapClear Contract shall be registered between the FCM Clearing Member, as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the Non-FCM SwapClear Contract shall be

registered between the Clearing House, as the party paying Rate X, and the SwapClear Clearing Member, as the party paying Rate Y; or

- (ii) in the case where each Executing Party will clear its respective side of such FCM SwapClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM SwapClear Contracts pursuant to these FCM Regulations where each relevant FCM SwapClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the other FCM Clearing Member as the party paying Rate Y and the Clearing House as the party paying Rate X.

In each of the foregoing cases, to the extent the FCM SwapClear Contract has been entered into by an FCM Clearing Member on behalf of an FCM Client, each FCM Clearing Member will be the agent of its FCM Client, but will nevertheless remain fully liable to the Clearing House for any and all amounts due to the Clearing House in connection with any FCM SwapClear Contract cleared on behalf of its FCM Client.

- (j) With effect from the registration of an FCM SwapClear Transaction in accordance with FCM Regulation 46(i) above:
  - (i) such FCM SwapClear Transaction shall be extinguished and replaced by the corresponding FCM SwapClear Contracts (or if applicable, the corresponding FCM SwapClear Contract and Non-FCM SwapClear Contract), and the parties to such FCM SwapClear Transaction shall be released and discharged from all rights and obligations under such FCM SwapClear Transaction which fall due for performance on or after the Registration Time;
  - (ii) each FCM SwapClear Contract registered under FCM Regulation 46(i) above shall be governed by the FCM SwapClear Contract Terms as applicable to that FCM SwapClear Contract;
  - (iii) subject to sub-paragraph (ii) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract as the party paying Rate X had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction; and
  - (iv) subject to sub-paragraph (ii) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract to which it is party as the party paying Rate Y had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction.

In subparagraphs (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM SwapClear Transaction (it being assumed, for this purpose, that such FCM SwapClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the

Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

- (k) If an FCM SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM SwapClear Contract arising under this FCM Regulation 46 or any other applicable provision of the FCM Rulebook.
- (l) In the case of an FCM SwapClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 46 shall take effect.
- (m) **Compression.** Notwithstanding any other provision of these FCM Regulations, if one or more FCM SwapClear Contracts registered by an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures has substantially the same Economic Terms as one or more other FCM SwapClear Contracts previously registered for the account of such FCM Clearing Member, and all such FCM SwapClear Contracts are either (i) registered on the FCM Clearing Member's own behalf or (ii) registered on behalf of the same FCM Client, the FCM Clearing Member may request that the Clearing House compress and combine all such FCM SwapClear Contracts by terminating the relevant existing FCM SwapClear Contracts and compressing them into one FCM SwapClear Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of the original FCM SwapClear Contracts. For purposes of this FCM Regulation 46(m), two or more FCM SwapClear Contracts may be deemed by the Clearing House to have “substantially the same Economic Terms” if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same fundamental economic attributes which influence the amount, value date and direction of all coupon cash flows. Two or more FCM SwapClear Contracts that are compressed under the terms of this FCM Regulation 46(m) shall be aggregated if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client is in the same direction on each such FCM SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated), such that the FCM SwapClear Contract that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the total notional amount of the compressed FCM SwapClear Contracts. Two or more FCM SwapClear Contracts that are compressed under the terms of this Regulation 46(m) shall be netted if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client is in the opposite direction on two or more of each such FCM SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment), such that the FCM SwapClear Contract (if any) that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the net notional amount of the compressed FCM SwapClear Contracts, and **provided that** in the event that the net notional amount is equal to zero such compression shall result in no replacement FCM SwapClear Contracts. The Clearing House shall determine (in its sole discretion) whether FCM SwapClear Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such FCM SwapClear Contracts are compressed, the Clearing House shall determine the resulting notional amount of the FCM SwapClear

Contract(s) (if any) that replaces the compressed FCM SwapClear Contracts, and such determination shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of FCM SwapClear Contracts that the amount of Margin that the Clearing House requires in respect of the original FCM SwapClear Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM SwapClear Contract(s).

- (n) **SwapClear Accounts.** All FCM Omnibus SwapClear Client Accounts with LCH shall not be permitted to contain any FCM Contracts other than FCM SwapClear Contracts or to reflect any Margin other than in connection with FCM SwapClear Contracts.
- (o) **Unallocated FCM SwapClear Transactions.** In accordance with all other applicable provisions of the FCM Rulebook, an FCM Clearing Member may register an FCM SwapClear Contract subject to post-registration allocation on behalf of ~~an Account Manager~~ a Pre-Allocation Executing Party in accordance with the following provisions:
- (i) ~~An~~ In order for a FCM SwapClear Transaction executed by ~~or on behalf of an Account Manager~~ a Pre-Allocation Executing Party ~~and to be~~ subject to post-registration allocation (such transaction, an “**Unallocated FCM SwapClear Transaction**”) ~~shall be notified to the Clearing House as such at the time it is submitted or presented to the Clearing House, the FCM Clearing Member that will be registering the Unallocated FCM SwapClear Transaction (such FCM Clearing Member, a “Pre-Allocation FCM Clearing Member”)~~ must have notified the Clearing House that it wishes to establish a FCM SwapClear Suspension Sub-Account with respect to that Pre-Allocation Executing Party and the Clearing House shall have opened such FCM SwapClear Suspension Sub-Account for the FCM Clearing Member.
- (ii) The FCM SwapClear Contract registered on behalf of ~~an Account Manager~~ a Pre-Allocation Executing Party that results from an Unallocated FCM SwapClear Transaction (an “**Unallocated FCM SwapClear Contract**”) shall be registered in ~~a suspense sub-account of the applicable FCM Clearing Member's FCM Omnibus SwapClear Client Account with LCH (such sub-account, the “FCM SwapClear Suspension Sub-Account”)~~.
- (iii) ~~Following registration of an Unallocated FCM SwapClear Contract, the applicable FCM Clearing Member must notify the Clearing House (the “Allocation Notice”), prior to the close of the clearing of FCM SwapClear Contracts on the Business Day in which the Unallocated FCM SwapClear Contract was registered, of the applicable FCM Client Sub-Accounts to which portions of the Unallocated FCM SwapClear Contract should be allocated and the applicable portions of the Unallocated FCM SwapClear Contract to be allocated to each such FCM Client Sub-Account. The Allocation Notice must provide for the allocation of the full notional amount of the Unallocated FCM SwapClear Contract. The Allocation Notice is delivered through Markitwire, the SwapClear API and/or such other means as may be approved by the Clearing House and notified to FCM Clearing Members.~~ In order to allocate an Unallocated FCM SwapClear Transaction, a Pre-Allocation Executing Party or Pre-Allocation FCM Clearing Member must provide the Clearing House with one or more Allocation Notices. Each Allocation Notice shall be delivered to the Clearing House via an FCM Approved Trade Source System, the



SwapClear API or such other means as notified by the Clearing House. Where the foregoing delivery methods are unavailable, or in such other circumstances that the Clearing House deems appropriate, the Pre-Allocation Executing Party or Pre-Allocation FCM Clearing Member as the case may be may provide the Allocation Notice in the form of a direct written request, subject that the processing of an Allocation Notice received as a direct written request may take the Clearing House up to five (5) Business Days.

(iv) Where an Allocation Notice: (i) contains instructions that would result in the allocation of a notional value that is greater than the notional value of the Unallocated FCM SwapClear Contract to which such Allocation Notice relates; or (ii) does not relate to an Unallocated FCM SwapClear Contract; or (iii) seeks to allocate part of all of an Unallocated FCM SwapClear Contract to a Proprietary Account of a SwapClear Clearing Member other than the Pre-Allocation FCM SwapClear Clearing Member, then such Allocation Notice shall be ineligible and shall be rejected by the Clearing House. For the avoidance of doubt, the Post-Allocation FCM Clearing Member(s) need not be the same as the Pre-Allocation FCM Clearing Member. Unless or until the Clearing House receives an eligible Allocation Notice, the Unallocated FCM SwapClear Contract shall remain in the Pre-Allocation FCM Clearing Member's FCM SwapClear Suspension Sub-Account and subject to the rules of the Clearing House.

(v) ~~(iv)~~ Following receipt of an eligible Allocation Notice, the Clearing House shall (following acceptance from the relevant Post-Allocation FCM Clearing Member(s) and the Pre-Allocation FCM Clearing Member, in the same manner as a new FCM SwapClear Transaction is accepted in accordance with the Procedures):

(A) close out the outstanding Unallocated FCM SwapClear Contract and simultaneously register two or more (as applicable) FCM SwapClear Contracts to the same FCM SwapClear Suspension Sub-Account, ~~which such and these~~ newly registered FCM SwapClear Contracts shall have the same Economic Terms as the Unallocated FCM SwapClear Contract except that they shall have lower notional values corresponding to the allocation instructions provided in the Allocation Notice (which notional values shall, in the aggregate, equal the notional value of the Unallocated FCM SwapClear Contract) – for the purpose of the foregoing, if the Allocation Notice has not allocated the full notional value of the Unallocated FCM SwapClear Contract, one of the FCM SwapClear Contracts so registered by the Clearing House shall be a new Unallocated FCM SwapClear Contract with a notional value equal to that portion of the Unallocated FCM SwapClear Contract that has not been allocated; and

(B) following the actions described in paragraph (A) above, transfer ~~each one or more~~ of the newly registered FCM SwapClear Contracts resulting from the cancellation of the Unallocated FCM SwapClear Contract to the applicable FCM-Client Segregated Sub-Accounts or Proprietary Account in accordance with the Allocation Notice. Following the transfer of one or more of the newly registered FCM

SwapClear Contracts, any remaining FCM SwapClear Contract that has not been transferred shall thereafter be the Unallocated FCM SwapClear Contract.

Where an Allocation Notice directs the entire notional amount of an Unallocated FCM SwapClear Contract to be allocated to a single ~~FCM-Client Segregated Sub-Account or the Proprietary~~ Account, then the Clearing House shall not take the steps described in sub-paragraphs (A) and (B) above ~~in this paragraph (iv)~~ and shall instead transfer the Unallocated FCM SwapClear Contract to the applicable ~~FCM-Client Segregated Sub-Account or Proprietary~~ Account following receipt of the Allocation Notice. ~~In no event can Unallocated FCM SwapClear Contracts be further allocated once they are transferred from the SwapClear Suspension Sub-Account.~~

By a Pre-Allocation FCM Clearing Member delivering an eligible Allocation Notice to the Clearing House, ~~the~~that Pre-Allocation FCM Clearing Member shall be deemed to ~~have instructed the Clearing House to take the steps referred to in this paragraph (iv)~~ represent and warrant that it has been properly authorized by the Pre-Allocation Executing Party to allocate the relevant Unallocated FCM SwapClear Contract or, where the allocation is to such Pre-Allocation FCM Clearing Member's Proprietary Account, in accordance with paragraph (vii) below. Where the Clearing House receives an ineligible Allocation Notice, the Unallocated FCM SwapClear Transaction to which it relates shall remain in the FCM SwapClear Suspension Sub-Account.

- (vi) The transfer of an Unallocated FCM SwapClear Contract from the FCM SwapClear Suspension Sub-Account to a Client Segregated Sub-Account or Proprietary Account shall be final. In no event can Unallocated FCM SwapClear Contracts be further allocated once they are transferred from the FCM SwapClear Suspension Sub-Account.
- (vii) Where an Unallocated FCM SwapClear Contract has been registered to an FCM SwapClear Suspension Sub-Account and is not allocated by the Pre-Execution Allocating Party or in such other circumstances that the Clearing House considers appropriate, the Pre-Allocation FCM Clearing Member may submit an Allocation Notice to the Clearing House requesting the transfer of the relevant Unallocated FCM SwapClear Contract to that FCM Clearing Member's Proprietary Account. An FCM Clearing Member, through requesting such transfer, shall be deemed to represent that such transfer is in accordance with applicable law and regulation and the FCM's contractual rights against the Pre-Allocation Executing Party or, if applicable, the Pre-Allocation Executing Party's underlying customer(s).
- (viii) ~~(v)~~ The registration and allocation of Unallocated FCM SwapClear Contracts as set forth above is subject to all other applicable provisions of the FCM Rulebook, including the furnishing by the applicable, where applicable, and to the same extent as if an Unallocated FCM SwapClear Transaction or Allocation Notice were a new FCM SwapClear Transaction with respect to the relevant account: (A) the provision by the Pre-Allocation FCM Clearing Member of adequate Margin, at or prior to the submission of the Allocating Notice in the FCM SwapClear Suspension Sub-Account at the time of registration of the

Unallocated FCM SwapClear Contract; (B) the provision by the applicable Post-Allocation FCM Clearing Member(s) of adequate Margin, at the time of the transfer of the relevant Unallocated FCM SwapClear Contract, in respect of each of the applicable FCM-Client Segregated Sub-Accounts or Proprietary Account to which an Unallocated FCM SwapClear Contract is to be allocated. If adequate Margin is not so furnishedprovided in respect of each such FCMProprietary Account, Client Segregated Sub-Account and Omnibus Client Swaps Account with LCH, the Clearing House may, in its sole discretion, delay or reject the allocation and transfer-of all or any portions of the Unallocated FCM-SwapClear FCM Contract, and may take any other actions permitted under the FCM Rulebook.

- (ix) In order to meet the obligations of a FCM Clearing Member set out under paragraph (viii) above, the Clearing House will solely look to the FCM Buffer held by the relevant FCM Clearing Member and such FCM Buffer shall only be available to margin an Unallocated FCM SwapClear Transaction to the extent that it is Available FCM Buffer. For such time as any Available FCM Buffer is, and remains, applied to margin an Unallocated FCM SwapClear Transaction, such FCM Buffer shall no longer be Available FCM Buffer and shall be Encumbered Buffer.
- (x) ~~(vi) An~~ Each Pre-Allocation FCM Clearing Member that submits and clears Unallocated FCM SwapClear Transactions and Post-Allocation FCM Clearing Member must comply with the applicable provisions of the CFTC Regulations (including CFTC ~~Regulation~~ Regulations 1.35 and ~~CFTC Regulation~~ 1.73) and all other applicable law, and shall be responsible for ensuring that ~~Account Manager~~ Pre-Allocation Executing Parties clearing through it ~~shall be in compliance therewith. Upon an FCM Clearing Member executing an Unallocated FCM SwapClear Transaction and upon delivering an Allocation Notice, such FCM Clearing Member is deemed to represent to the Clearing House that such transaction and allocation are in accordance with properly authorized instructions and are in compliance with applicable CFTC Regulations and other applicable law~~ are in compliance with CFTC Regulation 1.35(b)(5), where applicable.

**Appendix A-2**

For any FCM SwapClear Transaction which is a Backloaded Trade, where one leg is to be registered as a Non-FCM SwapClear Contract, the UK General Regulations and UK General Procedures will apply with respect to such registration of the Non-FCM SwapClear Contract.

The Clearing House shall publish the following via member circular:

- (A) times of Backload Registration Cycles;
- (B) the Individual Backload Value Threshold; and
- (C) the Aggregate Backload Margin Threshold.

(f) *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 2.1.1(c)) and the originating FCM Approved Trade Source System messaging service for onward transmission to the submitting FCM Clearing Member.

(g) *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 (including a trade submitted by or on behalf of an FCM Clearing Member that was executed on a (i) US Trading Venue that was not at the time of execution of such trade an FCM Eligible US Trading Venue in respect of such FCM Clearing Member or (ii) trading venue or facility that had not at the time of the execution of such trade been approved by the Clearing House as an FCM US Trading Venue) 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.

2.1.4 Allocation Notices

In respect of an Allocation Notice, the Clearing House will notify the relevant Pre-Allocation FCM Clearing Member and Post-Allocation FCM Clearing Member via member reports, the SwapClear API or otherwise, that an Allocation Notice has been submitted to allocate some or all of notional value of an Unallocated FCM SwapClear Contract from the FCM SwapClear Suspension Sub-Account of that Pre-Allocation FCM Clearing Member to the Client Segregated Sub-

Account or Proprietary Account of the Post Allocation FCM Clearing Member.

Following receipt of this notification, a Pre-Allocation FCM Clearing Member or Post-Allocation FCM Clearing Member may choose to accept or refuse to register the Allocation Notice as if such Allocation Notice were a new FCM SwapClear Transaction, as described above.

2.1.42.1.5 **Position Accounts**

(a) *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.

(b) *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 2.1.1(c)). 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.

**Appendix A-3**

## Unallocated SwapClear Transactions - Summary Explanation of Revised Rulebook

### Definitions:

“**Pre-Allocation Executing Party**” is the entity which executes an unallocated transaction, which is subject to post clearing allocation (in certain circumstances known as a ‘bunched order’). The definition has been expanded to clarify that the party which executes the unallocated transaction will not always be an ‘account manager’ and may be any other entity other than an FCM Clearing Member.

Definitions for “**Pre-Allocation FCM Clearing Member**” and “**Post-Allocation FCM Clearing Member**” have been included to reflect the fact that an unallocated transaction may be, but is not always, registered with one FCM Clearing Member and allocated to a different FCM Clearing Member.

The term “**Allocation Notice**” refers to the message to the clearing house that allocates a transaction from the suspension account to a client sub-account or the FCM Clearing Member’s Proprietary Account. The definition has been expanded to state exactly which information the allocation notice should contain. Any additional information will be disregarded by the clearing house.

### FCM Regulation 46(o):

Where an FCM Clearing Member wishes to register an unallocated transaction for post-registration allocation it must establish a suspension account for the registration of transactions with respect to the relevant Pre-Allocation Executing Party. Following the establishment of such an account, all unallocated transactions in the name of that Pre-Allocation Executing Party will be registered in the relevant Suspension Account.

Following registration, a Pre-Allocation Executing Party or the FCM Clearing Member in whose account the unallocated transaction is registered may allocate through delivering Allocation Notices to the clearing house via an ATSS, the SwapClear API or such other means that the clearing house permits. Where all of these delivery means are unavailable, the clearing house will accept allocation notices directly and in writing. However, in these circumstances, an allocation request may take up to five days to process.

Allocation Notices must refer to an unallocated contract, must not allocate more than the unallocated notional value of that unallocated contract and where they allocate to an FCM Clearing Member’s Proprietary Account should only be delivered by that FCM Clearing Member.

Allocation Notices are accepted in the same manner as new FCM SwapClear Transactions, as set out in the FCM Procedures. The legal mechanism for allocating transactions provides that the unallocated contract is terminated and two new contracts are established. One of these contracts with the same notional as stated in the Allocation Notice will be novated to the Post-Allocation FCM Clearing Member (which may be the same FCM Clearing Member). Contracts will not be closed out and established where the Allocation Notice allocates the entire contract as that contract will simply be novated to the relevant Proprietary Account or client sub-account.

Where an FCM Clearing Member delivers an Allocation Notice it is deemed to represent that it is authorized by the Pre-Allocation Executing Party to do so . Where an FCM Clearing Member allocates to



its Proprietary Accounts it is deemed to represent that the allocation is in accordance with applicable law and regulation and its rights under its agreement with the Pre-Allocation Executing Party. All allocations are final.

Both pre and post allocation, unallocated transactions and contracts are treated in the same manner as any other FCM SwapClear Transactions or FCM SwapClear Contracts, as set out in the FCM Rulebook, including with regard to their collateralization. Collateral delivered by an FCM Clearing Member to margin an unallocated contract is 'FCM Buffer' (i.e. the FCM Clearing Member's own funds that it places in segregation prior to being funded by the underlying client).

Pre-Allocation Executing Parties are required to comply with those CFTC rules applicable to them and which relate to unallocated transactions.

#### FCM Regulation 15(c)(ii)(c)

FCM Buffer that is collateralizing a suspension account will not be swept to a client account at the end of the day (as is the case with all other Encumbered Buffer) – this is reflected in the new wording in FCM Regulation 15(i)(c)

#### FCM Procedure 2.1.4

An existing process has been codified in the FCM Procedures; a new paragraph has been included addressing the treatment of Allocation Notices from a registration perspective. Allocation Notices are effectively treated in the same manner as a new FCM SwapClear Transaction, clearing members being notified via member reporting. Post notification, Clearing Members have the right to reject or accept allocations.