



VIA CFTC Portal

15 September 2015

Mr. Christopher Kirkpatrick
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

Dear Mr. Kirkpatrick:

LCH.Clearnet Limited ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification, pursuant to CFTC regulation §40.6(a), changes to its Rulebook and Procedures, which will take effect from September 30, 2015.

Part I: Explanation and Analysis

Changes have been made to:

- 1) Procedures Section 6 (Business Continuity) - The changes are to correct and clarify the language in this section of the Rulebook. The key changes are:
 - a) Paragraph 1.3.4 is amended to clarify that during the period (maximum two hours) between invocation of full business continuity plans and the relocation of recovery teams, all rather than most activities normally carried out at the principal office will cease.
 - b) Paragraph 1.3.10 is amended to change the maximum number of days the Clearing House is able to occupy the recovery site from 180 to 90 consecutive days.
- 2) FCM Procedures, FCM Regulations and FCM Product Specific Manual – The changes are to remove the EnClear service from parts of the LCH.Clearnet Rulebook, as the EnClear service discontinued the FCM service after moving to a Futures model in November 2014:

Part II: Description of Rule Changes

The marked up sections are included as appendices as follows:

Appendix A – Procedures Section 6
Appendix B – FCM Procedures
Appendix C – FCM Regulations
Appendix D – FCM Product Specific Contract Terms and Eligibility Criteria Manual

Part III: Core Principle Compliance

LCH.Clearnet has concluded that compliance with the Core Principles will not be adversely impacted by this change and LCH.Clearnet will continue to comply with the Core Principles.

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Part IV: Public Information

LCH.Clearnet has posted a notice of pending certification with the CFTC and a copy of this submission on the LCH.Clearnet website at <http://www.lchclearnet.com/rules-regulations/proposed-rules-changes>

Part V: Opposing Views

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

Certification

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

Should you have any questions regarding this submission please contact me at julian.oliver@lchclearnet.com

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Julian Oliver', written over a blue circular stamp or seal.

Julian Oliver, Chief Compliance Officer
LCH.Clearnet Ltd
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LCH.Clearnet Rule Submission

Appendix A

LCH.Clearnet Limited – Procedures Section 6 (Business Continuity)



LCH.CLEARNET LIMITED

PROCEDURES SECTION 6

BUSINESS CONTINUITY

CONTENTS

Section	Page
1. BUSINESS CONTINUITY	1
1.1 Recovery Situations	1
1.2 Recovery Situations affecting Members' Ability to Perform Clearing Activities.	1
1.3 Principal Office Evacuation	1
1.4 Clearing House Data Centre	4

1. BUSINESS CONTINUITY

1.1 Recovery Situations

The Procedures set out in this Section are intended to provide Clearing Members with a guide to the changes in working practices which would follow the invocation of the Clearing House's business continuity or disaster recovery plans ("Business Continuity Plans").

Due to the uncertain nature of the events which would lead to the need for business recovery the Clearing House reserves the right to depart from these Procedures to meet the characteristics of specific business recovery situations.

These Procedures provide for the evacuation or decommissioning of its principal office. The Procedures detail the alterations to the Clearing House's operations and also the action to be taken on invocation of the Business Continuity (BC) Plans.

1.2 Recovery Situations affecting Members' Ability to Perform Clearing Activities

1.2.1 *During Office Hours:* Clearing Members that are unable to perform clearing activities and as a result require the Clearing House's assistance should contact their usual contact at the Clearing House or the Help Desk on **+44 (0)20 7426 7200**.

1.2.2 *Outside Office Hours:* Clearing Members should telephone the Clearing House on **+44 (0)20 7426 7545**, leaving the following information:

- Name:
- Company Name:
- Contact Telephone Number:
- Brief Details of the Nature of the Problem:

A member of the Clearing House operational staff will then make contact regarding any assistance that can be given.

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1.3 Principal Office Evacuation

1.3.1 *Communicating with Clearing Members:* Should the Clearing House be forced to evacuate its principal office it will need to inform its Clearing Members as soon as practicable. The following Sections detail a number of different messages that the Clearing House may wish to communicate. However, in all cases the means by which information will be disseminated is the same. Information will be communicated to Clearing Members by the following methods:

- posting messages on the Member Information Line toll free number 0800 1 69 69 09 (primary method);

- via Clearing House messaging, where applicable;
- posting messages on www.lhclearnet.com.

Some of the above communication methods can only be used to disseminate very short messages. However the toll free number is capable of recording a message of up to ten minutes duration, and handling unlimited concurrent connections. It is therefore likely to be the main method used for providing Clearing Members with progress reports following an initial broadcast message.

- 1.3.2 ~~Invoking~~ Invocation of Business Continuity Plans: The Clearing House is contracted with specialist providers for dedicated and syndicated work area recovery facilities. The agreement between the Clearing House and the providers stipulates that dedicated work area recovery positions will be available immediately.

Depending on the severity of an incident a full or partial invocation of the service may be required.

In the event of a metropolitan incident, critical clearing services will be handed over to another region in order to meet regulatory deadlines.

- 1.3.3 *Limited Invocation*: If the Clearing House's assessment of the incident suggests that reoccupation of its principal office will be possible within two hours, then it is likely that only the mission critical activities ("MCA") will be recovered to the recovery site. All other activities will cease until its principal office becomes available.

The following message will be posted in accordance with paragraph 1.3.1:

"The Clearing House has invoked Business Continuity Plans for its MCA's. Please refer to the Clearing House's Procedures - Business Continuity for further information."

Additional messages may be provided to Clearing Members of particular Services.

- 1.3.4 *Full Invocation*: Once a decision has been taken to proceed with full invocation of ~~Business Continuity~~ BC Plans Clearing Members will be informed at the earliest opportunity. This will be achieved by disseminating the following message using the methods described in Section 1.3.1 (*Communicating with Clearing Members*) above.

"The Clearing House has invoked all Business Continuity Plans. Please refer to the Clearing House's Procedures - Business Continuity for further information."

Additional messages may be provided to Clearing Members of particular Services.

It is anticipated that a maximum period of two hours will elapse between the invocation of full ~~Business Continuity~~BC Plans and the relocation of recovery teams. During this time most-all of the activities normally carried out at its principal office will cease.

Please note that the Clearing House's primary data centre is not located at its principal office and so an evacuation of the principal office will not affect Clearing Members' ability to access IT applications. If the two main data centres are impacted by an incident, a failover will occur to the third (recovery) data centre.

1.3.5 *Delivery Deadlines:* If the incident occurs close to delivery deadline(s), Clearing Members will, on a reasonable endeavours basis, be notified as appropriate through available reporting channels, of any amendment to the delivery procedures.

1.3.6 *Imminent Expiry of Options*

Clearing Members are reminded that the responsibility for exercising options prior to their expiry deadline lies solely with them and that any assistance given by the Clearing House is purely on a 'reasonable endeavours' basis. If an evacuation of its principal office coincides with an option expiry, this assistance may cease.

If the Clearing House's invocation of ~~Business Continuity~~BC Plans coincides with an option expiry, the notification of Clearing Members' option allocations and the deadline for the entry of option exercises may be delayed.

1.3.7 *Collateral:* In order to simplify the Treasury process, it is likely that a number of routine Treasury Procedures may be amended or suspended. The Clearing House will advise Clearing Members of these changes through available reporting channels, as necessary. These may include but are not limited to:

- the acceptance/release of securities and guarantees;
- the conversion of currencies; and
- the ability to cover liabilities using Collateral denominated in other currencies.

1.3.8 *Registration of Contracts:* The Clearing House will register new business in accordance with the relevant Procedures. However, the Clearing House reserves the right, at its discretion, to amend the timing of registration as it deems necessary in accordance with the ~~Business Continuity~~BC Plans. In the event that registration is to be delayed the Clearing House will notify Clearing Members as soon as practically possible.

- 1.3.9 *New Address for Document Delivery*: Following invocation of the Business Continuity Plans the Clearing House will provide new address details for document delivery. The Clearing House will arrange to have its mail forwarded to its office recovery site.
- 1.3.10 *Permanent Change of Address*: The Clearing House is able to occupy the recovery site for a maximum of ~~180-90~~ consecutive days. If the incident is so serious that the Clearing House is unable to reoccupy its principal office within this time period, Clearing Members will be informed of the proposed new office location and contact numbers prior to occupation of the premises. This information will be communicated via the methods described in Section 1.3.1 (*Communicating with Clearing Members*) above.

Clearing Members will be informed of the date when the new arrangements will take effect.

- 1.3.11 *Return to Normal*: When the Clearing House is able to resume a normal service a message will be disseminated using the methods described in Section 1.3.1 (*Communicating with Clearing Members*) above. Assuming that it has been possible to return to its principal office the following message will be broadcast.

"The Clearing House has returned to its principal office. Please revert to normal contact telephone numbers and procedures."

If normal working is being resumed at a site other than its principal office Clearing Members will already have been informed of the new office location and contact numbers (see Section 1.3.10 (*Permanent Change of Address*) above). The following message will be broadcast.

"The Clearing House is resuming normal service at <insert location name>. Please use the new contact numbers previously supplied."

Additional messages may be provided to Clearing Members of particular Services.

1.4 **Clearing House Data Centre**

- 1.4.1 *Failure of LCH's Data Centre*: If the Clearing House's primary data centre fails during business hours, those Clearing House IT systems that are used by Clearing Members will be temporarily unavailable while processing is transferred to the secondary data centre.
- 1.4.2 *Failure of LCH's Secondary Data Centre*: If following a failure of the primary data centre, the Clearing House's secondary data centre fails during business hours, those Clearing House IT systems that are used by Clearing Members will be temporarily unavailable while processing is transferred to the tertiary data centre.

1.5 Compliance with Business Continuity Testing

Clearing Members are required to participate in the Clearing House's ~~BC Business Continuity~~ Planning (~~BCP~~) coordination and testing programs. The Clearing House will notify Clearing Members when it intends to carry out any such test via a member circular and via a posting on www.lchclearnet.com, at least 90 days in advance. The Clearing House will, prior to the date of any such test, provide Clearing Members with further details of the steps that will be required under the relevant program.

LCH.Clearnet Rule Submission

Appendix B

LCH.Clearnet Limited – FCM Procedures



**FCM PROCEDURES OF
THE CLEARING HOUSE**

LCH.CLEARNET LIMITED

1.7 Additional Requirements

1.7.1 Notification of Changes of Ownership

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

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

1.7.3 Pursuant to, and in accordance with, FCM Regulation 14(n) (*Margin and Collateral*), where an FCM Client enters into an FCM Transaction that is non-hedging in nature, the relevant FCM Clearing Member shall collect from that FCM Client additional FCM Client Funds with a value that is:

- (a) in respect of FCM SwapClear Contracts, 10 per cent above the amount that the Clearing House would normally require for such contracts;
- (b) in respect of FCM ForexClear Contracts, 10 per cent- above the amount that the Clearing house would normally require for such contracts; and
- (c) ~~in respect of FCM EnClear Contracts, 10 per cent. above the amount that the Clearing House would normally require for such contracts; and~~
- ~~(d)~~(c) in respect of FCM Nodal Contracts, 10 per cent above the amount that the Clearing House would normally require for such contracts.

For the avoidance of doubt, FCM Regulation 14(n) (*Margin and Collateral*) and this Section 1.7.3 do not require that FCM Clearing Members furnish the Clearing House with Excess Margin.

1.8 Other Conditions

The Clearing House may, at any time, impose additional conditions in relation to continued FCM Clearing Member status, and at any time vary or withdraw any such conditions, provided that any conditions which restrict, or may be considered to have the effect of restricting, access of an FCM Clearing Member to the Clearing House shall be imposed only in circumstances where, and to the extent that, their object is to control the exposure of the Clearing

House to risk. FCM Clearing Members are referred to the Clearing House's website ~~at [•]~~ for further information about the relevant internal risk management policies and procedures of the Clearing House.

The relevant additional conditions imposed on an FCM Clearing Member may include, but are not limited to, a requirement to furnish additional cash or non-cash Collateral to the Clearing House, as determined by the Clearing House.

2. PRODUCT-SPECIFIC PROCEDURES

Section 2 of these FCM Procedures contains certain requirements and procedures that are specific to individual Products cleared by the Clearing House. The clearing of FCM SwapClear Contracts is discussed in Section 2.1, the clearing of FCM ForexClear Contracts is discussed in Section 2.2, ~~the clearing of FCM EnClear Contracts is discussed in Section 2.3,~~ and the clearing of FCM Nodal Contracts is discussed in Section 2.4.

2.1 SWAPCLEAR

2.1.1 *The Clearing Process*

The FCM SwapClear Service is an interface that processes and stores all FCM SwapClear Transactions received from an FCM Approved Trade Source System.

(a) *FCM SwapClear Service Functions*

The following functions are performed within the FCM SwapClear Service:

- (i) processing and settlement of coupon payments;
- (ii) processing and settlement of consideration (fee) payments;
- (iii) calculation of initial and variation margin requirements;
- (iv) calculation of MER amounts and SwapClear Tolerance Limits;
- (v) calculation of Price Alignment Interest;
- (vi) adjustment of cash payments to conform with opening days and the SwapClear calendars;
- (vii) allocation and designation of trades to a position-keeping account; and
- (viii) reporting of registered trades.

FCM SwapClear Transactions submitted via an FCM Approved Trade Source System (i.e., new trades submitted for intra-day registration or existing trades submitted for overnight registration – see Section 2.1.3(e)) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the FCM SwapClear clearing system. Information regarding FCM SwapClear Contracts and margin reporting will be disseminated via the Clearing House's FCM Clearing Member Reporting (see Section 2.1.1(c)).

2.3 **ENCLEAR[RESERVED]**2.3.1 ~~General Matters~~(a) ~~Introduction~~

~~This Section 2.3 of the FCM Procedures governs the FCM EnClear Clearing Services, form part of the FCM Rulebook and must be read in conjunction with the other parts of the FCM Rulebook. FCM Clearing Members must inform themselves fully of their obligations under the FCM Rulebook and other relevant documentation, such as the FCM Clearing Membership Agreement, and the terms of any approval by the Clearing House to extend clearing activities. It is to be noted that the FCM Rulebook (including these FCM Procedures) is subject to change from time to time.~~

~~FCM EnClear Clearing Services are provided to FCM Clearing Members authorized by the Clearing House to participate in it (“FCM EnClear Clearing Members” or “ECFCMs”) in respect of “FCM EnClear Transactions” executed by ECFCMs. Such transactions must comply with the Clearing House’s requirements (see the FCM Regulations).~~

~~These FCM Procedures apply to all FCM EnClear Contracts on ECS in the Freight Division of the EnClear Service.~~

~~In the event of any conflict between any provision of these FCM Procedures and any requirement, rule or provision of any other documentation, these FCM Procedures shall prevail.~~

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

(b) ~~Definitions~~

~~The following terms shall have the meanings below for the purposes of this Section 2.3 of the FCM Procedures:~~

ECFCM ~~An FCM EnClear Clearing Member that has entered into a Clearing Extension Agreement with the Clearing House for the purpose of participating in FCM EnClear Clearing Services.~~

ECS ~~The Extensible Clearing System, made available by the Clearing House for position management in the Freight Division of the FCM EnClear Clearing Services.~~

ClearWay ~~A user interface made available by the Clearing House for the purpose of entering and confirming FCM EnClear Transactions~~

~~for the EnClear market and for submission of FCM EnClear Transactions into ECS for clearing.~~

Approved Broker

~~A broker that has entered into an FCM EnClear Clearing Services Approved Broker Agreement~~

OTP

~~OTC EnClear Trading Platform~~

~~(c) Agreements~~

~~(i) Clearing Approval~~

~~Only FCM EnClear Clearing Members may clear FCM EnClear Contracts.~~

~~Details of how to obtain FCM Clearing Member status at the Clearing House or how to become approved by the Clearing House as an ECFCM of the Freight Division can be obtained from the Clearing House's Membership Department at +44 (0)20 7426 7627/7521/7968.~~

~~FCM Clearing Members seeking approval from the Clearing House to clear FCM EnClear Transactions in the Freight Division must submit to the Clearing House the appropriate signed Clearing Extension Agreement(s) which can be obtained from the Membership department.~~

~~(d) Customers~~

~~Parties who are not ECFCMs or non-ECFCM Clearing Members (“Customers”) may not directly clear trades through the FCM EnClear Clearing Services. However, any such Customer may enter into an agreement with an ECFCM who has been approved (on such terms as may be agreed between them) to clear that Customer's trades. Particulars of such a trade, if it is an FCM EnClear Transaction that is, it meets all the relevant criteria published by the Clearing House from time to time may be submitted for registration to the Clearing House by the ECFCM in accordance with the FCM Regulations and these FCM Procedures. For the Freight Division, a clearing arrangement is entered into if particulars relating to that trade are “accepted” by two relevant ECFCMs (or an ECFCM and a non-ECFCM Clearing Member, as the case may be) who each agree to become counterparty to the appropriate FCM EnClear Contract (or FCM EnClear Contract a Non-FCM EnClear Contract) with the Clearing House, in accordance with the FCM Regulations and these FCM Procedures.~~

~~However, there is no relationship between the Clearing House and any Customer and no Customer has any rights against the Clearing House in respect of any FCM EnClear Contract.~~

~~(e) — Approved Brokers~~

~~Only brokers who are expressly authorized by the Clearing House (“Approved Broker”) may access ClearWay and submit FCM EnClear Transactions for registration. These brokers need to seek permission from the Clearing House to submit eligible trades under each product type separately:~~

~~(i) — Freight (FFAs, Options and Containers)~~

~~(ii) — Iron Ore (Swaps and Options)~~

~~(iii) Steel~~

~~(iv) — Coal (Swaps and Options)~~

~~(v) Fertilizer~~

~~The Rules of the Broker Scheme, which bind each Approved Broker and a copy of the Freight Agreement to be signed between the Clearing House and the Approved Broker, are available from the Clearing House.~~

~~Details of how to obtain Approved Broker status at the Clearing House of the Freight Division can be obtained from the Clearing House's Membership Department at +44 (0)20 7426 7627//7521/7968.~~

~~Where a broker who is not an Approved Broker purports to input particulars of a trade via ClearWay, that trade will not be registered by the Clearing House and will be rejected by the Clearing House.~~

~~**PLEASE NOTE:** If the two relevant ECFCMs accept an FCM EnClear Transaction which has been brokered, within the timeframe laid down by these FCM Procedures, it will be registered by the Clearing House in the names of those ECFCMs, whether or not those ECFCMs have appointed or authorized that broker to submit such a trade.~~

~~In the event that a trade is submitted to the Clearing House for registration by an Approved Broker and such trade is accepted for registration by that ECFCM, that ECFCM shall be bound by an FCM EnClear Contract arising there from, notwithstanding that any trade particulars submitted by that Approved Broker in respect of such trade are erroneous or incorrect. An ECFCM shall accept full responsibility to the Clearing House for any trade notified to the Clearing House by an Approved Broker.~~

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

~~Approved Brokers do not act as agents for the Clearing House in participating in the services offered by the Clearing House in the FCM EnClear Clearing Services.~~

~~The Clearing House, in adding a broker to the list of Approved Brokers, makes no warranty or promise regarding the competence, ability, experience or professional skills of any Approved Broker, or at all, notwithstanding that such broker shall have been authorized by the Clearing House to submit trades under the relevant product types. The authorization of such brokers as Approved Brokers is purely to assist ECFCMs to submit trades to the Clearing House for registration in the names of those ECFCMs. No check is made regarding the skills, professionalism or competence of those brokers, nor is any consideration paid by any such, in return for authorization or at all.~~

~~(f) — *OTPs*~~

~~Application for approved OTP status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of OTPs currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves additional OTPs, it will notify FCM Clearing Members via member circular.~~

~~OTPs may submit FCM EnClear Transactions for registration via the ClearWay ticket entry system.~~

~~LCH.Clearnet has signed agreements with the following OTPs:~~

~~(i) — **Baltic Exchange Derivatives Trading Limited (“BEDT”).** BEDT submit trades for clearing via ClearWay. Tickets therefore pass through the ClearWay Lot Limit Credit Filter and are automatically accepted by the ECFCMs (STP facility) and registered for clearing in ECS if they are within the parameters set. Transactions which are not within the parameters set, or where no limit has been set by the ECFCMs, will remain in ClearWay as pending transactions for ECFCMs to accept manually.~~

~~(ii) — **Cleartrade (“CT”).** CT connects directly to ECS and has its own Credit Filter, monitored by CT itself. Trades are sent to the Clearing House pre-confirmed by the ECFCMs in the CT Credit Filter, meaning ECFCMs will not have to accept the trades in either ECS or ClearWay and they will be registered as soon as received in ECS. On occasion, CT may manually enter details of trades transacted on their screen into ClearWay. These tickets will therefore pass through the ClearWay Lot~~

~~Limit Credit Filter and be automatically accepted by the ECFCMs and registered for clearing in ECS if they are within the parameters set. Transactions which are not within the parameters set, or where no credit limit has been set by the ECFCMs, will remain in ClearWay as pending transactions for ECFCMs to accept manually.~~

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

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

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

~~(g) *Contract Terms*~~

~~The FCM EnClear Contract Terms for contracts cleared in the Freight Division are set out in Section 3.4 of Part A of Schedule 3 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.~~

~~The Eligibility Criteria for each FCM EnClear Contract are set out in Part B of Schedule 3 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.~~

~~(h) *Registration*~~

~~(i) *General*~~

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

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

~~(ii) *EnClear Market User Systems*~~

~~(A) *ClearWay*~~

~~ClearWay is an application used by ECFCMs, Approved Brokers and OTPs to enter FCM EnClear~~

~~Transactions, which once confirmed by both ECFCM's, will be registered for clearing in ECS.~~

~~ClearWay contains a Lot Limit Credit Filter which enables ECFCMs to set limits for their position accounts. If a ticket is entered which falls within an ECFCM's set parameters, its side of the trade will be automatically confirmed.~~

~~Transactions which breach the parameters set, or where no credit limit has been set by the ECFCMs, will remain in ClearWay as pending transactions, for ECFCMs to accept manually.~~

~~In the event that a trade is submitted to the Clearing House for registration by an OTP, Broker or ECFCM and such trade is accepted for registration by the ECFCM, the ECFCM shall be bound by the terms set in FCM EnClear Contract.~~

~~(B) ECS~~

~~ECS is the clearing system which registers trades within the FCM EnClear Clearing Services: Freight Division. The following functionality is available to ECFCMs:~~

~~(1) position keeping~~

~~(2) position adjustments~~

~~(3) position transfers (LCH.Clearent will perform the transfers on the request of ECFCMs)~~

~~(4) manual exercise/abandonment of Coal Options~~

~~(iii) Clearing House System Requirements~~

~~ECFCMs and Approved Brokers must maintain an acceptable network connection from a location acceptable to the Clearing House for connecting to the ECS system and/or ClearWay in order to carry out their Clearing Member responsibilities within the clearing systems and to review their trades and positions as necessary.~~

~~(iv) General Clearing House Reporting~~

~~The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligations) shall, to the extent required by (and in line with the requirements of) applicable law (including Parts 43 and 45 of the CFTC Regulations, and applicable requirements under English law), report to one or more data or trade repositories~~

~~(including swap data repositories) or similar body the details of all FCM EnClear Transactions and FCM EnClear Contracts, including any modifications or terminations without duplication and no later than the working day following the conclusion, modification or termination of such contract. In order to avoid any such duplication of reports, each ECFCM acknowledges and agrees that it will not report the details referred to in this paragraph to the bodies referred to in this paragraph, unless otherwise agreed with the Clearing House.~~

~~(i) *Submission and Acceptance of FCM EnClear Transactions for Registration in the Freight Division*~~

~~For registration of FCM EnClear Transactions, ECFCMs must comply with all the requirements of the Clearing House as set out in the FCM Rulebook and other relevant documentation issued by the Clearing House in this regard.~~

~~An FCM EnClear Transaction submitted to the Clearing House, which complies with the Clearing House requirements for registration, will be deemed to be registered or rejected by the Clearing House immediately upon receipt by ECS, after the acceptance by both ECFCMs, whether the acceptance is explicit or is given via the parameters of a credit filter.~~

~~(j) *Novation*~~

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

~~(i) two separate FCM EnClear Contracts: one between the selling ECFCM and the Clearing House and the other between the buying ECFCM and the Clearing House; or~~

~~(ii) (where only one Clearing Member is an ECFCM) one FCM EnClear Contract between the Clearing House and the ECFCM, and the other between the Clearing House and the non-ECFCM Clearing Member, with the latter being governed by the General Regulations.~~

~~(k) *Notification of Rejection*~~

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

~~(l) *Notification*~~

~~For the Freight Division, all FCM EnClear Contracts arising from registered FCM EnClear Transactions are listed on ECS and in the~~

~~daily Trade report available through the Clearing House's Member reporting extranet site.~~

~~(m) Position Keeping Accounts~~

~~(i) Types of Accounts for the Freight Division~~

~~Positions with regard to LCH.Clearnet Freight Contracts are recorded within the ECS system in position-keeping accounts.~~

~~An ECFCM's position account will be assigned a free format alphanumeric code, as prescribed by the ECFCM.~~

~~There is no restriction on the number of individual position accounts an ECFCM may open.~~

~~(ii) Basis of Position Keeping for the Freight Division~~

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

~~(iii) Position Settlement (Gross Accounts) for Freight Division~~

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

~~(iv) Financial Accounts~~

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

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

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

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

~~(v) Other Financial Accounts~~

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

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

~~The E and U accounts are Cleared Swaps Customer Accounts as defined in Part 22 of the CFTC Regulations.~~

~~(vi) Default Fund (DF) Account~~

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

~~(n) Margin~~

~~(i) Initial Margin~~

~~Separate Initial Margin calculations are performed for an ECFCM's house "H" and client "C" accounts. Accounts are margined net, meaning that if long and short positions are held in the same delivery month, Initial Margin is charged on the net position. Separate Initial Margin calculations are performed for an FCM Clearing Member's house "H" and client "C" accounts and, within a "C" account, separately in respect of each FCM Client Sub Account therein. No offset between the "C" and "H" accounts is permitted.~~

~~(ii) Initial Margin Parameters~~

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

~~ECFCMs will be notified by the Clearing House of alterations to Initial Margin parameters no later than the day before calls are made based on the new rates.~~

~~(iii) Calculation of Initial Margins~~

~~London SPAN~~

~~Initial Margin is re-calculated at the close of each business day using the London SPAN algorithm, which is an adaptation of the SPAN method developed by the Chicago Mercantile Exchange⁸.~~

~~For full details of how London SPAN calculates margin, reference should be made to the SPAN technical information package available from the Clearing House's Service Desk at +44 (0)20 7426 7200. Technical questions should be directed to the Clearing House's Risk Management Department at +44 (0)20 7426 7620.~~

~~(iv) Realized Variation Margin~~

~~FCM EnClear Contracts are settled to market daily by the Clearing House in accordance with the relevant FCM EnClear Contract Terms. Profits or losses are either credited to or debited from FCM Clearing Members' relevant Proprietary Account or FCM Omnibus EnClear Client Account with LCH (and further attributed to the relevant FCM Client Sub-Account).~~

~~Realized margin is the calculated profit or loss arising from a comparison between the values of open positions at the relevant Reference Price with the value of positions recorded (i.e., the Fixed Price for new trades and the previous day's Reference Price for other positions).~~

~~Separate Variation Margin calculations are performed in respect of an FCM Clearing Member's house "H" account and in respect of an FCM Clearing Member's client "C" account. No offset between the "C" and the "H" accounts is permitted. The Clearing House shall make or receive a separate Variation Margin payment with respect to each house "H" account and each client "C" account (subject to the Default Rules).~~

~~(v) Option Variation Margin~~

~~As premium is paid up front, option Variation Margin is the value of unexpired options, calculated with reference to the official quotation. Bought and sold options generate credit and debit NLV (Net Liquidation Value) margin respectively.~~

~~Separate Variation Margin calculations are performed in respect of an FCM Clearing Member's house "H" account and in respect of an FCM Clearing Member's client "C" account.~~

⁸ ~~The Chicago Mercantile Exchange (CME) permitted the Clearing House to adapt the CME specifications for SPAN to produce London SPAN, which meets the particular requirements of the London futures and options markets. 'SPAN [TM] ®' is a registered trademark of the CME. The CME assumes no liability in connection with the use of SPAN or London SPAN by any person or entity.~~

~~No offset between the “C” and the “H” accounts is permitted. The Clearing House shall make or receive a separate Variation Margin payment with respect to each house “H” account and each client “C” account (subject to the Default Rules).~~

~~(vi) Intra-Day Margin Calls~~

~~In accordance with the FCM Regulations the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it considers it necessary. Intra-day margin calls will be made through the Protected Payments System (see Section 3.2).~~

~~(o) Trade Management for the Freight Division~~

~~PLEASE NOTE: FCM EnClear Transactions for the Freight Division may be submitted for clearing to be registered either:~~

- ~~(a) in the name of two ECFCMs; or~~
- ~~(b) an ECFCM and a non-ECFCM Clearing Member.~~

~~As such, for the purposes of this Procedure 2.3.1(o), for the ease of expositions, references to an ECFCM, may, in the case of FCM EnClear Transactions of type (b) above, include a non-ECFCM Clearing Member.~~

~~(i) Trade Entry~~

~~FCM EnClear Transactions for the Freight Division may be submitted for clearing either directly by the ECFCM or by an Approved Broker via ClearWay, or through an OTP. A list of Approved Brokers is available from the Clearing House.~~

~~BEDT trades will be submitted via the Baltex screen, which is linked directly to ClearWay. Cleartrade trades may be entered via the Cleartrade screen, which is linked directly to ECS, or manually (by Cleartrade staff) via ClearWay.~~

~~The following particulars of FCM EnClear Transactions must be entered in ClearWay via its Ticket Entry screen:~~

- ~~(A) Product~~
- ~~(B) Series (Spot, Month, Quarter, Season or Calendar)~~
- ~~(C) Contract Type (Forward, Call or Put)~~
- ~~(D) Prompt (contract day, month, quarter, season or calendar)~~
- ~~(E) Strike (select from the dropdown list)~~

- ~~(F) — Seller Ref (a sequential number)~~
- ~~(G) — Buyer Ref (same as the Seller Ref)~~
- ~~(H) — Seller Account (obtained from the customer or its ECFCM)~~
- ~~(I) — Buyer Account (obtained from the customer or its ECFCM)~~
- ~~(J) Lots (per month (or day in the case of spot)) (K) — Price~~

~~The following particulars of FCM EnClear Transactions must be entered in ClearWay via an Upload file:~~

- ~~(1) — Type (always TICKET)~~
- ~~(2) — Sell Trader (always LCH1)~~
- ~~(3) Sell Account (obtained from the customer or its ECFCM)~~
- ~~(4) — Sell Broker (their 3 letter mnemonic)~~
- ~~(5) — Buy Trader (always LCH1)~~
- ~~(6) Buy Account (obtained from the customer or its ECFCM)~~
- ~~(7) Buy Broker (their 3 letter mnemonic)~~
- ~~(8) Contract (combination of the product, series, contract type, prompt and strike)~~
- ~~(9) — Quantity (in lots)~~
- ~~(10) — Price~~
- ~~(11) — Buy Client Ref (a sequential number)~~
- ~~(12) — Sell Client Ref (same as the Buy Client Ref)~~
- ~~(13) — Anonymous Trade (always Y)~~

~~In certain circumstances the Clearing House may enter trades upon request from an ECFCM, Approved Broker, OTP or other party. In such circumstances, the Clearing House shall have no liability to the ECFCM, Approved Broker, OTP or any other party for any failure to input trades or for inputting trade details incorrectly.~~

~~(ii) Trades between persons who are not ECFCMs~~

~~Where an FCM EnClear Transaction is executed directly between two parties who are not ECFCMs, or between an ECFCM and another non-ECFCM party (who is not a non-ECFCM Clearing Member), the trade may be submitted for clearing **provided that** each party to that trade has an ECFCM who is prepared to “accept” that trade for clearing. Such FCM EnClear Transaction will then be submitted to the relevant ECFCMs via ClearWay for acceptance.~~

~~(iii) Acceptance of Trades~~

~~Freight Trades must be accepted by ECFCMs in order to be cleared.~~

~~When details of an FCM EnClear Transaction are input via ClearWay, such trade details will be sent to the ECFCMs identified in such particulars, who may then accept or reject their side of that trade.~~

~~ECFCMs can accept and reject trades in ClearWay manually, but can also set lot limit parameters for their customers, such that trades which fall within those parameters are automatically deemed as accepted by those ECFCMs. Trades which do not pass the lot limit validation criteria set by an ECFCM will go to a pending state, and will not be cleared unless they are manually accepted on the same day by the ECFCM, unless the ECFCM has elected, via the lot limit filter, to have its trades automatically rejected if they do not pass the lot limit validation criteria. If an ECFCM has a credit limit set up for an account and a trade is entered which is within that limit, that ECFCM will not have an opportunity to reject that trade.~~

~~Once a trade has been accepted by both ECFCMs in ClearWay, either manually or automatically via the credit filter, it is submitted to ECS for registration, where the trade is novated and a subsequent FCM EnClear Contract arises between each ECFCM and LCH.Clearnet.~~

~~If a trade is neither accepted nor rejected by both ECFCMs by close of business at the end of any business day, it shall cease to be eligible for registration in the name of that ECFCM or any other ECFCM and the trade will either remain open as a bilateral uncleared trade or be terminated, dependent upon what the trading parties have agreed in the event of non-registration and will automatically be deleted from the ClearWay system.~~

~~Acceptance by an ECFCM of any FCM EnClear Transaction means that the ECFCM so accepting agrees to be bound by an FCM EnClear Contract arising in respect of that FCM EnClear~~

~~Transaction in accordance with the FCM Regulations and these FCM Procedures, and other applicable documentation. Once a trade has been accepted in accordance with the requirements of the Clearing House, as notified from time to time to ECFCMs, the trade may not be withdrawn, recalled or amended.~~

~~(iv) Contra Trades~~

~~Where incorrect details of a trade have been accepted by both ECFCMs in accordance with the FCM Regulations and these FCM Procedures, the only available method to correct that trade will be by the entry of a contra trade.~~

~~A contra trade will not be required if the trade has a status of “pending” and has not been accepted by both counterparties, as the trade can be cancelled via ClearWay by the ECFCM or Approved Broker and input again with the correct details.~~

~~An accepted trade may need to be corrected by a contra trade for the following reasons:~~

~~(A) incorrect price;~~

~~(B) incorrect expiry month;~~

~~(C) incorrect product;~~

~~(D) incorrect lots (only where too many lots have been entered);~~

~~(E) incorrect buyer/seller.~~

~~ECFCMs will be able to view and confirm all contra trades in ClearWay. Contra trades will appear in ClearWay as new trades and it will be the responsibility of the ECFCMs to confirm the trades as appropriate. Where a contra trade is entered via ClearWay and passes the lot limit validation criteria set by an ECFCM, it will be automatically accepted by that ECFCM. Where a trade does not meet the validation criteria, it will remain pending and need to be manually confirmed by that ECFCM, unless the ECFCM has elected, via the lot limit filter, to have its trades automatically rejected if they do not pass the lot limit validation criteria.~~

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

~~(p) Position Transfers~~

~~ECFCMs wishing to affect a position transfer from one ECFCM to another ECFCM should submit a request (a “**Position Transfer**~~

~~Request~~) to the Clearing House's Membership Team by email to MembershipTeam@lehellearnet.com. Confirmation of a position transfer is required from both the transferor ECFCM and the transferee ECFCM.

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

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

~~(q) Reports~~

~~ECS~~

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

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

~~ClearWay~~

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

~~(r) Fees~~

~~Fees arising for the provision of FCM EnClear Clearing Services will be collected from the ECFCMs monthly through the Members' accounts. Fee information may be found online at [●].~~

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

~~For further details regarding fees (including details of how information regarding charges made for FCM EnClear Contracts registered by the Clearing House is communicated to ECFCMs), please see Section 3.6 of these FCM Procedures. ECFCMs should also have regard for the individual sections of this Section 2.3 of these FCM Procedures which may contain further information regarding fees.~~

~~(s) Tax~~

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

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

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

~~(t) Procedures for Liquidation of FCM EnClear Contracts of FCM Clients~~

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

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

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

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

- ~~(i) — *Administration of a Hedged Account.* The Clearing House may enter into hedge transactions and liquidate and/or auction the FCM EnClear Contracts and hedges for the account of the Hedged Account, and may take related actions with respect to a Hedged Account (and the positions held therein), in its sole discretion as permitted by the FCM Rulebook, the CEA and the CFTC Regulations, or as directed by an applicable Regulatory Body.~~
- ~~(ii) — *Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients.* The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs including the gains and losses associated with hedging transactions, and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:
 - ~~(A) — At the time an FCM Client becomes a Non-Porting Client, such Non-Porting Client is assigned a risk factor (a “**Risk Factor**”) which is equal to such Non-Porting Client's Required Margin with respect to its FCM EnClear Contracts that are transferred into the Hedged~~~~

~~Account at the time such FCM Client became a Non-Porting Client (i.e., at the time of transfer into the Hedged Account).~~

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

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

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

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

~~2.3.2 Freight Division~~

~~(a) Introduction~~

~~This Section 2.3.2 only applies to the Freight Division of the FCM EnClear Clearing Services.~~

~~References to "FCM EnClear Clearing Members" or "ECFCMs" in this section, means those ECFCMs who are party to, or accept, FCM EnClear Transactions in the Freight Division for clearing by the Clearing House. See Section 2.3.1(a) for further details about obtaining approval to clear within the Freight Division.~~

~~(b) OTC Freight Division Products Eligible for Clearing~~

~~Only trades in products approved by the Clearing House for the LCH FCM EnClear OTC Freight Division ("Eligible Products") may be submitted for registration. The contract terms of Eligible Products for the Freight Division are set out in Section 3.4 of Part A of Schedule 3 to the FCM Product Specific Contract Terms And Eligibility Criteria Manual and may be amended from time to time.~~

~~Below is a list of Eligible Products in the Freight Division; this list is split into four categories of products within Freight Division. The list may change from time to time.~~

~~(i) FFA (Forward Freight Agreement) Products~~

~~Dry Timecharter Basket Routes Forwards (CTC, PTC, STC, HTC)~~

~~Dry Timecharter Basket Routes Options (CTO, PTO, STO, HTO)~~

~~Dry Voyage Routes (C3E, C4E, C5E, C7E)~~

~~Dry Trip Timecharter Routes (P1E, P2E, P3E, P1A, P2A, P3A)~~

~~Dry Timecharter Voyage Route (S7)~~

~~\$ per Tonne Tanker Voyage Routes (DD3, DD5, DD7, D19, DC2, DC6)~~

~~(ii) CFSA (Container Freight Swap Agreement) Products~~~~CNW (Shanghai—North West Europe)~~~~CMD (Shanghai—Mediterranean)~~~~CSW (Shanghai—US West Coast)~~~~CSE (Shanghai—US East Coast)~~~~(iii) WCI Container Products WRS~~~~(Rotterdam—Shanghai)~~~~WLS (Los Angeles—Shanghai)~~~~(iv) Commodities~~~~Iron Ore Swaps (TSI)~~~~Iron Ore Options (TSO)~~~~Steel Swaps (SCN, SCS, SST, SBC, SCC)~~~~Fertilizer Swaps (UNO, UYZ, DTA, DNO, UAN, UNE)~~~~Coal Swaps (API 2 and API 4)⁹~~~~Coal Options (API 2 and API 4)¹⁰~~~~(e) Operating Times~~~~(i) Opening Days~~~~The Clearing House will publish details of the business days on which the FCM EnClear Clearing Services is operational to receive FCM EnClear Transactions in its Freight Division by Member Circular.~~

⁹ ~~API 2 and API 4 are trademarks and are used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 2 and API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts.~~

¹⁰ ~~See footnote 2, above. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts.~~

~~(ii) Opening Hours~~

~~FCM EnClear Transactions in the Freight Division may be notified during the following hours, London time:~~

Products	Trade Entry Times	Trade Confirmation Times
FFAs	07:00–18:00	07:00–18:30
Containers	07:00–18:00	07:00–18:30
Iron Ore	07:00–18:00	07:00–18:30
Steel	07:00–18:00	07:00–18:30
Fertilizer	07:00–18:00	07:00–18:30
Coal Swaps	07:00–18:00	07:00–18:30
Coal Options	07:00–18:00	07:00–18:30
	On expiry date— 07:00–17:00	On expiry date— 07:00–17:30

~~Any trade which has not been accepted within the time specified above, on the day on which particulars of that trade are input into ClearWay, will be deleted from ClearWay automatically during the end of day run. It will cease to be an FCM EnClear Transaction and will not be registrable that day. It may, however, be re-submitted on another day.~~

~~Note: ECFCMs are asked to note that where trades are executed or originated outside the Opening Hours, no registration can take place until the relevant registration time on the following Opening Day. Where a weekend and/or public holiday intervenes, registration may be delayed for more than a day.~~

~~(d) Settlement~~

~~All FCM EnClear Contracts arising from FCM EnClear Transactions in the Freight Division are subject to cash settlement unless closed out prior to expiry of the relevant contract series. No physical settlement is permissible.~~

~~(e) Reference Prices for Daily Settlement and Marking to Market~~

~~The Clearing House will use a variety of data from market participants, price reporting agencies and brokers for the purposes of producing reference prices each Business Day for daily settlement purposes and for the final settlement prices. See Part B of Schedule 3 to the FCM~~

~~Product Specific Contract Terms and Eligibility Criteria Manual for details of the reference prices for each eligible product in the Freight Division listed therein. The reference price will be the “Floating Price” for the purposes of the Contract Terms (see Schedule 3 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual).~~

~~2.3.3 Option Exercise and Expiry~~

~~(a) Freight, Fertilizer and Iron Ore Options~~

~~Freight, Fertilizer and Iron Ore options are European style. Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price. Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price which will be immediately cash settled. Clearing Members cannot make any adjustments to the automatic exercise settings. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.~~

~~(b) Coal Options~~

~~Coal options are European style. Coal options will be automatically exercised or expired, unless manually exercised or cancelled, as described below.~~

~~Automatic Exercise~~

~~Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price.~~

~~Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.~~

~~Manual Exercise or Cancellation~~

~~On expiry day and before 17:30 hours, London time, Clearing Members can override the automatic exercise of a coal option by using the ECS EnClear Trade GUI to perform a manual exercise or cancellation of the option contract. Upon exercise or assignment, an open futures position will be created in the underlying contract at the strike price.~~

~~It is not possible for Clearing Members to input exercise or exercise cancellation instructions after the option expiry deadline has dropped.~~

(e) ~~Exercise by the Clearing House~~

~~When exercised against, the Clearing House will select sellers against which to assign, based on their open position at the end of the last trading day.~~

~~Notice of Assignment/Allocation~~

~~The Clearing House will use reasonable efforts to notify the relevant seller of its allocation as soon as is possible on the day the options expire.~~

~~Notification will be sent via the MBREXR report on the MemberLive reporting site. ECFCMs must have a valid account and password to access this secure site.~~

Clearing Member fails to give such notice, the Clearing House may decline to release such cash Collateral until the end of the required notice period. This paragraph applies only to the Proprietary Account of an FCM Clearing Member.

3.3.2 *Securities*

Please refer to the following pages on our website for both prevailing haircuts and notes on types of collateral acceptable to the Clearing House as Collateral:

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

3.3.3 *Securities Value Notification*

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

3.3.4 *Investment of FCM Client Funds*

Pursuant to the application of FCM Regulation 7(n), the investment of cash Collateral held on behalf of FCM Clients by the Clearing House is limited to investments in U.S. Treasury securities (through outright purchases, repurchase or reverse repurchase transactions).

Each FCM Clearing Member shall instruct the Clearing House as to whether or not to invest such cash Collateral delivered by such FCM Clearing Member to the Clearing House by submitting to the Clearing House such documents as the Clearing House shall provide to FCM Clearing Members for such purpose. If an FCM Clearing Member fails to issue any such instruction to the Clearing House in accordance with such documents, the Clearing House shall invest such cash Collateral from such FCM Clearing Member in accordance with Regulation 7(n).

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

3.3.5 ~~*Use of EnClear NLV as Collateral*~~

~~EnClear credit net liquidating value is not paid in cash, but may be offset against EnClear debit net liquidating value and initial margin across currencies.~~

3.4 **Distribution Of Collateral**

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

SwapClear Contributions is negative, interest shall be payable by FCM Clearing Members to the Clearing House.

3.8 Quantifying SwapClear Contributions

For the purposes of calculating the SwapClear Margin Weight under Rule S2(c) of the SwapClear Default Fund Supplement, the average daily requirement for Initial Margin applied to an FCM Clearing Member shall be determined by reference to the FCM SwapClear Contracts comprising the SwapClear House Business of that FCM Clearing Member only. Nothing in the foregoing sentence shall prevent the Clearing House from introducing changes to the methodology used for calculating the SwapClear Margin Weight and, in particular, with effect from 28 September 2012, the average daily requirement for Initial Margin applied to an FCM Clearing Member for the purposes of such calculation shall be determined by reference to the FCM SwapClear Contracts comprising both the SwapClear House Business and the SwapClear Clearing Client Business of that FCM Clearing Member.

3.9 Default Fund; ForexClear Contributions

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

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

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

3.10 Quantifying ForexClear Contributions

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

3.11 Default Fund Contributions and Loss Distribution Charges: ~~FCM EnClear Clearing Service and FCM Nodal Clearing Service~~

For the ~~FCM EnClear Clearing Service and FCM Nodal Clearing Service~~, Contributions will be called via PPS on the fourth working day of each month or more

LCH.Clearnet Rule Submission

Appendix C

LCH.Clearnet Limited – FCM Regulations

**FCM REGULATIONS OF
THE CLEARING HOUSE
LCH.CLEARNET LIMITED**

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”	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 (34) 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

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 non-cash 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 ~~or~~ the FCM ForexClear Contract Terms, ~~or the FCM EnClear Contract Terms~~ designated as Economic Terms by the Clearing House from time to time.

that is registered in such capacity with the CFTC.

“FCM Approved Trade Source System”

means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market, 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 “**SwapClear API**” is not an FCM Approved Trade Source System.

“FCM Buffer”

has the meaning assigned to such term in FCM Regulation 15(a).

“FCM Buffer Sub-Account”

has the meaning assigned to such term in FCM Regulation 15(a).

“FCM Clearing Member”

means an FCM that has been approved by the Clearing House for the clearing of one or more categories of FCM Contracts on behalf of FCM Clients, in accordance with an FCM Clearing Membership Agreement and the FCM Procedures, and pursuant to these FCM Regulations, and as such is a “**Clearing Member**” for all purposes under the Default Rules and the FCM Default Fund Agreement, unless otherwise specified in these FCM Regulations.

“FCM Clearing Membership Agreement”

means the agreement so designated under which, *inter alia*, the Clearing House agrees to make available clearing services to an FCM Clearing Member in respect of FCM Contracts together with any ancillary agreements.

“FCM Clearing Services”

means the FCM SwapClear Clearing Services, the FCM ForexClear Clearing Services, ~~the FCM EnClear Clearing Services~~ and the FCM Nodal Clearing Services, collectively.

“FCM Client”

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; **provided, that** any such client is only an FCM Client with respect to its positions in FCM Contracts; **and provided, further, that** 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.

“FCM Client Business”

means the provision of FCM Clearing Services by an FCM Clearing Member to its FCM Clients.

“FCM Client Funds”	means all FCM Swaps Client Funds and/or FCM Futures Client Funds, as the context may require.
“FCM Client Segregated Depository Account”	means an FCM Swaps Client Segregated Depository Account or an FCM Futures Client Segregated Depository Account, as the context may require.
“FCM Client Sub-Account”	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.
“FCM Client Sub-Account Balance”	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.
“FCM Contract”	means an FCM SwapClear Contract, an FCM ForexClear Contract, an FCM EnClear Contract or an FCM Nodal Contract. “FCM Contracts” means FCM SwapClear Contracts, FCM ForexClear Contracts, FCM EnClear Contracts and FCM Nodal Contracts, collectively.
“FCM Contract Terms”	means the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms, the FCM EnClear Contract Terms and the FCM Nodal Contract Terms, collectively.
“FCM Default Fund Agreement”	means an agreement in a form prescribed by the Clearing House, entered into between an FCM Clearing Member and the Clearing House relating to the “default funds” of the Clearing House.
"FCM Eligible US Trading Venue"	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.

~~“FCM EnClear Clearing Services”~~

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

~~“FCM EnClear Clearing Member”~~

~~means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM EnClear Transactions and register FCM EnClear Contracts.~~

~~“FCM EnClear Contract”~~

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

~~“FCM EnClear Contract Terms”~~

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

~~“FCM EnClear Product Eligibility Criteria”~~

~~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.~~

~~“FCM EnClear Transaction”~~

~~means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM EnClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM EnClear Contract or a Non-FCM EnClear Contract.~~

“FCM Exchange Contract”

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.

“FCM Exchange Contract Subject to Delivery Notice”

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.

“FCM Exchange Transaction”

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

“FCM Nodal Clearing Member”	means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM Nodal Transactions and register FCM Nodal Contracts.
“FCM Nodal Clearing Services”	means the services provided by an FCM Clearing Member in connection with FCM Nodal Contracts cleared on behalf of its FCM Clients.
“FCM Nodal 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 Nodal Contract Terms, and which is governed by these FCM Regulations.
“FCM Nodal Contract Terms”	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.
“FCM Nodal Transaction”	means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM 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.
“FCM Omnibus Client Account with LCH”	means either an FCM Omnibus Swaps Client Account with LCH or an FCM Omnibus Futures Client Account with LCH.
“FCM Omnibus EnClear 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 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.
“FCM Omnibus ForexClear 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 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 ~~or~~, 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 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)(i) Regulation 53(a).
“ForexClear 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.
“ForexClear Contribution”	means, in relation to the Default Rules, the meaning assigned to it in rule 16 of the Default Rules.
“ForexClear DMP”	has the meaning assigned to it in the ForexClear DMP Annex of the Default Rules.
“Futures Account Class”	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.
“Futures/Options Contract”	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.
“Futures Product”	means a Product which constitutes a Futures/Options Contract. Such Products are: FCM Nodal Contracts.
“Hedged Account”	has the meaning assigned to it in the FCM Procedures.
“Ineligible FCM ForexClear Contract”	has the meaning assigned to it in FCM Regulation 49(e)(ii).
“Ineligible FCM ForexClear Transaction”	has the meaning assigned to it in FCM Regulation 49(e)(i).
“Ineligible FCM SwapClear Contract”	has the meaning assigned to it in FCM Regulation 46(f).
“Ineligible FCM SwapClear Transaction”	has the meaning assigned to it in FCM Regulation 46(f).
“Inflation FCM SwapClear	means an FCM SwapClear Contract identified as being an

Contract”	Inflation FCM SwapClear Contract in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.
“Initial Margin”	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.
“IRS FCM SwapClear Contract”	means an FCM SwapClear Contract identified as being an IRS FCM SwapClear Contract in the FCM Product Specific Contract Terms and Eligibility Criteria Manual
“LCH.Clearnet Group”	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.

“MER” Has the meaning assigned to it in Section 2.1.3(c) of the FCM Procedures.

“Nodal” means Nodal Exchange, LLC of 8065 Leesburg Pike, 3rd Floor, Vienna, VA 22182, United States of America.

“Nodal Eligible Derivative Product” means a derivative product prescribed from time to time by the Clearing House as eligible for the FCM Nodal Clearing Service.

“Nodal’s Rules” 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.

“Nodal Service 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.

“Nodal Trading Facility” means the facility, trading system or systems operated directly or indirectly by Nodal on which Nodal Eligible Derivative Products may be traded.

“Non-FCM Clearing Member” means either a SwapClear Clearing Member, a ForexClear Clearing Member, ~~an LCH EnClear OTC Clearing Member~~ or a Nodal Service Clearing Member, as applicable.

“Non-FCM Contract” 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.

~~“Non-FCM
EnClear Contract”~~

~~means an “LCH EnClear OTC Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.~~

“Non-FCM ForexClear Contract”

means a “ForexClear Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.

“Non-FCM Nodal Contract”

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.

“Non-FCM SwapClear Contract”

means a “SwapClear Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.

“Non-Porting Client”

has the meaning assigned to it in the FCM Procedures.

“Official Quotation”

means a price determined by the Clearing House under FCM Regulation 15.

“Omnibus Collateral Value”

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).

“Open Contract” or “open contract”

means an FCM Contract which has not been closed-out, settled or invoiced back in accordance with the FCM Regulations and the FCM Procedures. The terms **“Open Contract”** and **“open contract”** shall not include a Closing-out Contract.

“Option”

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.

“Other Specific Regulations”

means the Clearing House's Default Rules, Default Fund Rules, Settlement Finality Regulations and related Definitions and provisions relating to construction as published and amended by the Clearing House from time to time.

“Permitted Depository”

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

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 has the meaning assigned to it in FCM Regulation

“Member”	56(a)(ii) Regulation 53(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.
“Swap Product”	means a Product which constitutes a Cleared Swap. Such Products are: (1) FCM SwapClear Contracts and , (2) FCM ForexClear Contracts, and (3) FCM EnClear Contracts.
“SwapClear Contribution”	means, in relation to the Default Rules, the meaning assigned to it in rule 16 of the Default Rules.
“SwapClear 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.
“SwapClear DMP”	has the meaning assigned to it in the SwapClear DMP Annex of the Default Rules.
“SwapClear Tolerance”	has the meaning assigned to it in Section 2.1.3(c) of the FCM Procedures.
“Termination Amount”	has the meaning assigned to such term in FCM Regulation 37(d)(iii).
“UK General Regulations”	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.
“UK General Procedures”	means the Clearing House's “Procedures” as such term is defined in the UK General Regulations, which are applicable to the UK General Regulations.
“Unallocated Excess”	has the meaning assigned to such term in FCM Regulation

	15(b).
“Unallocated Excess Sub-Account”	has the meaning assigned to such term in FCM Regulation 15(b).
“Unallocated FCM SwapClear Contract”	has the meaning assigned to such term in FCM Regulation 46(o)(ii).
“Unallocated FCM SwapClear Transaction”	has the meaning assigned to such term in FCM Regulation 46(o)(i).
“Variation Margin”	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 <u>or</u> ; 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.

CHAPTER II - STATUS

REGULATION 4 FCM CLEARING MEMBER STATUS AND APPLICATION OF LCH REGULATIONS

- (a) Application for FCM Clearing Member status in the Clearing House shall be made in accordance with the FCM Procedures. An FCM Clearing Member's status in the Clearing House and all FCM Clearing Services shall be governed by these FCM Regulations, the Other Specific Regulations and the FCM Procedures. Additionally, an FCM Clearing Member's status in the Clearing House shall be governed by any FCM Clearing Membership Agreement to which it is for the time being party. FCM Clearing Member status does not provide or entitle an FCM Clearing Member to any other clearing member status with the Clearing House, or to any shareholding membership of LCH.Clearnet Limited or any shareholding or other membership of any other member of the LCH.Clearnet Group or any entitlement to membership of or participation in LCH.Clearnet SA, each of which has separate and distinct membership requirements.
- (b) Notwithstanding any other provision of these FCM Regulations, with respect to FCM Transactions involving an FCM Client cleared by an FCM Clearing Member as FCM Contracts, such FCM Clearing Member shall act solely as agent of its FCM Clients in connection with the clearing of such FCM Contracts; **provided, that** each FCM Clearing Member shall remain fully liable for all obligations to the Clearing House arising in connection with such FCM Contracts.
- (c) **General Qualification of FCM Clearing Members.** An FCM Clearing Member must obtain approval from the Clearing House in order to provide FCM Clearing Services in respect of a Product. A separate approval is required for each Product that an FCM Clearing Member proposes to clear. In order to obtain such approval, and in order to maintain such approval once such approval has been obtained, an FCM Clearing Member must:
- (i) be registered with the CFTC as an FCM;
 - (ii) maintain adjusted net capital, as defined in CFTC Regulation 1.17, of at least \$7,500,000 (seven and a half million United States dollars), or \$50,000,000 (fifty million United States dollars) in the case of FCM Clearing Members that clear either FCM SwapClear Contracts ~~or~~ FCM ForexClear Contracts ~~or FCM EnClear Contracts~~; **provided, that** (A) the Clearing House shall be permitted (in its sole and reasonable discretion), including as described in the FCM Procedures, to scale an FCM Clearing Member's required level of net capital in accordance with the level of risk introduced to the Clearing House by such FCM Clearing Member and (B) the Clearing House shall be permitted (in its sole and reasonable discretion) to scale an FCM Clearing Member's level of risk introduced to the Clearing House by such FCM Clearing Member in accordance with its level of net capital (and regardless of whether such FCM Clearing Member has adjusted net capital exceeding \$7,500,000 or \$50,000,000, as applicable); **provided, further, that** each FCM Clearing Member or FCM Clearing Member applicant must maintain compliance with all regulatory financial requirements (whether relating to capital, equity, risk

CHAPTER III - ACCOUNTS AND CLIENT CLEARING

REGULATION 7 FCM CLIENT BUSINESS AND FCM CLIENT ACCOUNT SEGREGATION

- (a) Subject to the provisions of these FCM Regulations, FCM Clearing Services may be provided by an FCM Clearing Member to its FCM Clients on any terms and conditions mutually agreed to by the FCM Clearing Member and the FCM Client; **provided, however**, that each FCM Clearing Member shall, before providing FCM Clearing Services to any FCM Client, ensure that it has entered into an agreement with that FCM Client, or an Addendum to an existing Agreement with such FCM Client, which, in either case, binds the FCM Client to the applicable provisions of the FCM Rulebook by direct reference to the FCM Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the Clearing House and FCM Clearing Members, or as may be prescribed by the Clearing House. Upon the registration of an FCM Contract at the applicable Registration Time on behalf of an FCM Client, both the FCM Clearing Member and the applicable FCM Client will be deemed to be bound by the relevant FCM Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client, which such terms shall, without limitation, incorporate all applicable terms of the FCM Rulebook and the applicable FCM Contract Terms.

Where an FCM Clearing Member offers or provides Client Clearing Services to an Affected Client, it must offer the following arrangement to that Affected Client: If the Affected Client elects EMIR Client Clearing, the FCM Clearing Member must, to the extent permitted and practicable under applicable law and regulations, procure the availability of EMIR Client Clearing for that Affected Client either through an affiliated Non-FCM Clearing Member or another Clearing Member.

- (b) **Book Entry Accounts – Swaps.**
- (i) With respect to each FCM Clearing Member, the Clearing House shall establish and maintain an FCM Omnibus Swaps Client Account with LCH on behalf of such FCM Clearing Member's FCM Clients with respect to each Swap Product for which such FCM Clearing Member clears FCM Contracts on behalf of its FCM Clients. FCM Clearing Services in respect of Swap Products may be provided by an FCM Clearing Member to its FCM Clients, and FCM Contracts may be registered by an FCM Clearing Member with the Clearing House on behalf of its FCM Clients only in an FCM Omnibus Swaps Client Account with LCH. Each such FCM Omnibus Swaps Client Account with LCH shall be treated as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for purposes of the CFTC Regulations. In accordance with CFTC Regulation 22.8, the situs of the FCM Omnibus Swaps Client Account with LCH shall be located in the United States.
- (ii) This paragraph applies to an FCM Clearing Member's FCM Omnibus Swaps Client Accounts with LCH. FCM Omnibus Swaps Client Accounts with LCH shall be maintained and administered in accordance with the CEA and all

applicable CFTC Regulations (including but not limited to Part 1, Part 22 and Part 190 of such Regulations, as applicable). In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the value of all Collateral received from each FCM Clearing Member on behalf of an identified FCM Client in connection with Swap Products as belonging to each such individual FCM Client, and such amount shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, other FCM Clients or any other person, except as permitted under the FCM Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 22 of the CFTC Regulations; **provided**, that the Clearing House shall be permitted to physically hold and commingle all Collateral and other cover deposited in any FCM Omnibus Swaps Client Account with LCH in a single physical depository account with a Permitted Depository.

- (iii) The Clearing House shall establish and maintain on its books and records an FCM Client Sub-Account in the name and on behalf of each FCM Client of an FCM Clearing Member, as a sub-account of each applicable FCM Omnibus Swaps Client Account with LCH maintained for such FCM Clearing Member. The Clearing House shall reflect on its books and records the FCM Contracts and Margin value attributable to each FCM Client Sub-Account; **provided**, that the books and records of the Clearing House in this regard shall be based solely on the information provided by the FCM Clearing Member, and the Clearing House shall have no obligation to verify any such information or to investigate independently any such information. Each FCM Client Sub-Account shall be considered to be part of the Cleared Swaps Customer Account Class solely for purposes of Part 190 of the CFTC Regulations. The Clearing House shall, in accordance with the provisions of FCM Regulation 7(h), establish and maintain on its books and records an FCM Buffer Sub-Account on behalf of each FCM Clearing Member and its FCM Clients, as a sub-account of each FCM Omnibus SwapClear Client Account with LCH and; each FCM Omnibus ForexClear Client Account with LCH ~~and each FCM Omnibus EnClear Client Account with LCH~~, maintained for each such FCM Clearing Member.
- (iv) An FCM Clearing Member shall provide the Clearing House with all information required under the FCM Procedures regarding Swap Products, Collateral and other FCM Swaps Client Funds held or furnished by such FCM Clearing Member for each of its FCM Clients and shall instruct the Clearing House as to the Swap Products and Collateral to be reflected in each applicable FCM Client Sub-Account, at such time and in such form as required under the FCM Procedures. In addition, an FCM Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the FCM Clients of the FCM Clearing Member, or the clearing of Swap Products by such FCM Clearing Member on behalf of its FCM Clients or on its own behalf.

(c) **Book Entry Accounts – Futures.**

CHAPTER XIV - ~~FCM ENCLEAR REGULATIONS~~[RESERVED]

REGULATION 52 ~~REGISTRATION OF FCM ENCLEAR CONTRACTS~~[RESERVED]

- ~~(a) An FCM EnClear Clearing Member must submit particulars of an FCM EnClear Transaction for registration as an FCM EnClear Contract, through such means as shall be prescribed by the FCM Procedures.~~
- ~~(b) Without prejudice to the Clearing House's rights under FCM Regulation 52(f), an FCM EnClear Clearing Member shall be bound by an FCM EnClear Contract registered in its name pursuant to the presentation of particulars of an FCM EnClear Transaction by it or on its behalf, or by an Approved Broker or presented by another FCM EnClear Clearing Member **provided that** the particulars of such FCM EnClear Transaction are submitted to the Clearing House through such means as shall be prescribed by the FCM Procedures.~~
- ~~(c) Without prejudice to the Clearing House's rights under FCM Regulation 52(f), an FCM EnClear Transaction, the particulars of which are submitted for registration as an FCM EnClear Contract, must meet the FCM EnClear Product Eligibility Criteria at the time the particulars of such FCM EnClear Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as an FCM EnClear Contract.~~
- ~~(d) The Clearing House shall be deemed to register an FCM EnClear Contract, in accordance with this FCM Regulation 52 in the name of an FCM EnClear Clearing Member at the Registration Time.~~
- ~~(e) For the avoidance of doubt, any transaction of which details have been submitted by, or on behalf of, an FCM EnClear Clearing Member or by an Approved Broker for registration as an FCM EnClear Contract which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto, and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.~~
- ~~(f)(a) If at any time after registration of an FCM EnClear Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration did not, at the Registration Time, meet the FCM EnClear Product Eligibility Criteria for registration as an FCM EnClear Contract, the Clearing House shall, as soon as practicable thereafter, set aside such FCM EnClear Contract. Upon the FCM EnClear Contract being set aside under this FCM Regulation 52(f), the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House and such transaction shall remain in effect or be terminated, as the case may be, in accordance with any terms agreed between the parties thereto. Any payment made under, or in respect of, an FCM EnClear Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 44 and its obligations under this FCM Regulation 52(f), the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability~~

~~whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM EnClear Contract in respect of a transaction which did not meet the FCM EnClear Product Eligibility Criteria at the Registration Time to enable it to be registered as an FCM EnClear Contract.~~

REGULATION 53 ~~FCM ENCLEAR CONTRACTS~~[RESERVED]

~~(a) An FCM EnClear Transaction presented for registration to, and accepted by the Clearing House, shall be registered by the Clearing House as two FCM EnClear Contracts or as one FCM EnClear Contract and one Non FCM EnClear Contract, one between the First EnClear Clearing Member being the seller, or party paying a Fixed Price (as the case may be) and the Clearing House as buyer, or the party paying a Floating Price (as the case may be), and the other between the Clearing House as the seller or party paying a Fixed Price (as the case may be) and the Second EnClear Clearing Member being the buyer or the party paying a Floating Price (as the case may be). For the purposes of this FCM Regulation:~~

~~(i) “**First EnClear Clearing Member**” is an FCM EnClear Clearing Member or an LCH EnClear OTC Clearing Member who was, before registration of the FCM EnClear Contract or Non FCM EnClear Contract, as the case may be, party to the corresponding FCM EnClear Transaction as the seller, or party paying a Fixed Price (as the case may be), or, if appropriate, who has Accepted such FCM EnClear Transaction in accordance with the relevant FCM Procedures or UK General Procedures, as the case may be; and~~

~~(ii) “**Second EnClear Clearing Member**” is an FCM EnClear Clearing Member or an LCH EnClear OTC Clearing Member who was, before registration of the FCM EnClear Contract or the Non FCM EnClear Contract, as the case may be, party to the corresponding FCM EnClear Transaction as the buyer, or the party paying a Floating Price (as the case may be), or, if appropriate, who has Accepted such FCM EnClear Transaction in accordance with the relevant FCM Procedures or UK General Procedures, as the case may be.~~

~~For the purposes of this FCM Regulation 53, “**Accepted**” shall mean that the relevant FCM EnClear Clearing Member (or LCH EnClear OTC Clearing Member, where applicable) has agreed, by such means as may be prescribed from time to time by the FCM Procedures, to become counterparty with the Clearing House to such FCM EnClear Contract (or Non FCM EnClear Contract, where applicable).~~

~~(b) With effect from registration of an FCM EnClear Transaction as either two FCM EnClear Contracts or one FCM EnClear Contract and one Non FCM EnClear Contract, as the case may be, under FCM Regulation 53(a):~~

~~(i) the parties to the corresponding FCM EnClear Transaction, to the extent that they are bound by these FCM Regulations or the UK General Regulations, shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time; where the parties to the corresponding FCM EnClear Transaction are not bound by these FCM Regulations or the UK General Regulations, such trade shall be dealt with according to the terms agreed by the parties to that trade;~~

~~(ii) — each FCM EnClear Contract registered under FCM Regulation 53(a) shall be governed by the relevant FCM EnClear Contract Terms as applicable to that FCM EnClear Contract;~~

~~(iii) subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the First EnClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM EnClear Contract or Non FCM EnClear Contract (as the case may be) to which it (or the party on whose behalf it is clearing) is party as the seller had and owed in respect of its counterparty under the corresponding FCM EnClear Transaction; and~~

~~(iv) — subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the Second EnClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM EnClear Contract or Non FCM EnClear Contract (as the case may be) to which it (or the party on whose behalf it is clearing) is party as the buyer had and owed in respect of its counterparty under the corresponding FCM EnClear Transaction.~~

~~In sub paragraphs (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 EnClear Transaction (it being assumed, for this purpose, that such FCM EnClear 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.~~

~~(e) — If an FCM EnClear 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 EnClear Contract arising under this FCM Regulation 53 (including any subsequent FCM EnClear Contract novated or transferred in accordance with the FCM Rulebook, if applicable).~~

~~(d)(a) In the case of an FCM EnClear 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 53 shall take effect.~~

REGULATION 54 ~~DAILY SETTLEMENT~~[RESERVED]

- (a) ~~Where the FCM Procedures so provide, in respect of any FCM EnClear Transaction and any FCM EnClear Contract arising therefrom, the Clearing House may effect the daily settlement to market, of such open FCM EnClear Contracts (in each case, as opposed to requiring the collateralization of such open contracts) in accordance with the FCM Procedures.~~
- (b) ~~The Clearing House may, in accordance with the Procedures, in respect of each such open FCM EnClear Contract in an FCM Clearing Member's name which is subject to daily settlement to market, effect and register a settlement contract, being a contract on the same terms (except as to price) as the Open Contract, save that where that FCM Clearing Member is the seller or the party paying a "Fixed Price" (as the case may be) under the terms of the Open Contract, that FCM Clearing Member shall be the buyer or the party paying a "Floating Price" (as the case may be) under the terms of the settlement contract and vice versa, such settlement contract to be effected in accordance with the FCM Procedures at the relevant Reference Price for that day. The Clearing House shall thereupon settle each Open Contract against the respective settlement contract in accordance with the FCM Procedures.~~
- (c) ~~Upon completion of the process set out in paragraph (b) above, the Clearing House may, if the FCM Procedures so provide, calculate the daily settlement amounts in accordance with the FCM Procedures and may thereafter debit or credit (as the case may be) the FCM Clearing Member's account and upon the Clearing House so doing, that FCM Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising in accordance with the arrangements set out in the FCM Procedures in respect of the relevant FCM EnClear Contract.~~
- (d) ~~The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph (c) above in the manner prescribed by the FCM Procedures, in respect of those open FCM EnClear Contracts in an FCM Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily settlement to market, register at the Reference Price referred to in paragraph (b) above, which price shall be deemed to be the "traded price", contracts in that FCM Clearing Member's name as open FCM EnClear Contracts on the same terms (except as to price) as the settled Open Contracts, save that no contract for the purchase and no contract for the sale of the same commodity, for the same Delivery Month, or Expiry Month and price, shall be registered in that FCM Clearing Member's name.~~

LCH.Clearnet Rule Submission

Appendix D

**LCH.Clearnet Limited – FCM Product Specific Contract Terms and Eligibility
Criteria Manual**

**FCM PRODUCT SPECIFIC CONTRACT TERMS AND
ELIGIBILITY CRITERIA MANUAL**

SCHEDULE 2
FCM ENCLEAR[RESERVED]

Part A
FCM ENCLEAR CONTRACT TERMS

~~Where an FCM EnClear Contract arises between the Clearing House and an FCM Clearing Member pursuant to the FCM Rulebook and the terms of any agreement between them, the terms of a registered FCM EnClear Contract shall include these FCM EnClear Contract Terms (these "**Contract Terms**") which shall comprise:~~

~~Interpretation and Definitions;~~

~~(3) Economic Terms;~~

~~(4) Specific Standard Terms*; and (5)~~

~~— General Standard Terms~~

~~Section 1. — **Interpretation and Definitions: General**~~

~~1.1 — [This section has been removed.]~~

~~1.2 Words and expressions used in these FCM EnClear Contract Terms shall have the same meaning as in the "FCM Rulebook" of the Clearing House (as defined in the Clearing House's "FCM Regulations").~~

~~1.3 The accidental omission to give any notice which may be required under the FCM Rulebook for the amendment of these Contract Terms, or the non-receipt of any such notice by any FCM Clearing Member shall not invalidate the amendment with which such notice is concerned.~~

~~1.4 In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.~~

~~1.5 Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.~~

~~1.6 Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.~~

~~1.7 "**US Business Day**" means a day upon which banks in the United States of America are generally open to settle payments and for general business. "**UK Business Day**" means a day upon which banks in England and Wales are generally open to settle payments and for general business.~~

~~Section 2. — Economic Terms~~

~~2.1 The Economic Terms of an FCM EnClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM EnClear Transaction in respect of the terms designated as Economic Terms in this Schedule.~~

~~2.2 It is part of the eligibility criteria for registration as an FCM EnClear Contract that the particulars of an FCM EnClear Transaction presented to the Clearing House must include matched information in respect of all such designated Economic Terms with the exception of 2.3(viii) which will be determined in accordance with the FCM Procedures.~~

~~2.3 The Economic Terms comprise: (a)~~

~~—— Fixed Rate Payer or seller;~~

~~(b) —— Floating Rate Payer or buyer;~~

~~(c) —— Contract;~~

~~(d) —— Contract Series;~~

~~(e) —— Quantity;~~

~~(f) Delivery Period (where applicable);~~

~~(g) Fixed Price or Traded Price (as the case may be); (h)~~

~~—— Floating Price (where applicable).~~

~~**PROVIDED, however, that,** as set out in FCM Regulation 38 (*Registration of FCM EnClear Contracts*) where the FCM EnClear Transaction specifies an FCM Clearing Member as the party paying the Fixed Price or being the seller ("**the First EnClear Clearing Member**") with the other FCM Clearing Member (or LCH EnClear OTC Clearing Member, as the case may be) as the party paying the Floating Price or being the buyer ("**the Second EnClear Clearing Member**") the Clearing House, in respect of each FCM EnClear Contract it is party to pursuant to the corresponding FCM EnClear Transaction, shall be (i) the party paying the Floating Price or the buyer to the First EnClear Clearing Member under the FCM EnClear Contract; and (ii) the party paying the Fixed Price or seller to the Second EnClear Clearing Member under the FCM EnClear Contract.~~

~~Section 3. — Specific Standard Terms For FCM EnClear Contracts~~

~~[Sections 3.1 and 3.2 no longer in force]~~

~~3.3 *LCH EnClear OTC Services: Energy Division* [Section 3.3~~

~~not applicable to the FCM EnClear Service]~~

~~3.4 LCH EnClear OTC Services: Freight Division~~

~~Clause 3.4 of Part A of the Schedule to the LCH EnClear OTC Regulations in the UK General Regulations is incorporated herein by reference; **provided, that** for purposes of the FCM Regulations, (i) references therein to LCH EnClear OTC Contracts shall instead be to FCM EnClear Contracts and (ii) references therein to an Eligible OTC Trade shall instead be to an FCM EnClear Transaction.~~

~~3.5 LCH EnClear OTC Services: Precious Metals Division~~

~~[Section 3.5 not applicable to the FCM EnClear Service]~~

~~Section 4. General Standard Terms~~

~~4A. The following General Standard Terms apply to all FCM EnClear Contracts:~~

~~4A.1 Payment of Stamp Tax and Other Taxes~~

- ~~(a) All payments due under an FCM EnClear Contract shall be made by the FCM Clearing Member free and clear and without deduction or withholding for or on account of any tax.~~
- ~~(b) The Clearing House shall make any payments due to an FCM Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.~~
- ~~(c) The FCM Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty or tax levied or imposed upon the Clearing House in whatsoever jurisdiction in respect of the Clearing House's execution or performance of this FCM EnClear Contract.~~

~~4A.2 Payment of Stamp Tax~~

~~The FCM Clearing Member will pay any Stamp Tax or other similar duty levied or imposed upon it in respect of any FCM EnClear Contract to which it is a party by a jurisdiction in which it is incorporated, organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction.~~

~~The FCM Clearing Member shall indemnify the Clearing House against any stamp tax or other duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM EnClear Contract registered by the Clearing House and to which that FCM Clearing Member is a party.~~

~~4A.3 Payments under an FCM EnClear Contract~~

~~The Clearing House shall, unless specified otherwise in the FCM Procedures, effect daily settlement to market of open FCM EnClear Contracts in accordance with the FCM Regulations. Any Reference Price shall be determined in accordance with the FCM Regulations and the FCM Procedures.~~

~~Payments under, and in respect of, an FCM EnClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM Clearing Member in accordance with the provisions of the FCM Regulations and the FCM Procedures.~~

~~4A.4—*FCM Regulations*~~

~~This FCM EnClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM EnClear Contract Terms and the FCM Regulations and/or the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.~~

~~4A.5—*Governing Law*~~

~~This FCM EnClear Contract shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of laws and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of Americas, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM Clearing Member party to this FCM EnClear Contract irrevocably submits to such jurisdiction and to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of Americas, the United states District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.~~

~~4A.6—*Third Party Rights*~~

~~A person who is not a party to this FCM EnClear Contract shall have no rights under or in respect of this FCM EnClear Contract. Rights of third parties to enforce any terms of this FCM EnClear Contract are expressly excluded.~~

~~4B.—[Section 4B not applicable to the FCM EnClear Service]~~

~~4C.—The following Standard Terms apply only in respect of FCM EnClear Contracts arising from FCM EnClear Transactions (Freight Division):~~

~~4C.1—*Unavailability of any Reference Price*~~

~~In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided by a panel formed by the Forward Freight Agreement Brokers Association or other applicable provider designated by the Clearing House.~~

~~4C.2—*Calculation Agent*~~

~~The Calculation Agent is the Clearing House.~~

~~4C.3—*Change in Route*~~

~~**PART A IN THE EVENT OF A CHANGE IN A ROUTE, THE SUCCESSOR REFERENCE PRICE AS PUBLISHED BY THE BALTIC EXCHANGE OR OTHER APPLICABLE PROVIDER DESIGNATED BY THE CLEARING HOUSE SHALL BE APPLICABLE. [RESERVED]**~~

Part B
~~PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF AN FCM~~
~~ENCLEAR CONTRACT~~

~~1. FCM EnClear Transactions~~

~~1.1 FCM EnClear Product Eligibility Criteria for FCM EnClear Transactions~~

~~1.2.1 [This section has been removed]~~

~~1.2.2 [This section has been removed]~~

~~1.2.3 Product Eligibility Criteria for FCM EnClear Transactions in the Freight
Division~~

~~**PART B**~~ THE PARTS OF CLAUSE 1.2.3 OF PART B OF THE SCHEDULE TO THE LCH ENCLEAR OTC REGULATIONS IN THE UK GENERAL REGULATIONS RELATING TO THE FREIGHT DIVISION ARE INCORPORATED HEREIN BY REFERENCE; PROVIDED, THAT FOR PURPOSES OF THE FCM REGULATIONS, (I) REFERENCES THEREIN TO LCH ENCLEAR OTC CONTRACTS SHALL INSTEAD BE TO FCM ENCLEAR CONTRACTS AND (II) REFERENCES THEREIN TO AN ELIGIBLE OTC TRADE SHALL INSTEAD BE TO AN FCM ENCLEAR TRANSACTION. [RESERVED]