

VIA CFTC PORTAL

April 1, 2022

Mr. Christopher Kirkpatrick  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington, DC 20581

**LCH Limited Self-Certification: Extension of SwapClear Business Hours and Overnight Funding Account**

Dear Mr. Kirkpatrick,

Pursuant to Commodity Futures Trading Commission ("CFTC") Regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the CFTC, is submitting for self-certification revisions to its rules related to extension of the opening hours for the SwapClear Service and the introduction of a new overnight funding account ("OFA").

**Part I: Explanation and Analysis**

LCH is revising its rules to extend the opening hours of the SwapClear Service. The SwapClear Service opening hours extension will occur in phases. These rule changes are the second of three phases. Additionally, these changes introduce an OFA will be available for SwapClear clearing members ("SCMs"), in respect of their house business, and FCM SwapClear members, in respect of their client business. The OFA will allow for the prefunding of additional collateral to support trade registration during the extended hours (and throughout the day, if need be). Additionally, consequential changes related to the timing of calculation amounts during default management will be made in the SwapClear and ForexClear rules to maintain consistency across the services. These revisions are in the following LCH rules: General Regulations; Procedures Section 2C (SwapClear Clearing Service); Procedures Section 2I (ForexClear Clearing Service); Procedures Section 3 (Financial Transactions); FCM Regulations; and FCM Procedures.

**Part II: Description of Rule Changes**

The following is a summary of the revisions to be made to LCH's rules.

General Regulations

To support the distinction of collateral held in an OFA, the following definitions will be added to the General Regulations:

- General Collateral
- Overnight Funding Account
- Overnight Funding Collateral

**An LSEG Business**

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Procedures Section 2C (SwapClear Clearing Service) and Procedures Section 2I (ForexClear Clearing Service)

The definition of “Daily Calculation Period” is updated to be the period of time during which LCH calculates end of day margin and settlement payments for the applicable service’s contracts. The revised “Daily Calculation Period” definition is then used in a new section titled “Calculation Period” which is added with reference to the applicable service’s Annex in the LCH Default Rules. This section introduces a new defined term, “Auction Losses Calculation Period” which is defined as the period between the Daily Calculation Period for the previous business day and the point at which LCH sells the an auction portfolio.

Procedures Section 3 (Financial Transactions)

OFA’s are added to the sub-account types listed in the section titled “Proprietary Accounts.” Section 1.6.3 (Proprietary Account – SwapClear) is added to explain that for Proprietary Accounts, in general, LCH will apply General Collateral to satisfy the liabilities of a SwapClear member before applying Overnight Funding Collateral, but maintains the discretion to apply some or all available Overnight Funding Collateral before General Collateral.

Additionally, non-substantive and formatting changes are included.

FCM Regulations

To support the distinction of collateral held in an OFA, the following definitions will be added to the FCM Regulations:

- General FCM Buffer
- Overnight FCM Funding Account
- Overnight FCM Funding Collateral

FCM Procedures

The FCM Procedures are revised to provide for the change in operational hours for the FCM SwapClear service. The FCM SwapClear service will be operational on business days as follows:

- Mondays from 2:00 London time to 2:05 London time on Tuesday (changed from closing time of 19:00 New York time)
- Fridays from 6:00 London time to 19:00 New York time (no change)
- Non-Monday/Fridays from 6:00am London time to 2:05 London time the following day (previously, these hours were the same as Friday)

Additionally, Section 3.4.5 (Overnight FCM Funding Account) is added. This section explains that upon request from an FCM Clearing Member, LCH may open an Overnight FCM Funding Account. The funds in the account would be available for LCH to apply to liabilities following the final margin call on any Business Day, when General FCM Buffer is no longer available.

The changes to the rules are included as **Appendices I and VI** in black line form. The changes will be effective not earlier than April 25, 2022.

**Part III: Core Principle Compliance**

LCH reviewed the proposed rule changes against the requirements of the Core Principles and finds it will continue to comply with all requirements and standards set forth therein. Specifically, this rule change has potential relevance to Core Principle D (Risk Management) and Core Principle L (Public Information).

LCH believes the changes described in this filing will not impact LCH's ongoing compliance with the objectives of Core Principle D. The addition of OFAs is meant to be an additional tool for LCH to limit its exposure to potential losses from defaults. OFAs are an additional risk control mechanism to help ensure that the additional operating hours of LCH will not cause a disruption to the operations of LCH and will not cause non-defaulting clearing members to be exposed to losses that they cannot anticipate or control. LCH considered its risk management requirements and believes expanding its operating hours and adding OFAs will not impact LCH's ongoing compliance with Core Principle D on Risk management or CFTC regulation §39.13.

The changes described in this filing ensure that LCH meets the objectives of Core Principle L, including that, in addition to the specified requirements of §39.21, LCH make available any information that is relevant to participation in the clearing and settlement activities of LCH. LCH considered its public information requirements and believes continuing to include its revised business hours in its Procedures and FCM Procedures maintains its compliance with Core Principle L. The changes provided for in this submission will be included in LCH's publicly available Procedures and FCM Procedures. As a result, LCH believes these changes are consistent with the requirements of Core Principle L on Public Information or CFTC regulation §39.21.

#### **Part IV: Public Information**

LCH has posted a notice of pending certification with the CFTC and a copy of the submission on LCH's website at: <https://www.lch.com/resources/rulebooks/proposed-rule-changes>.

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

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

#### **Certification**

LCH hereby certifies to the CFTC, pursuant to the procedures set forth in CFTC Regulation §40.6, that the attached submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Should you have any questions please contact me at [michelle.weiler@lseg.com](mailto:michelle.weiler@lseg.com).

Yours sincerely,



Michelle Weiler  
Compliance Officer  
LCH Limited

**Appendix I**  
General Regulations  
*Changed Pages*



**GENERAL REGULATIONS OF  
LCH LIMITED**

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<b>"GBP ForexClear Liquidity Fund Contribution"</b>	means, in respect of a ForexClear Option Clearing Member, the amount (notified by the Clearing House pursuant to Regulation 100(b)) of cash denominated in Sterling that is required to be paid by that ForexClear Option Clearing Member to the Clearing House
<b><u>"General Collateral"</u></b>	<u>means the amount of Collateral recorded to the Proprietary Account of a SwapClear Clearing Member, other than Client Buffer and Overnight Funding Collateral</u>
<b>"Governmental Authority"</b>	means any: <ul style="list-style-type: none"> <li>(a) governmental, inter-governmental, parliamentary or supranational body, entity, agency or department; or</li> <li>(b) regulatory, self-regulatory or other authority,</li> </ul> in each case, which has jurisdiction over the Clearing House and/or, in respect of a Clearing Member, the relevant Clearing Member.
<b>"Group Member"</b>	has the meaning assigned to it in Chapter XIV(c)(i)
<b>"Hedged Account"</b>	has the meaning assigned to it in the FCM Regulations
<b>"Hedging ForexClear Service Clearing Member"</b>	has the meaning assigned to it in the ForexClear DMP Annex in the Default Rules
<b>"Hedging Rates Service Clearing Member"</b>	has the meaning assigned to it in the Rates DMP Annex in the Default Rules
<b>"House Clearing Business"</b>	means, in respect of SwapClear, SwapClear Clearing House Business and FCM SwapClear Clearing House Business, in respect of ForexClear, ForexClear Clearing House Business and FCM ForexClear Clearing House Business, in respect of RepoClear, RepoClear Clearing House Business and in respect of any other Service, Contracts entered into by a Clearing Member with the Clearing House on a proprietary basis and for its own account
<b>"House Excess"</b>	means, in respect of a Proprietary Account, the amount (if any) by which the value (as determined by the Clearing House) of the Clearing Member Current Collateral Balance of such Proprietary Account exceeds the Total Required Margin Amount of such Proprietary Account

<b><u>"Overnight Funding Account"</u></b>	<u>means a sub-account of the Proprietary Account of a SwapClear Clearing Member opened for the purpose of recording Overnight Funding Collateral</u>
<b><u>"Overnight Funding Collateral"</u></b>	<p><u>means an amount of Collateral that:</u></p> <p>(i) <u>is intended to be used to support the registration of, or to meet any other margin requirements in connection with, SwapClear Contracts in the Proprietary Account of a SwapClear Clearing Member; and</u></p> <p>(ii) <u>the Clearing House designates as "Overnight Funding Collateral".</u></p>
<b>"Own Resources Provision"</b>	means Article 35 of Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties or any law, regulation, rule, official directive or guideline (having the force of law) which replaces, supplements, modifies, amends or varies such provision
<b>"Permitted Transfers"</b>	has the meaning ascribed to it in Section 2C or Section 2I of the Procedures, as applicable
<b>"Portfolio Margined Contracts"</b>	means any Listed Interest Rates Contracts recorded in an account of a Portfolio Margining Clearing Member related to SwapClear Business following the operation by the Clearing House of the Portfolio Margining Arrangements
<b>"Portfolio Margining Clearing Member"</b>	means a Joint Rates Service Clearing Member who has opted in to the Portfolio Margining Service in accordance with Section 2C of the Procedures
<b>"Portfolio Margining Client"</b>	means, in respect of a Portfolio Margining Clearing Member, an Individual Segregated Account Clearing Client, a Custodial Segregated Client or an Omnibus Segregated Clearing Client which has been opted in to the Portfolio Margining Service in accordance with Section 2C of the Procedures
<b>"Portfolio Margining Service"</b>	means the portfolio margining service offered by the Clearing House pursuant to Regulation 59 and as more fully described at Section 2C of the Procedures
<b>"Portfolios"</b>	has the meaning assigned to it in the Default Rules
<b>"Porting Window"</b>	has the meaning assigned to it in the Client Clearing Annex to the Default Rules

**Appendix II**  
Procedures Section 2C (SwapClear Clearing Service)  
*Changed Pages*





**LCH LIMITED**

**PROCEDURES SECTION 2C**

**SWAPCLEAR CLEARING SERVICE**

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## 1.2 Operating Times and Calendars

### 1.2.1 Opening Days

The SwapClear Service will be open every day, except weekends, Christmas Day, New Year's Day and Good Friday<sup>1</sup>.

### 1.2.2 Opening Hours

Unless notified otherwise, the SwapClear Service will be operational on each business day that is:

- (a) a Monday from 02:00 (London time) to 02:05 (London time) on Tuesday~~19:00 New York time; and~~
- ~~(b) a Friday not a Monday~~ from 06:00 (London time) to 19:00 (New York time); and
- ~~(b) —~~ (c) not a Monday or Friday from 06:00 (London time) to 02:05 on the following day.<sup>23</sup>

The Clearing House will notify SwapClear Clearing Members if the SwapClear Service is scheduled for closure for operational or other reasons (including compression runs).

### 1.2.3 SwapClear Clearing System Calendars

The SwapClear clearing system uses the *SwapsMonitor Financial Calendar* for its processing. This will require all SwapClear Clearing Members to be licensees of the *SwapsMonitor Financial Calendar*. The calendars, as applicable to the SwapClear clearing system, will be available online for inspection and for file download from the SwapClear Clearing Member reporting system (see Section 1.1.3).

With respect to SwapClear Contracts that are denominated in Israeli Shekel, the Clearing House will not recognise Sunday as a Business Day for the purposes of the SwapClear Contract Terms.

<sup>1</sup> While the SwapClear Service is generally closed on Good Friday, the Clearing House may, by prior written notice to SCMs, open the SwapClear Service on such day, in which case it will be a business day.

<sup>2</sup> However, the Clearing House will continue to accept Necessary Consents until one minute after closure of the SwapClear Service.

<sup>3</sup> The SwapClear Service may, in the Clearing House's absolute discretion, be operational beginning (a) 00:00 (London time) on a business day that is a Monday, or (b) 04:00 (London time) on a business day that is not a Monday.

1.3.3 *Client Buffer, SwapClear Tolerance and Standing Order Amount**Client Buffer*

- (a) The Clearing House will allocate Client Buffer to the Client Accounts of an SCM, in accordance with paragraphs (b) to (f) below, in order to facilitate the registration of SwapClear Contracts to such Client Accounts or to otherwise satisfy the Total Required Margin Amounts of such Client Accounts.
- (b) The Clearing House will at all times (except as provided under paragraph (e)(i) below) calculate:
  - (i) in respect of each Client Account (other than an Omnibus Gross Segregated Account), the amount (if any) by which the Base Liability exceeds the Available Collateral Value for such Client Account; and
  - (ii) in respect of the sub-account referable to a Single Omnibus Gross Segregated Clearing Client or a group of Combined Omnibus Gross Segregated Clearing Clients (as applicable), the amount (if any) by which the Base Liability exceeds the Available Collateral Value for such sub-account,

where each such amount calculated is the “**Margin Shortfall**” for the relevant Client Account or sub-account (as applicable).

- (c) The Clearing House will automatically, and without further reference to the relevant SCM, allocate Client Buffer of such SCM to:
  - (i) a Client Account (other than an Omnibus Gross Segregated Account) of such SCM, which has a Margin Shortfall, equal to the total amount of Client Buffer held on behalf of such SCM multiplied by the Shortfall Ratio for such Client Account, up to a maximum of such Margin Shortfall; and
  - (ii) the sub-account of an Omnibus Gross Segregated Account of such SCM, which has a Margin Shortfall, equal to the total amount of Client Buffer held on behalf of such SCM multiplied by the Shortfall Ratio for such sub-account, up to a maximum of such Margin Shortfall.
- (d) As part of the end of day margin and settlement call, the Clearing House will call each SCM for Collateral to cover the liabilities of its Client Accounts which are, at that point, being covered by Client Buffer.
- (e) The Clearing House will perform the allocation of Client Buffer in accordance with paragraph (c) above on an ongoing basis, except that:
  - (i) subject to paragraph (e)(ii) below, where the Clearing House calls an SCM for end of day margin and/or settlement payments in respect of a business day, all calculations of Margin

Shortfalls and allocations of Client Buffer will be suspended and all existing allocations of Client Buffer, in respect of the Client Accounts of such SCM, will remain in force from the time (as determined by the Clearing House) at the end of the period, for which the Clearing House has determined at which the Clearing House makes such end of day margin and/or settlement ~~call~~ payments, until such time as the SCM satisfies such call (and at which time the Clearing House will resume calculation of Margin Shortfalls and allocation of Client Buffer in accordance with paragraphs (b) to (f)); and

- (ii) notwithstanding paragraph (e)(i) above, if an SCM fails to meet any of its obligations to the Clearing House, the Clearing House may cease such allocation process and determine that all existing allocations of Client Buffer, in respect of the Client Accounts of such SCM, remain in force from the time specified by the Clearing House (until such later time as determined by the Clearing House, when it will resume allocation of Client Buffer in accordance with paragraphs (b) to (f)).
- (f) Where Client Buffer has been allocated to a Client Account, such Collateral shall be recorded in, and form part of, the Clearing Member Current Collateral Balance in respect of such Client Account.
- (g) Where the Clearing House determines, after applying the allocation process in paragraph (c) above, that an amount of Client Buffer will no longer be allocated to a Client Account of an SCM (because either (i) there are no Margin Shortfalls, in respect of the SCM's Client Accounts, or (ii) the total amount of Client Buffer exceeds the total Margin Shortfalls, in respect of such SCM's Client Accounts), it will be returned and re-recorded by the Clearing House to the Client Buffer Account of such SCM (until such time as allocated again to a Client Account in accordance with paragraph (c) above) and will cease to form part of the Clearing Member Current Collateral Balance of such Client Account.
- (h) Prior to the Default of an SCM or the occurrence of a Termination Date specified by such SCM under Regulation 45, amounts standing to the credit of its Client Buffer Account are not available to support House Clearing Business and can only be used to support its SwapClear Client Clearing Business.

#### *SwapClear Tolerance*

- (i) The Clearing House may provide each SCM with initial margin forbearance (“**SwapClear Tolerance**”) in accordance with paragraphs (j) to (o) below, in order to facilitate the registration of SwapClear Contracts in the Proprietary Account(s) and/or Client Account(s) of such SCM or where the SCM has otherwise not transferred sufficient Collateral to the Clearing House (taking into account any Client Buffer transferred to a Client Account).

- (j) Subject to paragraphs (l), (m) and (n) below, the allocation of SwapClear Tolerance to:
- (i) the Proprietary Account of an SCM will be adjusted, as and when necessary, in respect of shortfalls in Collateral following the Clearing House's daily margin and settlement calls;
  - (ii) the Client Accounts of an SCM who does not use Client Buffer will be adjusted, as and when necessary, in respect of shortfalls in Collateral following the Clearing House's daily margin and settlement calls; and
  - (iii) the Client Accounts of an SCM who uses Client Buffer will be adjusted on an ongoing basis, after the allocation of Client Buffer by the Clearing House pursuant to paragraphs (c) and (e) above, such that in respect of:
    - (A) a Client Account (other than an Omnibus Gross Segregated Account), the Clearing House will allocate SwapClear Tolerance to such account equal to the amount (if any) by which the Margin Shortfall, in respect of such Client Account, exceeds the Client Buffer allocated to it; and
    - (B) a sub-account of an Omnibus Gross Segregated Account, the Clearing House will allocate SwapClear Tolerance to such sub-account equal to the amount (if any) by which the Margin Shortfall, in respect of such sub-account, exceeds the Client Buffer allocated to it.
- (k) SwapClear Tolerance does not, for the avoidance of doubt, give rise to any payment or transfer of Collateral from the Clearing House or result in any use of Default Fund resources (except following a Default).
- (l) Notwithstanding paragraph (j) above, the Clearing House will determine, in its sole discretion, the maximum value of the SwapClear Tolerance (which may be zero) available to an SCM at a given time (the "**SwapClear Tolerance Limit**").
- (m) Notwithstanding paragraph (j) above, the Clearing House may adjust the value of such SwapClear Tolerance Limit and will notify each SCM of its SwapClear Tolerance Limit and of any adjustment to such SwapClear Tolerance Limit.
- (n) Notwithstanding paragraph (j) above, an SCM will ordinarily be required to transfer Collateral to the Clearing House in respect of its utilised SwapClear Tolerance in the margin and settlement call immediately following such use, provided that the Clearing House may require an SCM to transfer Collateral to the Clearing House in respect of utilised SwapClear Tolerance at any time and without prior notice.

Transaction is not presented in the prescribed format, each constituent SwapClear Transaction within the Package Transaction will be rejected.

Where the Clearing House receives a Package Transaction for registration it shall treat each SwapClear Transaction that forms part of the Package Transaction as a new SwapClear Transaction in accordance with the Rulebook and, where each constituent SwapClear Transaction within the Package Transaction meets the registration requirements as set out in the Rulebook (including a Necessary Consent and the provision of Collateral, where applicable), the Clearing House will simultaneously register all of the SwapClear Transactions within that Package Transaction. Where one or more of the constituent SwapClear Transactions does not meet the Clearing House's registration requirements then all the constituent SwapClear Transactions of the Package Transaction shall be rejected.

Where a constituent SwapClear Transaction of a Package Transaction is an Eligible Trading Venue Transaction, it is a condition of registration that all of the constituent SwapClear Transactions of such Package Transaction be Eligible Trading Venue Transactions. Where such condition is not met, all constituent SwapClear Transactions of the Package Transaction will be rejected. In respect of a Package Transaction comprising SwapClear Transactions that are not executed on a Trading Venue, the Clearing House will send a Notification to the relevant SwapClear Clearing Member(s) for the acceptance of each such constituent SwapClear Transaction.

In respect of a Package Transaction presented in a SwapClear Clearing Member's name, such SwapClear Clearing Member's margin requirement will be assessed based on the net margin call for all of the constituent SwapClear Transactions of such Package Transaction. Where one or more of the constituent SwapClear Transactions in a Package Transaction is not a Sub-Block Trading Venue Transaction, the relevant SwapClear Clearing Member is required to provide the Clearing House with sufficient Collateral prior to registration of the entire Package Transaction as a condition thereto (taking into account available SwapClear Tolerance, if any).

The Clearing House may limit the number of SwapClear Transactions that may be included in a Package Transaction by way of member circular.

## 1.4 Proprietary Accounts and Client Accounts

### 1.4.1 Proprietary Accounts

A SwapClear Clearing Member may request that the Clearing House opens a one or more Proprietary Accounts in respect of its House Clearing Business. Each A Proprietary Account will map to two or more sub-accounts:

- (a) one or more position accounts; and
- (b) one or more collateral accounts (including, where relevant, a Client Buffer Account and/or an Overnight Funding Account).

### 1.9.2 Counterparty Risk Multiplier

The Clearing House reserves the right to require additional amounts of Collateral from a specific SCM or from all SCMs in accordance with Regulation 20 (*Margin and Collateral*).

### 1.9.3 Liquidity Multiplier

Risk Management apply a liquidity multiplier based on scenario values exceeding certain thresholds on the SCM's whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an ongoing basis.

### 1.9.4 Intra-day Margin Calls

In accordance with the Regulations, the Clearing House is entitled, where considered necessary, to demand that a Clearing Member transfer additional Collateral to the Clearing House the same day (intra-day margin calls). Intra-day margin calls can be made at any time ~~throughout the business day (between 08:30 and 21:00 hours (London time))~~ on a business day. Intra-day margin calls will usually be made via the ~~pProtected pPayments sSystem (PPS)~~ (see Section 1.11).

In certain circumstances, the Clearing House may require a Clearing Member to transfer additional cash Collateral to the Clearing House after the closure of London PPS facilities at 16:00 hours London time. In this event, the Clearing House will require payment of additional cash Collateral through PPS facilities in the USA (see Section 1.3 of Procedure 3 (*Financial Transactions*)). **Members must ensure, in these circumstances, that they are in a position to comply with such demands through their nominated US PPS account within one hour of the demand.**

### 1.9.5 Calculation of Initial Margin

#### *Portfolio Approach to Interest Rate Scenarios (PAIRS)*

PAIRS is a historical model which takes historical events that occurred within the look-back period and from these calculates initial margin in line with the Clearing House's risk policies (which also take into account regulatory requirements). All positions in each currency are revalued under a series of scaled historical market moves and initial margin is calculated as the Expected Shortfall (ES) of the portfolio. Further details of this method are available upon request and are detailed in the PAIRS TIP document. The PAIRS document and further information relating to initial margin calculations can be obtained from SwapClear Risk on +44 (0)20 7 426 7549.

### 1.9.6 Default Fund Additional Margin

The Clearing House may from time to time require an SCM to transfer Collateral to the Clearing House to meet the default fund additional margin requirement as determined and notified by the Clearing House to such SCM ("**DFAM**"). The methodology by which the Clearing House determines DFAM is available on

demonstrate an ability to price and bid a greater number of trades at tighter pricing tolerances and within more onerous timeframes). In addition, the Clearing House may require an SCM that has appointed an LCH Approved Outsourcing Agent, to participate in an ad-hoc fire-drill or driving test with such notice as the Clearing House deems appropriate in its sole discretion.

The Clearing House reserves the right to revoke an entity's status as an LCH Approved Outsourcing Agent, in its sole discretion and without notice. In the event of such a revocation, the relevant SCM shall be required to assume those responsibilities that were previously outsourced. Such revocation may occur where the Clearing House considers that there is an insufficient number of third party entities that are providing outsourced default management services (usually a minimum of five providers at any one time).

Other than in exceptional circumstances and in the Clearing House's sole discretion, an LCH Approved Outsourcing Agent may not act on behalf of more than three clearing members.

The appointment of an LCH Approved Outsourcing Agent does not relieve a SwapClear Clearing Member of its obligations in relation to a Rates Service DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the Rates Service DMP on behalf of an SCM, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that SCM.

#### 1.28.8 *Rates Service DMG*

The necessary involvement of SCMs and the Rates Service DMG in the Rates Service DMP entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure that such potential conflicts are demonstrably contained, Schedule 1 establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on SCMs (and their executives or directors who participate from time to time in the Rates Service DMG) and on the Clearing House.

Each SCM who makes available a representative to serve on the Rates Service DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the Rates Service DMG complies with Schedule 1 covering confidentiality, non-disclosure and other terms.

#### 1.28.9 Default Management Accounts

- (a) For the purposes of this Section 1.28.9, the following definitions will apply:

**“Affected Non-Porting Client Account”** means, in respect of an Initial DMA or a Final DMA (as applicable) and the Rates Service Contracts that (at any time) comprise such Initial DMA or Final DMA (as applicable), each Non-Porting Client Account from which any such Rates Service Contract originated.



“**Auction**” has the meaning assigned to it in the Rates Service DMP Annex.

“**Auction Date**” means, in respect of an Auction Portfolio, the business day on which such Auction Portfolio is sold.

“**Auction Result**” means, in respect of an Auction Portfolio, the amount equal to:

- (i) the gains or losses of the Clearing House arising from the sale of such Auction Portfolio, where a gain is a positive amount and a loss is a negative amount;
- (ii) plus the Auction Portfolio NPV Gain for such Auction Portfolio (if any);
- (iii) minus the Auction Portfolio NPV Loss for such Auction Portfolio (if any).

“**Auction Portfolio**” means a Basis Portfolio or an OTC Auction Portfolio, as applicable.

“**Auction Portfolio Calculation Period**” means, in respect of an Auction Portfolio and its Auction Date, the period commencing immediately after the ~~Daily Calculation Period end of day margin and settlement call of the Clearing House~~ for the business day preceding such Auction Date and ending at the point at which such Auction Portfolio is sold.

- (i) where such change is in favour of the Defaulter, is the “**Auction Portfolio NPV Gain**”; and
- (ii) where such change is in favour of the Clearing House, is the “**Auction Portfolio NPV Loss**”.

“**Auction Portfolio NPV Change**” means, in respect of an Auction Portfolio and its Auction Portfolio Calculation Period, the amount (if any) by which the aggregate net present value of the Rates Service Contracts within such Auction Portfolio has changed during such Auction Portfolio Calculation Period, and

“**Basis Portfolio**” has the meaning assigned to it in the Rates Service DMP Annex.

“**Daily Amount**” means, in respect of a DMA and a Daily Calculation Period, the Daily Gain or Daily Loss for such DMA and Daily Calculation Period.

“**Daily Calculation Period**” means, in respect of a business day, the period, ~~in respect of which the Clearing House determines commencing immediately after~~ the end of day margin and settlement ~~payments for Rates Service Contracts for call of the Clearing House for the previous~~

~~business day and ending at the end of day margin and settlement call of the Clearing House for~~ such business day.

“**Daily Gain**” means, in respect of a DMA and a Daily Calculation Period, the amount (if any) by which the Daily NPV Gain exceeds the Daily Hedge Costs (in each case) for such DMA and Daily Calculation Period.

“**Daily Hedge Costs**” means, in respect of a DMA and a Daily Calculation Period, all costs incurred by the Clearing House in connection with hedging the exposure of one or more Rates Service Contracts within such DMA in accordance with the Risk Neutralisation process under Rule 2.2 of the Rates Service DMP Annex.

“**Daily Loss**” means, in respect of a DMA and a Daily Calculation Period, either: (i) where the DMA experiences a Daily NPV Loss in respect of such Daily Calculation Period, the aggregate of such Daily NPV Loss and the Daily Hedge Costs for such DMA and Daily Calculation Period; or (ii) where the DMA experiences a Daily NPV Gain in respect of such Daily Calculation Period, the amount by which the Daily Hedge Costs for such DMA and Daily Calculation Period exceed such Daily NPV Gain.

“**Daily NPV Change**” means, in respect of a DMA and a Daily Calculation Period, the amount (if any) by which the aggregate net present value of the Remaining Contracts within such DMA has changed during such Daily Calculation Period, and:

- (i) where such change is in favour of the Defaulter, is the “**Daily NPV Gain**”; and
- (ii) where such change is in favour of the Clearing House, is the “**Daily NPV Loss**”.

“**DMA**” means an Initial DMA or a Merged DMA, as applicable.

“**DMA Creation Date**” means, in respect of an Initial DMA, the business day on which such Initial DMA is established by the Clearing House.

“**DMA Merger Date**” means, in respect of a Merged DMA, the business day on which two or more DMAs are combined to form such Merged DMA.

“**Final DMA**” means, in respect of an Auction Portfolio that is auctioned and sold, the most recently established DMA from which such Auction Portfolio was formed.

“**Initial DMA**” means a default management account established by the Clearing House, acting in its sole discretion, to which one or more Sets of Non-Porting Contracts are transferred (by book-entry) on the DMA Creation Date for such default management account.

“**Latest DMA**” means, in respect of a Daily Calculation Period, a DMA that exists at the end of such Daily Calculation Period, but which has not itself been combined with another DMA to form a separate Merged DMA.

“**Merged DMA**” means a default management account established by the Clearing House, acting in its sole discretion, which results from the combination of two or more DMAs.

“**Non-Porting Client Account**” means, in respect of a Defaulter, the Individual Segregated Account, Custodial Segregated Account, Omnibus Gross Segregated Sub-Account, Indirect Net Account, Indirect Gross Sub-Account, Non-Identified Client Omnibus Net Segregated Account, Affiliated Client Omnibus Net Segregated Account, Identified Client Omnibus Net Segregated Account or FCM Client Sub-Account (as applicable) of such Defaulter, to which the Rates Service Contracts that the Clearing House has determined will not be ported in accordance with the Client Clearing Annex or the FCM Rulebook are, or were, registered at the point of the Default of the Defaulter.

“**OTC Auction Portfolio**” has the meaning assigned to it in the Rates Service DMP Annex.

“**Pre-Default TMR**” means, in respect of an Affected Non-Porting Client Account of a Defaulter, the TMR for such Affected Non-Porting Client Account as at the end of day margin and settlement call for the business day before the day of Default of such Defaulter.

“**Pre-Default TMR Ratio**” means

- (i) in respect of an Initial DMA and an Affected Non-Porting Client Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting Client Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting Client Accounts referable to such Initial DMA; or
- (ii) in respect of a Final DMA and an Affected Non-Porting Client Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting Client Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting Client Accounts referable to such Final DMA.

“**Pre-Merger TMR**” means, in respect of a DMA that was combined with one or more other DMA(s) to form a Merged DMA, the TMR for such DMA as at the end of day margin and settlement call for the business day before the DMA Merger Date of such Merged DMA.

“**Pre-Merger TMR Ratio**” means, in respect of a DMA that was combined with one or more other DMA(s) to form a Merged DMA, the ratio that such DMA’s Pre-Merger TMR bears to the aggregate Pre-

Merger TMR of all DMAs that were combined to form such Merged DMA.

“**Prior Merged DMA**” means, in respect of a Merged DMA, an existing Merged DMA that has been combined with one or more other DMA(s) to form such Merged DMA.

“**Remaining Contracts**” means, in respect of a DMA and a Daily Calculation Period, all of the Rates Service Contracts within such DMA during such Daily Calculation Period, excluding those Rates Service Contracts that the Clearing House has auctioned and sold at any point within such Daily Calculation Period.

“**Set of Non-Porting Contracts**” means, in respect of a Non-Porting Client Account, the Rates Service Contracts that are transferred by the Clearing House from such Non-Porting Client Account to an Initial DMA.

“**TMR**” means (i) in respect of an Affected Non-Porting Client Account, the total margin requirement as determined by the Clearing House for such Affected Non-Porting Client Account, or (ii) in respect of a DMA, the total margin requirement as determined by the Clearing House for such DMA, in each case excluding: (x) variation margin; (y) Stress Loss Margin as defined in Section 1.9.7 above; and (z) counterparty risk multiplier margin as described in Section 1.9.2 above.

(b) *Initial DMAs*

- (i) After a Default, the Clearing House may, in its sole discretion:
  - (A) determine that the Rates Service Contracts registered to a Non-Porting Client Account will not port in accordance with the Client Clearing Annex or the FCM Rulebook (as applicable); and
  - (B) transfer the resulting Set of Non-Porting Contracts in respect of such Non-Porting Client Account to an Initial DMA on the business day on which the Clearing House makes such determination.
- (ii) The Clearing House may in its sole discretion create more than one Initial DMA for the purposes of subparagraph (i)(B) above on the same business day.
- (iii) No Contracts other than Rates Service Contracts will be transferred into an Initial DMA.
- (iv) Any outstanding and owing, but unsettled, variation margin or settlement amounts in respect of Rates Service Contracts as at the end of the Daily Calculation Period for the business day prior to the transfer of such Rates Service Contracts in accordance with subparagraph (i) above shall be discharged by the Clearing

House debiting or crediting (as applicable) the Non-Porting Client Account from which such Rates Service Contracts were transferred.

(c) *Merged DMAs*

- (i) On any business day following the creation of two or more Initial DMAs pursuant to paragraph (b) above, the Clearing House may create a Merged DMA by combining:
  - (A) multiple Initial DMAs;
  - (B) one or more Initial DMAs and one or more Prior Merged DMAs; or
  - (C) multiple Prior Merged DMAs.
- (ii) The Clearing House may in its sole discretion create more than one Merged DMA on the same business day.

(d) *Auctions*

- (i) The Clearing House shall conduct Auctions in respect of Auction Portfolios referable to DMAs in accordance with the provisions of the Rates Service DMP Annex.
- (ii) More than one Auction Portfolio may be referable to a single DMA, in which case:
  - (A) the Clearing House will conduct one or more Auctions of each Auction Portfolio referable to such DMA; and
  - (B) on and from the date of the first Auction in respect of the DMA, the Clearing House may no longer combine such DMA into a Merged DMA.
- (iii) Following the sale of an Auction Portfolio, the Rates Service Contracts within such Auction Portfolio shall no longer form part of the DMA from which the Auction Portfolio was created.

(e) *Attribution of Daily Amounts*

- (i) The Clearing House shall, following each Daily Calculation Period, determine the Daily Amount for each Latest DMA in respect of such Daily Calculation Period.
- (ii) The Clearing House shall attribute the Daily Amount of a Latest DMA that is:
  - (A) an Initial DMA, to each Affected Non-Porting Client Account referable to such Initial DMA, pro rata

according to the Pre-Default TMR Ratio of each such Affected Non-Porting Client Account; and

- (B) a Merged DMA, to each DMA that was combined to form such Merged DMA, pro rata according to the Pre-Merger TMR Ratio of each such DMA (where the amount attributed to each such DMA is an “**Interim Amount**”).
- (iii) If the Clearing House attributes an Interim Amount to a DMA under subparagraph (ii)(B) above, then it will further attribute such Interim Amount as follows:
- (A) Where the DMA to which the Interim Amount was attributed is an Initial DMA, the Clearing House will further attribute such amount to each Affected Non-Porting Client Account referable to such Initial DMA, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting Client Account; and
  - (B) Where the DMA to which the Interim Amount was attributed is a Merged DMA, the Clearing House will further attribute such amount to each DMA that was combined to form such Merged DMA, pro rata according to the Pre-Merger TMR Ratio of each such DMA.
- (iv) If the Clearing House attributes an amount to a DMA under subparagraph (iii)(B) above, then it will further attribute such amount according to the method specified in subparagraph (iii) (treating such amount as an Interim Amount for the purposes of subparagraph (iii)) until all amounts are attributed to Non-Porting Client Accounts.
- (f) *Attribution of Auction Results*

The Clearing House shall attribute the Auction Result, in respect of the sale of an Auction Portfolio, to each Affected Non-Porting Client Account referable to the Final DMA from which such Auction Portfolio was formed, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting Client Account.

- (g) *Collateral*

The Clearing House shall hold the relevant Collateral in respect of each Non-Porting Client Account in its applicable Client Account until the process described in this Section 1.28.9 has been completed.

#### 1.28.10 *Rates Service Default Management Disclosure Notice*

Each SCM must ensure that each Clearing Client is provided with, or is directed to a copy of, the Rates Service Default Management Disclosure Notice and further must provide confirmation to the Clearing House, in the

form and manner reasonably required by the Clearing House, that it has discharged this obligation in respect of each of its Clearing Clients.

#### 1.28.11 *Contact Information*

Each SCM is required to provide the Clearing House with contact details for those persons that the Clearing House should contact in the event of an SCM Default. SCMs are required to ensure that contact details remain up to date and to notify the Clearing House of any changes in such details.

#### 1.28.12 *Calculation Period*

Notwithstanding the definition of "Auction Losses Calculation Period" in Rule 1.6 of Schedule 2 of the Default Rules, on and from the date determined by the Clearing House, the following definition will apply for the purposes of the Rates Service DMP Annex:

"Auction Losses Calculation Period" means, in respect of an OTC Auction Portfolio or a Basis Portfolio (as applicable) and the business day on which the Clearing House auctions and sells such portfolio, the period:

(a) commencing immediately after the Daily Calculation Period for the previous business day; and

(b) ending at the point at which the Clearing House sells such portfolio;

where:

"Daily Calculation Period" means, in respect of a business day, the period, in respect of which the Clearing House determines the end of day margin and settlement payments for Rates Service Contracts for such business day."

### 1.29 **Provision of Tax Forms; Withholding Taxes; Sales Tax**

#### 1.29.1 *Tax Forms*

The Clearing House and each SwapClear Clearing Member shall provide to the other party (i) any form or document specified in the given SwapClear Contract and (ii) any form, document, statement or certification (including, in the case of the Clearing House, an Internal Revenue Service Form W-8BEN) reasonably requested in writing, in each case to permit the Clearing House or SwapClear Clearing Member, as applicable, to make any payment under the Clearing House's rules or any SwapClear Contract without withholding for any tax, levy or charge. The foregoing requirement shall not apply in the event the Clearing House or SwapClear Clearing Member is not permitted to deliver such form, document, statement or certification under Applicable Law (including any double-tax treaty).

#### 1.29.2 *Withholding Taxes*

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**LCH LIMITED**

**PROCEDURES SECTION 2I**

**FOREXCLEAR CLEARING SERVICE**

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pricing tolerances and within more onerous timeframes). In addition, the Clearing House may require an FXCCM, that has appointed an LCH Approved Outsourcing Agent, to participate in an ad-hoc fire-drill or driving test with such notice as the Clearing House deems appropriate in its sole discretion.

The Clearing House reserves the right to revoke an entity's status as an LCH Approved Outsourcing Agent, in its sole discretion and without notice. In the event of such a revocation, the relevant FXCCM shall be required to assume those responsibilities that were previously outsourced. Such revocation may occur where the Clearing House considers that there is an insufficient number of third party entities that are providing outsourced default management services (usually a minimum of five providers at any one time).

Other than in exceptional circumstances and in the Clearing House's sole discretion, an LCH Approved Outsourcing Agent may not act on behalf of more than three clearing members.

The appointment of an LCH Approved Outsourcing Agent does not absolve an FXCCM of its obligations under the ForexClear DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the ForexClear DMP on behalf of an FXCCM, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that FXCCM.

- 1.10.7 ForexClear DMG: The necessary involvement of FXCCMs and the ForexClear DMG in the ForexClear DMP entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure that such potential conflicts are demonstrably contained, Schedule 1 (*Confidentiality, non-disclosure and participation in the ForexClear Default Management Group*) establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on FXCCMs (and their executives or directors who participate from time to time in the ForexClear DMG) and on the Clearing House.

Each FXCCM who makes available a representative to serve on the ForexClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the ForexClear DMG complies with Schedule 1 (*Confidentiality, non-disclosure and participation in the ForexClear Default Management Group*) covering confidentiality, non-disclosure and other terms.

#### 1.10.8 Default Management Accounts

- (a) For the purposes of this Section 1.10.8, the following definitions will apply:

“**Affected Non-Porting Client Account**” means, in respect of an Initial DMA or a Final DMA (as applicable) and the ForexClear Contracts that (at any time) comprise such Initial DMA or Final DMA (as applicable), each Non-Porting Client Account from which any such ForexClear Contract originated.

“**Auction**” has the meaning assigned to it in the ForexClear DMP Annex.

“**Auction Date**” means, in respect of an Auction Portfolio, the business day on which such Auction Portfolio is sold.

“**Auction Result**” means, in respect of an Auction Portfolio, the amount equal to:

- (i) the gains or losses of the Clearing House arising from the sale of such Auction Portfolio, where a gain is a positive amount and a loss is a negative amount;
- (ii) plus the Auction Portfolio NPV Gain for such Auction Portfolio (if any);
- (iii) minus the Auction Portfolio NPV Loss for such Auction Portfolio (if any).

“**Auction Portfolio**” means a ForexClear Auction Portfolio.

“**Auction Portfolio Calculation Period**” means, in respect of an Auction Portfolio and its Auction Date, the period commencing immediately after the end of ~~the Daily Calculation Period day margin and settlement call of the Clearing House for the business day preceding such Auction Date~~ and ending at the point at which such Auction Portfolio is sold.

“**Auction Portfolio NPV Change**” means, in respect of an Auction Portfolio and its Auction Portfolio Calculation Period, the amount (if any) by which the aggregate net present value of the ForexClear Contracts within such Auction Portfolio has changed during such Auction Portfolio Calculation Period, and

- (i) where such change is in favour of the Defaulter, is the “**Auction Portfolio NPV Gain**”; and
- (ii) where such change is in favour of the Clearing House, is the “**Auction Portfolio NPV Loss**”.

“**Daily Amount**” means, in respect of a DMA and a Daily Calculation Period, the Daily Gain or Daily Loss for such DMA and Daily Calculation Period.

“**Daily Calculation Period**” means, in respect of a business day, the period ~~in respect of which the Clearing House determines commencing immediately after~~ the end of day margin and settlement ~~payments for ForexClear Contracts for call of the Clearing House for the previous business day and ending at the end of day margin and settlement call of the Clearing House for~~ such business day.

“**Daily Gain**” means, in respect of a DMA and a Daily Calculation Period, the amount (if any) by which the Daily NPV Gain exceeds the Daily Hedge Costs (in each case) for such DMA and Daily Calculation Period.

“**Daily Hedge Costs**” means, in respect of a DMA and a Daily Calculation Period, all costs incurred by the Clearing House in connection with hedging the exposure of one or more ForexClear Contracts within such DMA in accordance with the Risk Neutralisation process under Rule 2.2 of the ForexClear DMP Annex.

“**Daily Loss**” means, in respect of a DMA and a Daily Calculation Period, either: (i) where the DMA experiences a Daily NPV Loss in respect of such Daily Calculation Period, the aggregate of such Daily NPV Loss and the Daily Hedge Costs for such DMA and Daily Calculation Period; or (ii) where the DMA experiences a Daily NPV Gain in respect of such Daily Calculation Period, the amount by which the Daily Hedge Costs for such DMA and Daily Calculation Period exceed such Daily NPV Gain.

“**Daily NPV Change**” means, in respect of a DMA and a Daily Calculation Period, the amount (if any) by which the aggregate net present value of the Remaining Contracts within such DMA has changed during such Daily Calculation Period, and:

- (i) where such change is in favour of the Defaulter, is the “**Daily NPV Gain**”; and
- (ii) where such change is in favour of the Clearing House, is the “**Daily NPV Loss**”.

“**DMA**” means an Initial DMA or a Merged DMA, as applicable.

“**DMA Creation Date**” means, in respect of an Initial DMA, the business day on which such Initial DMA is established by the Clearing House.

“**DMA Merger Date**” means, in respect of a Merged DMA, the business day on which two or more DMAs are combined to form such Merged DMA.

“**Final DMA**” means, in respect of an Auction Portfolio that is auctioned and sold, the most recently established DMA from which such Auction Portfolio was formed.

“**ForexClear Auction Portfolio**” means an “Auction Portfolio” as defined in the ForexClear DMP Annex.

“**Initial DMA**” means a default management account established by the Clearing House, acting in its sole discretion, to which one or more Sets of Non-Porting Contracts are transferred (by book-entry) on the DMA Creation Date for such default management account.

“**Latest DMA**” means, in respect of a Daily Calculation Period, a DMA that exists at the end of such Daily Calculation Period, but which has not itself been combined with another DMA to form a separate Merged DMA.

“**Merged DMA**” means a default management account established by the Clearing House, acting in its sole discretion, which results from the combination of two or more DMAs.

“**Non-Porting Client Account**” means, in respect of a Defaulter, the Individual Segregated Account, Indirect Gross Account, or Omnibus Segregated Account or FCM Client Sub-Account (as applicable) of such Defaulter, to which the ForexClear Contracts that the Clearing House has determined will not be ported in accordance with the Client Clearing Annex or the FCM Rulebook are, or were, registered at the point of the Default of the Defaulter.

“**Pre-Default TMR**” means, in respect of an Affected Non-Porting Client Account of a Defaulter, the TMR for such Affected Non-Porting Client Account as at the end of day margin and settlement call for the business day before the day of Default of such Defaulter.

“**Pre-Default TMR Ratio**” means

- (i) in respect of an Initial DMA and an Affected Non-Porting Client Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting Client Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting Client Accounts referable to such Initial DMA; or
- (ii) in respect of a Final DMA and an Affected Non-Porting Client Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting Client Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting Client Accounts referable to such Final DMA.

“**Pre-Merger TMR**” means, in respect of a DMA that was combined with one or more other DMA(s) to form a Merged DMA, the TMR for such DMA as at the end of day margin and settlement call for the business day before the DMA Merger Date of such Merged DMA.

“**Pre-Merger TMR Ratio**” means, in respect of a DMA that was combined with one or more other DMA(s) to form a Merged DMA, the ratio that such DMA’s Pre-Merger TMR bears to the aggregate Pre-Merger TMR of all DMAs that were combined to form such Merged DMA.

“**Prior Merged DMA**” means, in respect of a Merged DMA, an existing Merged DMA that has been combined with one or more other DMA(s) to form such Merged DMA.

“**Remaining Contracts**” means, in respect of a DMA and a Daily Calculation Period, all of the ForexClear Contracts within such DMA during such Daily Calculation Period, excluding those ForexClear Contracts that the Clearing House has auctioned and sold at any point within such Daily Calculation Period.

“**Set of Non-Porting Contracts**” means, in respect of a Non-Porting Client Account, the ForexClear Contracts that are transferred by the Clearing House from such Non-Porting Client Account to an Initial DMA.

“**TMR**” means (i) in respect of an Affected Non-Porting Client Account, the total margin requirement as determined by the Clearing House for such Affected Non-Porting Client Account, or (ii) in respect of a DMA, the total margin requirement as determined by the Clearing House for such DMA, in each case, excluding variation margin.

(b) *Initial DMAs*

- (i) After a Default, the Clearing House may, in its sole discretion:
  - (A) determine that the ForexClear Contracts registered to a Non-Porting Client Account will not port in accordance with the Client Clearing Annex or the FCM Rulebook (as applicable); and
  - (B) transfer the resulting Set of Non-Porting Contracts in respect of such Non-Porting Client Account to an Initial DMA on the business day on which the Clearing House makes such determination.
- (ii) The Clearing House may in its sole discretion create more than one Initial DMA for the purposes of subparagraph (i)(B) above on the same business day.
- (iii) No Contracts other than ForexClear Contracts will be transferred into an Initial DMA.
- (iv) Any outstanding and owing, but unsettled, variation margin or settlement amounts in respect of ForexClear Contracts as at the end of the Daily Calculation Period for the business day prior to the transfer of such ForexClear Contracts in accordance with subparagraph (i) above shall be discharged by the Clearing House debiting or crediting (as applicable) the Non-Porting Client Account from which such ForexClear Contracts were transferred.

(c) *Merged DMAs*

- (i) On any business day following the creation of two or more Initial DMAs pursuant to paragraph (b) above, the Clearing House may create a Merged DMA by combining:

- (A) multiple Initial DMAs;
  - (B) one or more Initial DMAs and one or more Prior Merged DMAs; or
  - (C) multiple Prior Merged DMAs.
- (ii) The Clearing House may in its sole discretion create more than one Merged DMA on the same business day.
- (d) *Auctions*
- (i) The Clearing House shall conduct Auctions in respect of Auction Portfolios referable to DMAs in accordance with the provisions of the ForexClear DMP Annex.
  - (ii) More than one Auction Portfolio may be referable to a single DMA, in which case:
    - (A) the Clearing House will conduct one or more Auctions of each Auction Portfolio referable to such DMA; and
    - (B) on and from the date of the first Auction in respect of the DMA, the Clearing House may no longer combine such DMA into a Merged DMA.
  - (iii) Following the sale of an Auction Portfolio, the ForexClear Contacts within such Auction Portfolio shall no longer form part of the DMA from which the Auction Portfolio was created.
- (e) *Attribution of Daily Amounts*
- (i) The Clearing House shall, following each Daily Calculation Period, determine the Daily Amount for each Latest DMA in respect of such Daily Calculation Period.
  - (ii) The Clearing House shall attribute the Daily Amount of a Latest DMA that is:
    - (A) an Initial DMA, to each Affected Non-Porting Client Account referable to such Initial DMA, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting Client Account; and
    - (B) a Merged DMA, to each DMA that was combined to form such Merged DMA, pro rata according to the Pre-Merger TMR Ratio of each such DMA (where the amount attributed to each such DMA is an “**Interim Amount**”).

- (iii) If the Clearing House attributes an Interim Amount to a DMA under subparagraph (ii)(B) above, then it will further attribute such Interim Amount as follows:
  - (A) Where the DMA to which the Interim Amount was attributed is an Initial DMA, the Clearing House will further attribute such amount to each Affected Non-Porting Client Account referable to such Initial DMA, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting Client Account; and
  - (B) Where the DMA to which the Interim Amount was attributed is a Merged DMA, the Clearing House will further attribute such amount to each DMA that was combined to form such Merged DMA, pro rata according to the Pre-Merger TMR Ratio of each such DMA.
- (iv) If the Clearing House attributes an amount to a DMA under subparagraph (iii)(B) above, then it will further attribute such amount according to the method specified in subparagraph (iii) (treating such amount as an Interim Amount for the purposes of subparagraph (iii)) until all amounts are attributed to Non-Porting Client Accounts.

(f) *Attribution of Auction Results*

The Clearing House shall attribute the Auction Result, in respect of the sale of an Auction Portfolio, to each Affected Non-Porting Client Account referable to the Final DMA from which such Auction Portfolio was formed, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting Client Account.

(g) *Collateral*

The Clearing House shall hold the relevant Collateral in respect of each Non-Porting Client Account in its applicable Client Account until the process described in this Section 1.10.8 has been completed.

### 1.10.9 Calculation Period

Notwithstanding the definition of "Auction Losses Calculation Period" in Rule 1.4 of Schedule 3 of the Default Rules, on and from the date determined by the Clearing House, the following definition will apply for the purposes of the ForexClear DMP Annex:

""Auction Losses Calculation Period" means, in respect of an Auction Portfolio and the business day on which the Clearing House auctions and sells such portfolio, the period:

- (a) commencing immediately after the Daily Calculation Period for the previous business day; and



(b) ending at the point at which the Clearing House sells such portfolio;"

where:

"Daily Calculation Period" means, in respect of a business day, the period, in respect of which the Clearing House determines the end of day margin and settlement payments for ForexClear Contracts for such business day.

## 1.11 Provision of Tax Forms

The Clearing House and each FXCCM shall provide to each FXCCM or the Clearing House, as relevant, (i) any forms or documents specified in the ForexClear Contract between the Clearing House and the FXCCM and (ii) any other form, document, statement or certification reasonably requested in writing by the FXCCM or the Clearing House in order to allow the FXCCM or the Clearing House to make a payment under the Rules of the Clearing House or any ForexClear Contract without deduction or withholding for or on account of any tax or with such deduction or withholding at a reduced rate unless the Clearing House or the FXCCM can no longer deliver such form, document, statement or certification solely as a result of a change in law (including double tax treaty) or interpretation thereof after the date of the ForexClear Contract between the Clearing House and the FXCCM. In the case of the Clearing House, the forms required pursuant to item (ii) above include an Internal Revenue Service Form W-8BEN. Additionally, the Clearing House will take such further actions as necessary to ensure that payments made to it can be made without deduction or withholding for or on account of any Tax.

## 1.12 ForexClear Client Clearing

### 1.12.1 *ForexClear Clearing Client Clearing – Ancillary Documentation*

- (a) *Security Deed:* Unless specified otherwise by the Clearing House, a ForexClear Clearing Member must enter into a Security Deed in respect of its Clearing Clients in relation to amounts due to it from the Clearing House pursuant to the Client Clearing Annex. Further information in relation to such Security Deed is prescribed by the Clearing House from time to time and published on the Clearing House's website.
- (b) *Prescribed Language and End-User Notice:* Pursuant to the Clearing House's General Regulations, each ForexClear Clearing Member is required to ensure that it includes certain language in its agreement with its ForexClear Clearing Client (the "**Clearing House Prescribed Language**"). The Clearing House Prescribed Language is shown at Schedule 1 of the Procedure .

ForexClear Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website:

<http://www.lch.com/about-us/governance/end-user-notice>

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Procedures Section 3 (Financial Transactions)  
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**LCH LIMITED**

**PROCEDURES SECTION 3**

**FINANCIAL TRANSACTIONS**

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## 1. FINANCIAL TRANSACTIONS

### 1.1 Accounts and ledgers

#### 1.1.1 *Proprietary Accounts*

Each Proprietary Account will map to two or more of the following sub-accounts:

- (a) ~~A one or more~~ position accounts; ~~and~~
- (b) a collateral account opened in relation to a Clearing Member's House Clearing Business ~~(a "House Collateral Account"); and~~
- ~~(c)~~ where relevant, a collateral account opened for the purposes of recording Client Buffer (a Client Buffer Account); ~~and-~~
- ~~(e)~~(d) where relevant, a collateral account opened for the purposes of recording Overnight Funding Collateral (an Overnight Funding Account).

A Clearing Member must identify the Proprietary Account and related collateral sub-account to which Collateral is to be credited. The Clearing House shall credit such Collateral to the relevant collateral sub-account of the relevant Proprietary Account.

#### 1.1.2 *Client Accounts*

A Client Financial Account is comprised of one or more Client Accounts. Each Client Account will map to two or more sub-accounts:

- (a) one or more position accounts; and
- (b) one or more collateral accounts.

A Clearing Member must identify the Client Account to which Collateral is to be credited. The Clearing House shall credit such Collateral to the collateral account of the relevant Client Account.

#### 1.1.3 *Collateral Account Postings*

Transactions posted to the collateral account include but are not limited to:

- (a) PPS calls and pays;
- (b) option premiums;
- (c) interest and accommodation charges;
- (d) Clearing House fees, charges and rebates;
- (e) exchange fees, levies and rebates;

4 of the Procedures (*Margin and Collateral*) in respect of a Selected Account in accordance with, and subject to, Section 1.1.2 of Section 4 of the Procedures (*Margin and Collateral*) (each such request, a "**Request**").

A Clearing Member must contact Collateral Operations in order to make a Request (collateral.operations@lch.com or +44 (0)20 7426 7505). A Clearing Member represents and warrants to the Clearing House, at the time at which it makes a Request, that the individual making such Request on its behalf is duly authorised to do so.

The Clearing House may, at its discretion, cease to provide the Auto-Repay Service in respect of:

(i) a Clearing Member, in which case it will notify the affected Clearing Member accordingly; or

(ii) any Service or entirely, in which case it will notify the affected Clearing Members and each relevant Regulatory Body accordingly.

(h) *Value Date*

PPS calls and payments are for same-day value for CAD, EUR, GBP, MXN and USD, and with value on the next day for all other currencies, subject to this paragraph (h). Call instructions issued on a day when the Clearing House is not open for business (e.g. Saturdays) are for value the next day for CAD, EUR, GBP, MXN and USD, and for value two days after the given instruction for all other currencies. Payment instructions will not be issued on a day when the Clearing House is not open for business.

(i) If, under paragraph (h) above, a PPS call or payment in a particular currency would be due to be made for value on a day ("**Payment Date**") which is a holiday in respect of that currency, the value date for such PPS transaction will be the first day which is not a holiday in respect of that currency occurring after the Payment Date; and

(ii) in respect of AUD, if the PPS call or payment is instructed on a day which is a holiday for AUD or on a day when the Clearing House is not open for business (e.g. Saturdays), the value date for such PPS call or payment will be the second day which is not a holiday in respect of AUD occurring after the Payment Date.

Example 1: 20 August is a currency holiday in the USA. The Clearing House is open. 21 August is not a currency holiday in the USA.

On 20 August, the Clearing House will issue USD instructions to PPS banks, and receive confirmation in response to the PPS calls on the same day; the value date for such calls will be 21 August.

quoted exchange rates determined at approximately 16:45 London time the previous business day.

Clearing Members must give the Clearing House's Treasury Operations no less than two business days' notice of their intention to substitute existing cash Collateral with non-cash Collateral or cash Collateral in a different currency where the amount of cash is GBP 50 million or greater. Where a Clearing Member fails to give such notice, the Clearing House may decline to transfer or release the cash Collateral to be withdrawn until the end of the required notice period.

### 1.5.2 *Securities*

Please refer to the following pages on our website for notes on Collateral acceptable to the Clearing House:

[www.lch.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lch.com/risk_management/ltd/acceptable_collateral.asp)

### 1.5.3 *Value Notification*

Clearing Members may obtain details on the value ascribed to Collateral recorded to their account via:

the relevant reports available on the Clearing House website portal:

- (a) the CMS; and/or
- (b) SWIFT message sent from the Clearing House to the relevant Clearing Member.

Please refer to the following pages on our secure website for haircuts on Collateral:

<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-acceptable-collateral/ltd-acceptable>

### 1.5.4 *Use of Credits as Collateral*

The following credit amounts are not paid in cash, but may (subject to the restrictions described below) be offset against certain specific margin obligations, with the result that the relevant Clearing Member will need to provide less Collateral in respect of those margin obligations:

- (a) EquityClear credit contingent margin may be used to offset EquityClear debit contingent variation margin and initial margin across currencies; and

~~(b) [INTENTIONALLY LEFT BLANK]~~

- ~~(b)~~ Rates Exchange credit contingent variation margin may be used to offset Rates Exchange debit contingent variation margin and initial margin across currencies.

## 1.6 **Distribution of Collateral**

**The following Procedures are not in any way intended to restrict, vary or alter the Clearing House's rights to apply any Collateral held by it to meet the Clearing Member's liabilities and obligations to the Clearing House.**

### 1.6.1 *Collateral Application*

The Clearing House will apply Collateral (in turn) to each liability in relation to the Ceollateral utilisation fees charged in respect of each collateral group categorisation by the Clearing House, as published from time to time at the following link <https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-fees-collateral>, such that the least expensive collateral group will be applied first and thereafter each collateral group will be applied in ascending order of fees. In the event that the amount charged is the same for more than one collateral group, they will be applied in alphabetical order by Ceollateral group.

### 1.6.2 *Cash Currency Preference*

Clearing Members may nominate the sequence of cash Collateral distribution.

In the absence of a nominated sequence of currency preferences, a Clearing Member's liabilities will be covered by cash in the same currency as the liability. This means that a GBP liability will be covered in GBP cash, a EUR liability will be covered in EUR cash and so forth. Any further liabilities in the relevant currency will be covered by cash called via PPS.

Clearing Members may define their own sequence of cash Collateral utilisation for each mnemonic and each account type (i.e. House or Client). The sequence does not have to be on a like for like basis and a Clearing Member may choose any eligible currency to cover its liability (for example, a GBP liability can be covered in EUR cash).

Any changes to a Clearing Member's nominated currency sequence, or a request relating to excess cash currency balances in a particular currency, should be notified to the Clearing House by providing a minimum of two business days' notice.

### 1.6.3 *Proprietary Account – SwapClear*

The Clearing House will, in general, apply available General Collateral (in the order specified in Sections 1.6.1 and 1.6.2) to satisfy the liabilities of a SwapClear Clearing Member in respect of its Proprietary Account, before it applies available Overnight Funding Collateral (in the order specified in Sections 1.6.1 and 1.6.2) to such liabilities, but may, at its sole discretion, determine to apply some or all available Overnight Funding Collateral before applicable General Collateral to any such liabilities.

#### ~~1.6.3~~1.6.4 *Record of Collateral Provided*

Charges and interest shall be calculated in accordance with the information published on the website of the Clearing House.

#### ~~1.6.4~~1.6.5 *Use of Collateral in the Event of a Default*

The order of priority (in which cash and non-cash Collateral are applied to cover Clearing Members' liabilities), set out elsewhere in this Section 1.6, does not necessarily reflect the order of priority of realisation or application of Collateral which the Clearing House may follow in the case of Default by a Clearing Member. Post-Default the Clearing House is entitled to realise and/or apply Collateral in whatever order it deems appropriate.

### 1.7 **Interest on Cash Balances and Accommodation Charges**

#### 1.7.1 *Interest Rates*

The Clearing House applies interest to Clearing Member's cleared cash balances as published on the Clearing House's website. This provision 1.6.1 does not deal with Price Alignment Interest, which is covered by the applicable provisions of Section 2C of the Procedures (*SwapClear Clearing Service*) or Section 2I of the Procedures (*ForexClear Clearing Service*) (as applicable).

#### 1.7.2 *Payment of Interest and Charges*

Interest and accommodation charges are charged monthly, from the last day of the previous month to the penultimate day of the current month. Interest and accommodation charges are calculated on a daily basis and the resultant monthly total is posted to the relevant collateral account(s) of the Clearing Member for value on the third business day following the penultimate day of the month. A VAT invoice is also issued on the third business day of each month detailing the interest and accommodation charges applicable for the previous month. Separate invoices are issued for each currency which can be found on the Member Reporting Website. Accommodation charges are published on the Clearing House's website.

VAT is charged, dependent on contract and accommodation charges, at current rates. On foreign currency amounts VAT is charged in sterling on the converted value of any relevant charges. The sterling collateral account shows separate postings for sterling VAT amounts arising from foreign currency charges.

The net invoice value for each currency is posted to the relevant collateral account for value on the second working day for the relevant currency of the month succeeding the month in which the charges arose.

The invoice provides detail in respect of:

- (a) interest due to be credited or debited; and
- (b) accommodation charges.



VAT on accommodation charges is subject to the standard rate; some markets may be excluded.

### 1.7.3 *Cash Balance Interest Rate*

The Clearing House applies interest to a Clearing Member's cleared cash balances. The following rates are applied:

- (a) LDR – London Deposit Rate – the rate at which the Clearing House may pay or charge interest on credit cash balances (excluding Contributions). The LDR calculation methodology utilises published market rates minus a spread. The current spread rates are published on the Clearing House's website at the following link:

<https://www.lch.com/collateral-management/ltd-collateral-management/ltd-fees-collateral>; and

- (b) CDR – Client Deposit Rate – the rate at which the Clearing House may pay or charge interest on credit cash balances on Client Accounts. The CDR calculation methodology utilises published market rates minus a spread. The current spread rates are published on the Clearing House's website at the following link:

<https://www.lch.com/collateral-management/ltd-collateral-management/ltd-fees-collateral>.

Where the Clearing House provides Clearing Members with at least three days' written notice (which may be way of member circular), the Clearing House may increase or decrease the LDR by up to 10bps. The foregoing shall not apply in the event of extreme market conditions, during which the Clearing House may freely and without notice increase or decrease the LDR for up to five consecutive Business Days.

Where the Clearing House provides Clearing Members with two weeks' written notice (which may be way of member circular), the Clearing House may increase or decrease the CDR. In the event of extreme market conditions, the Clearing House may freely and without notice increase or decrease the CDR for up to five consecutive Business Days.

## 1.8 Fees

Details of fees and refunds pending are collated during the month.

An invoice or credit note is produced detailing the fees to be posted to collateral accounts.

The invoice/credit note displays the type of fee, contract, future or option type, currency, fee rate, volume, fee amount, VAT amount, sub totals for each fee class and the overall total posted to a collateral account.

Monthly postings are processed via the relevant collateral account at the beginning of the following month, on the third working day for the relevant currency. Other postings, such

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FCM Regulations  
*Changed Pages*



**FCM REGULATIONS OF THE CLEARING HOUSE**

**LCH LIMITED**

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<b>“ForexClear DMP”</b>	has the meaning assigned to it in the ForexClear DMP Annex of the Default Rules.
<b>“ForexClear Tolerance”</b>	has the meaning assigned to it in the FCM Procedures.
<b>“Futures Account Class”</b>	means the account class for futures accounts (as defined in CFTC Regulation 190.01(a)(i)) for purposes of Part 190 of the CFTC Regulations and Section 4d(a) of the CEA.
<b>“Futures/Options Contract”</b>	means the type of contract which is either (i) a contract for the purchase or sale of a commodity for future delivery that is traded on or subject to the rules of an Exchange, (ii) an option on any such contract or (iii) any similar type of contract, and which, in the case of any of the foregoing, is required to be segregated (along with any related margin) pursuant to Section 4d(a) of the CEA if cleared by an FCM for a customer.
<b>“Futures Product”</b>	means a Product which constitutes a Futures/Options Contract.
<b><u>“General FCM Buffer”</u></b>	<u>means FCM Buffer which is not Overnight FCM Funding Collateral.</u>
<b>“Governmental Authority”</b>	means any:  (a) governmental, inter-governmental, parliamentary or supranational body, entity, agency or department; or  (b) regulatory, self-regulatory or other authority,  in each case, which has jurisdiction over the Clearing House and/or, in respect of a Clearing Member, the relevant Clearing Member.
<b>“Hedged Account”</b>	has the meaning assigned to it in the FCM Procedures.
<b>“Hedged ForexClear Service Clearing Member”</b>	has the meaning assigned to it in the ForexClear DMP Annex in the Default Rules.
<b>“Hedged Rates Service Clearing Member”</b>	has the meaning assigned to it in the Rates Service DMP Annex in the Default Rules.
<b>“Identified Off-Setting FCM Listed Interest Rates Contracts”</b>	has the meaning assigned to it in the FCM Procedures.
<b>“Impacted FCM SwapClear Contract”</b>	means each FCM SwapClear Contract that is of the same type and currency as an Impacted FCM SwapClear Contract Type.

**“Overnight FCM Funding Account”**

means a sub-account of the FCM Omnibus Swaps Client Account with LCH opened for the purpose of recording Overnight FCM Funding Collateral.

**“Overnight FCM Funding Collateral”**

means an amount of FCM Buffer that:

(i) is intended to be used to support the registration of, or to meet any other margin requirements in connection with FCM Contracts in the FCM Omnibus SwapClear Client Account with LCH of an FCM Clearing Member; and

(ii) the Clearing House designates as “Overnight FCM Funding Collateral”.

**“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, (ii) with respect to FCM Futures Client Funds or Collateral held in connection with Futures Products, a depository qualified to hold customer funds in accordance with CFTC Regulation 1.49; and (iii) with respect to FCM Foreign Futures Client Funds or Collateral held in connection with Foreign Futures Products, a depository qualified to hold customer funds in accordance with CFTC Regulations 30.7(b) and (d).

**“Permitted Transfers”**

has the meaning ascribed to it in the FCM Procedures.

**“Physically-Settled FCM Contract”**

means an FCM Exchange Contract or an FCM Listed Interest Rates Contract between the Clearing House and an FCM Clearing Member: (i) for the sale and purchase of a commodity that is the result of the exercise of an Option pursuant to these FCM Regulations; or (ii) for the sale and purchase of a commodity for delivery on the date specified in the FCM Exchange Contract or the FCM Listed Interest Rates Contract or on the date agreed between the parties.

**“Portfolios”**

has the meaning assigned to it in either (i) the Rates Service DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.

**“Porting Collateral”**

has the meaning assigned to it in FCM Regulation 13(a)

**“Porting Contracts”**

has the meaning assigned to it in FCM Regulation 13(a)

**“Post-Allocation Clearing Member”**

means the FCM Clearing Member or Clearing Member associated with a Client Account, FCM Client Sub-Account or Proprietary Account to which part or all of an Unallocated FCM SwapClear Contract or Unallocated

**Appendix VI**  
FCM Procedures  
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**FCM PROCEDURES OF THE CLEARING HOUSE**

**LCH LIMITED**

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- (A) an FCM Client for whom the FCM Clearing Member conducts FCM SwapClear Clearing Services in respect of Inflation FCM SwapClear Contracts referencing the relevant Index and/or their third party service providers, provided that the FCM Clearing Member shall procure that such FCM Client and/or its service providers (as applicable) shall only use the Inflation Derived Data for the purposes of the FCM Client's internal risk management and settlement activities in respect of Inflation FCM SwapClear Contracts which the FCM Clearing Member clears or intends to clear on the FCM Client's behalf in respect of the relevant Index and may not further disclose the Inflation Derived Data to any other person or use the Inflation Derived Data for any other purpose;
- (B) third parties providing the FCM Clearing Member with risk management or settlement services, provided that the FCM Clearing Member shall procure that such third parties shall only use the Inflation Derived Data for the purposes of the FCM Clearing Member's internal risk management and settlement activities in relation to FCM Inflation SwapClear Contracts that reference the relevant Index and that the third party may not further disclose the Inflation Derived Data to any other person or use the Inflation Derived Data for any other purpose; and
- (C) competent regulatory authorities when required to do so by Applicable Law or regulation;

### 2.1.2 *Operating Times and Calendars*

#### (a) *Opening Days*

The FCM SwapClear service will be open every day, except weekends, Christmas Day, New Year's Day and Good Friday<sup>1</sup>.

#### (b) *Opening Hours*

Unless notified otherwise, the FCM SwapClear service will be operational on each Business Day that is:

- (A) a Monday from 02:00 London time to 02:05 London time on Tuesday-19:00 New York time; and
- ~~(B) a Friday not a Monday~~ from 06:00 London time to 19:00 New York time; and<sup>23</sup>

<sup>1</sup> While the FCM SwapClear service is generally closed on Good Friday, the Clearing House may, by prior written notice to FCM Clearing Members within such service, open the FCM SwapClear service on such day, in which case it will be a Business Day.

<sup>2</sup> However, the Clearing House will continue to accept FCM Acceptances until one minute after closure of the FCM SwapClear service.



~~(B)~~(C) not a Monday or a Friday from 6:00am London time to 02:05 London time on the following day.

The Clearing House will notify FCM Clearing Members if the FCM SwapClear service is scheduled for closure for operational or other reasons (including compression runs).

(c) *FCM SwapClear Clearing System Calendars*

The FCM SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. This will require all FCM Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM SwapClear clearing system, will be available online for inspection and for file download from FCM Clearing Member Reporting (see Section 2.1.1(c)).

With respect to FCM SwapClear Contracts that are denominated in Israeli Shekel, the Clearing House will not recognize Sunday as a Business Day for the purposes of the FCM SwapClear Contract Terms.

2.1.3 **Registration**

(a) *Submission for Registration*

Prior to and as a precondition to the registration of an eligible FCM SwapClear Transaction, the relevant FCM Clearing Member must provide notice to and receive approval from the Clearing House (or have previously provided such notice and received such approval), in such form as determined by the Clearing House in its sole discretion, with respect to each type of FCM SwapClear Transaction to be presented for registration (be it with respect to tenor, currency or other eligibility criteria). Notwithstanding anything herein to the contrary, if (i) notification pursuant to this paragraph is not received by the Clearing House, (ii) the relevant FCM Clearing Member does not receive approval from the Clearing House pursuant to this paragraph, or (iii) approval granted pursuant to this paragraph has been rescinded by the Clearing House, the Clearing House may, in its sole discretion, reject the registration of any relevant FCM SwapClear Transaction.

The Clearing House receives details of a new eligible FCM SwapClear Transaction using agreed format messages via an FCM Approved Trade Source System. The FCM Approved Trade Source System will send these trades to the Clearing House once they have been bilaterally agreed by two Executing Parties, or otherwise executed by or on behalf of two Executing Parties on an FCM Trading Venue, and will confirm

<sup>3</sup> The FCM SwapClear service may, in the Clearing House's absolute discretion, be operational beginning (a) 00:00 London time on a Business Day that is a Monday, or (b) 04:00 London time on a Business Day that is not a Monday.

### 3.4.4 *Use of a Defaulter's cover*

Post-default the Clearing House is entitled to realize and/or apply a Defaulter's cover in whatever order it deems appropriate.

### 3.4.5 *Overnight FCM Funding Account*

Upon request from an FCM Clearing Member, the Clearing House may open an Overnight FCM Funding Account.

The Clearing House will, in general, apply available Standard FCM Buffer to satisfy liabilities in accordance with FCM Regulation 15 before it applies available Overnight FCM Funding Collateral, but may, at its sole discretion, determine to apply some or all available Overnight FCM Funding Collateral before it applies Standard FCM Buffer.

## 3.5 **Interest, Price Alignment Amount and Accommodation Charge Structure**

### 3.5.1 *Cash Balance Interest Rate*

The Clearing House applies interest to FCM Clearing Members' cleared cash balances. The following rates are applied:

- (a) LDR – London Deposit Rate – the rate at which the Clearing House will pay or charge interest on credit cash balances (excluding Contributions). The LDR calculation methodology utilizes published market rates minus a spread. The current spread rates are published on the LCH website at the following link: [http://www.lch.com/fees/ltd/custody\\_services.asp](http://www.lch.com/fees/ltd/custody_services.asp);
- (b) CDR – Client Deposit Rate – the rate at which the Clearing House will pay or charge interest on credit cash balances on Client financial accounts. The CDR calculation methodology utilizes published market rates minus a spread. The current spread rates are published on the LCH website at the following link: [http://www.lch.com/fees/ltd/custody\\_services.asp](http://www.lch.com/fees/ltd/custody_services.asp); and

For the avoidance of doubt, the Clearing House may apply a different or separate LDR or CDR on FCM Clearing Member's cleared cash balances with respect to each Service.

- (c) Default Fund Rate.

Rates are available from the Member Reporting Website.

The Clearing House reserves the right to alter the basis of calculating each above listed interest rates. Any alteration will be effective on the date notified.

Where the Clearing House provides FCM Clearing Members with at least three days written notice (which may be way of member circular), the Clearing House may increase or decrease the LDR by up to 10bps. The

with such notice as the Clearing House deems appropriate in its sole discretion.

The Clearing House reserves the right to revoke an entity's status as an LCH Approved Outsourcing Agent, in its sole discretion and without notice. In the event of such a revocation, the relevant FCM Clearing Member shall be required to assume those responsibilities that were previously outsourced. Such revocation may occur where the Clearing House considers that there is an insufficient number of third party entities that are providing outsourced default management services (usually a minimum of five providers at any one time).

Other than in exceptional circumstances and in the Clearing House's sole discretion, an LCH Approved Outsourcing Agent may not act on behalf of more than three clearing members.

The appointment of an LCH Approved Outsourcing Agent does not absolve an FCM Clearing Member of its obligations under the Rates Service DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the Rates Service DMP on behalf of an FCM Clearing Member, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that FCM Clearing Member.

(e) Rates Service *DMG*

The necessary involvement of FCM Clearing Members and the Rates Service *DMG* in the Rates Service DMP entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure that such potential conflicts are demonstrably contained, Schedule 2.1A establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on FCM Clearing Members (and their executives or directors who participate from time to time in the Rates Service *DMG*) and on the Clearing House.

Each FCM Clearing Member who makes available a representative to serve on the Rates Service *DMG* agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the Rates Service *DMG* complies with Schedule 2.1A covering confidentiality, non-disclosure and other terms.

(f) *Default Management Accounts*

(A) For the purposes of this paragraph (f), the following definitions will apply:

**“Affected Non-Porting FCM Client Sub-Account”** means, in respect of an Initial DMA or a Final DMA (as applicable) and the FCM Rates Contracts that (at any time) comprise such Initial DMA or Final DMA (as applicable), each Non-Porting FCM

Client Sub-Account from which any such FCM Rates Contract originated.

“**Auction**” has the meaning assigned to it in the Rates Service DMP Annex.

“**Auction Date**” means, in respect of an Auction Portfolio, the business day on which such Auction Portfolio is sold.

“**Auction Result**” means, in respect of an Auction Portfolio, the amount equal to:

- (i) the gains or losses of the Clearing House arising from the sale of such Auction Portfolio, where a gain is a positive amount and a loss is a negative amount;
- (ii) plus the Auction Portfolio NPV Gain for such Auction Portfolio (if any);
- (iii) minus the Auction Portfolio NPV Loss for such Auction Portfolio (if any).

“**Auction Portfolio**” means a Basis Portfolio or an OTC Auction Portfolio, as applicable.

“**Auction Portfolio Calculation Period**” means, in respect of an Auction Portfolio and its Auction Date, the period commencing immediately after the end of ~~the Daily Calculation Period day margin and settlement call of the Clearing House~~ for the business day preceding such Auction Date and ending at the point at which such Auction Portfolio is sold.

“**Auction Portfolio NPV Change**” means, in respect of an Auction Portfolio and its Auction Portfolio Calculation Period, the amount (if any) by which the aggregate net present value of the FCM Rates Contracts within such Auction Portfolio has changed during such Auction Portfolio Calculation Period, and

- (i) where such change is in favour of the Defaulter, is the “**Auction Portfolio NPV Gain**”; and
- (ii) where such change is in favour of the Clearing House, is the “**Auction Portfolio NPV Loss**”.

“**Basis Portfolio**” has the meaning assigned to it in the Rates Service DMP Annex.

“**Daily Amount**” means, in respect of a DMA and a Daily Calculation Period, the Daily Gain or Daily Loss for such DMA and Daily Calculation Period.

“**Daily Calculation Period**” means, in respect of a business day, the period, ~~in respect of which the Clearing House determines commencing immediately after~~ the end of day margin and ~~settlement call of the Clearing House~~ payments for FCM Rates Contracts for the previous business day and ending at the end of day margin and settlement call of the Clearing House for such business day.

“**Daily Gain**” means, in respect of a DMA and a Daily Calculation Period, the amount (if any) by which the Daily NPV Gain exceeds the Daily Hedge Costs (in each case) for such DMA and Daily Calculation Period.

“**Daily Hedge Costs**” means, in respect of a DMA and a Daily Calculation Period, all costs incurred by the Clearing House in connection with hedging the exposure of one or more FCM Rates Contracts within such DMA in accordance with the Risk Neutralisation process under Rule 2.2 of the Rates Service DMP Annex.

“**Daily Loss**” means, in respect of a DMA and a Daily Calculation Period, either: (i) where the DMA experiences a Daily NPV Loss in respect of such Daily Calculation Period, the aggregate of such Daily NPV Loss and the Daily Hedge Costs for such DMA and Daily Calculation Period; or (ii) where the DMA experiences a Daily NPV Gain in respect of such Daily Calculation Period, the amount by which the Daily Hedge Costs for such DMA and Daily Calculation Period exceed such Daily NPV Gain.

“**Daily NPV Change**” means, in respect of a DMA and a Daily Calculation Period, the amount (if any) by which the aggregate net present value of the Remaining Contracts within such DMA has changed during such Daily Calculation Period, and:

- (i) where such change is in favour of the Defaulter, is the “**Daily NPV Gain**”; and
- (ii) where such change is in favour of the Clearing House, is the “**Daily NPV Loss**”.

“**DMA**” means an Initial DMA or a Merged DMA, as applicable.

“**DMA Creation Date**” means, in respect of an Initial DMA, the business day on which such Initial DMA is established by the Clearing House.

“**DMA Merger Date**” means, in respect of a Merged DMA, the business day on which two or more DMAs are combined to form such Merged DMA.

“**Final DMA**” means, in respect of an Auction Portfolio that is auctioned and sold, the most recently established DMA from which such Auction Portfolio was formed.

“**Initial DMA**” means a default management account established by the Clearing House, acting in its sole discretion, to which one or more Sets of Non-Porting Contracts are transferred (by book-entry) on the DMA Creation Date for such default management account.

“**Latest DMA**” means, in respect of a Daily Calculation Period, a DMA that exists at the end of such Daily Calculation Period, but which has not itself been combined with another DMA to form a separate Merged DMA.

“**Merged DMA**” means a default management account established by the Clearing House, acting in its sole discretion, which results from the combination of two or more DMAs.

“**Non-Porting FCM Client Sub-Account**” means, in respect of a Defaulter, the FCM Client Sub-Account of such Defaulter, to which the FCM Rates Contracts that the Clearing House has determined will not be ported in accordance with the FCM Rulebook are, or were, registered at the point of the Default of the Defaulter.

“**OTC Auction Portfolio**” has the meaning assigned to it in the Rates Service DMP Annex.

“**Pre-Default TMR**” means, in respect of an Affected Non-Porting FCM Client Sub-Account of a Defaulter, the TMR for such Affected Non-Porting FCM Client Sub-Account as at the end of day margin and settlement call for the business day before the day of Default of such Defaulter.

“**Pre-Default TMR Ratio**” means

- (i) in respect of an Initial DMA and an Affected Non-Porting FCM Client Sub-Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting FCM Client Sub-Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting FCM Client Sub-Accounts referable to such Initial DMA; or
- (ii) in respect of a Final DMA and an Affected Non-Porting FCM Client Sub-Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting FCM Client Sub-Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting FCM Client Sub-Accounts referable to such Final DMA.

“**Pre-Merger TMR**” means, in respect of a DMA that was combined with one or more other DMA(s) to form a Merged DMA, the TMR for such DMA as at the end of day margin and settlement call for the business day before the DMA Merger Date of such Merged DMA.

“**Pre-Merger TMR Ratio**” means, in respect of a DMA that was combined with one or more other DMA(s) to form a Merged DMA, the ratio that such DMA’s Pre-Merger TMR bears to the aggregate Pre-Merger TMR of all DMAs that were combined to form such Merged DMA.

“**Prior Merged DMA**” means, in respect of a Merged DMA, an existing Merged DMA that has been combined with one or more other DMA(s) to form such Merged DMA.

“**Remaining Contracts**” means, in respect of a DMA and a Daily Calculation Period, all of the FCM Rates Contracts within such DMA during such Daily Calculation Period, excluding those FCM Rates Contracts that the Clearing House has auctioned and sold at any point within such Daily Calculation Period.

“**Set of Non-Porting Contracts**” means, in respect of a Non-Porting FCM Client Sub-Account, the FCM Rates Contracts that are transferred by the Clearing House from such Non-Porting FCM Client Sub-Account to an Initial DMA.

“**TMR**” means (i) in respect of an Affected Non-Porting FCM Client Sub-Account, the total margin requirement as determined by the Clearing House for such Affected Non-Porting FCM Client Sub-Account, or (ii) in respect of a DMA, the total margin requirement as determined by the Clearing House for such DMA, in each case excluding: (x) variation margin; (y) Stress Loss Margin as defined in Section 2.1.9 above; and (z) counterparty risk multiplier margin.

(B) *Initial DMAs*

(A) After a Default, the Clearing House may, in its sole discretion:

- (1) determine that the FCM Rates Contracts registered to a Non-Porting FCM Client Sub-Account will not port in accordance with the FCM Rulebook; and
- (2) transfer the resulting Set of Non-Porting Contracts in respect of such Non-Porting FCM Client Sub-Account to an Initial DMA on the

business day on which the Clearing House makes such determination.

- (B) The Clearing House may in its sole discretion create more than one Initial DMA for the purposes of subparagraph (A)(2) above on the same business day.
  - (C) No Contracts other than FCM Rates Contracts will be transferred into an Initial DMA.
  - (D) Any outstanding and owing, but unsettled, variation margin or settlement amounts in respect of FCM Rates Contracts as at the end of the Daily Calculation Period for the business day prior to the transfer of such FCM Rates Contracts in accordance with subparagraph (A) above shall be discharged by the Clearing House debiting or crediting (as applicable) the Non-Porting FCM Client Sub-Account from which such FCM Rates Contracts were transferred.
- (C) *Merged DMAs*
- (A) On any business day following the creation of two or more Initial DMAs pursuant to paragraph (B) above, the Clearing House may create a Merged DMA by combining:
    - (1) multiple Initial DMAs;
    - (2) one or more Initial DMAs and one or more Prior Merged DMAs; or
    - (3) multiple Prior Merged DMAs.
  - (B) The Clearing House may in its sole discretion create more than one Merged DMA on the same business day.
- (D) *Auctions*
- (A) The Clearing House shall conduct Auctions in respect of Auction Portfolios referable to DMAs in accordance with the provisions of the Rates Service DMP Annex.
  - (B) More than one Auction Portfolio may be referable to a single DMA, in which case:
    - (1) the Clearing House will conduct one or more Auctions of each Auction Portfolio referable to such DMA; and



- (2) on and from the date of the first Auction in respect of the DMA, the Clearing House may no longer combine such DMA into a Merged DMA.
  - (C) Following the sale of an Auction Portfolio, the Rates Service Contacts within such Auction Portfolio shall no longer form part of the DMA from which the Auction Portfolio was created.
- (E) *Attribution of Daily Amounts*
- (A) The Clearing House shall, following each Daily Calculation Period, determine the Daily Amount for each Latest DMA in respect of such Daily Calculation Period.
  - (B) The Clearing House shall attribute the Daily Amount of a Latest DMA that is:
    - (1) an Initial DMA, to each Affected Non-Porting FCM Client Sub-Account referable to such Initial DMA, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting FCM Client Sub-Account; and
    - (2) a Merged DMA, to each DMA that was combined to form such Merged DMA, pro rata according to the Pre-Merger TMR Ratio of each such DMA (where the amount attributed to each such DMA is an “**Interim Amount**”).
  - (C) If the Clearing House attributes an Interim Amount to a DMA under subparagraph (B)(2) above, then it will further attribute such Interim Amount as follows:
    - (1) Where the DMA to which the Interim Amount was attributed is an Initial DMA, the Clearing House will further attribute such amount to each Affected Non-Porting FCM Client Sub-Account referable to such Initial DMA, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting FCM Client Sub-Account; and
    - (2) Where the DMA to which the Interim Amount was attributed is a Merged DMA, the Clearing House will further attribute such amount to each DMA that was combined to form such Merged DMA, pro rata according to the Pre-Merger TMR Ratio of each such DMA.

(D) If the Clearing House attributes an amount to a DMA under subparagraph (C)(2) above, then it will further attribute such amount according to the method specified in subparagraph (C) (treating such amount as an Interim Amount for the purposes of subparagraph (C)) until all amounts are attributed to Non-Porting FCM Client Sub-Accounts.

(F) *Attribution of Auction Results*

The Clearing House shall attribute the Auction Result, in respect of the sale of an Auction Portfolio, to each Affected Non-Porting FCM Client Sub-Account referable to the Final DMA from which such Auction Portfolio was formed, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting FCM Client Sub-Account.

(G) *CFTC Regulations*

The Clearing House shall hold the relevant Collateral in respect of Non-Porting FCM Client Sub-Accounts (segregated as belonging to each such applicable Non-Porting FCM Client Sub-Account in accordance with the CFTC Regulations and Part 22 thereof) in its applicable FCM Omnibus SwapClear Client Account with LCH until the process described in this paragraph (f) has been completed. For the avoidance of doubt, the Clearing House may only take such actions pursuant to this paragraph as permitted by the FCM Rulebook, the CEA and the CFTC Regulations or as directed by an applicable Regulatory Body.

(g) *FCM Rates Service Default Management Disclosure Notice*

Each FCM Rates Service Clearing Member must ensure that each FCM Client to which it offers FCM SwapClear Clearing Services is provided with, or is directed to a copy of, the FCM Rates Service Default Management Disclosure Notice, and further must provide confirmation, in the form and manner reasonably required by the Clearing House, that it has discharged this obligation in respect of each such FCM Client.

(h) *Contact Information*

Each FCM Rates Clearing Member is required to provide the Clearing House with contact details for those persons that the Clearing House should contact in the event of a Clearing Member Default. FCM Rates Clearing Members are required to ensure that contact details remain up to date and to notify the Clearing House of any changes in such details.

(i) Notwithstanding the definition of "Auction Losses Calculation Period" in Rule 1.6 of Schedule 2 of the Default Rules, on and from the date determined by the Clearing House, the following definition will apply for the purposes of the Rates Service DMP Annex:

**"Auction Losses Calculation Period"** means, in respect of an OTC Auction Portfolio or a Basis Portfolio (as applicable) and the business day on which the Clearing House auctions and sells such portfolio, the period:

(a) commencing immediately after the Daily Calculation Period for the previous business day; and

(b) ending at the point at which the Clearing House sells such portfolio;"

where:

**"Daily Calculation Period"** means, in respect of a business day, the period, in respect of which the Clearing House determines the end of day margin and settlement payments for Rates Service Contracts for such business day.

#### 2.1.18 ***Payment of Stamp Tax***

Each FCM Clearing Member shall pay any stamp tax or duty levied or imposed upon it or in respect of its execution or performance of the FCM Clearing Membership Agreement, the FCM Default Fund Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM SwapClear Contract) 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 and shall indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House or in respect of the Clearing House's execution or performance of the FCM Clearing Membership Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM SwapClear Contract) by any such jurisdiction.

#### 2.1.19 ***Section 696, Corporation Tax Act 2009***

The FCM Clearing Member agrees that should a situation arise where HM Revenue and Customs ("HMRC") raises an enquiry, or makes an information request, to the Clearing House regarding an FCM Transaction or FCM Contract that the FCM Clearing Member is submitting (or has submitted) to the Clearing House, and that enquiry or information request is in respect of the application of s696 - s697 Corporation Tax Act 2009, the FCM Clearing Member will use its reasonable efforts to provide such information and support as the Clearing House may reasonably require in order to respond to and effectively deal with the queries raised by HMRC.

#### 2.1.20 ***Tax Forms***

The Clearing House and each FCM Clearing Member shall provide to the other party (i) any form or document specified in the given FCM Contract and (ii) any form, document, statement or certification (including, in the case of the Clearing House, an Internal Revenue Service Form W-8BEN) reasonably requested in

Approved Outsourcing Agent's participation in the ForexClear DMP on behalf of an FX FCM, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that FX FCM.

(e) *ForexClear DMG*

The necessary involvement of FX FCMs and the ForexClear DMG (which, as defined in the Default Rules, refers to the advisory Default Management Group established by the Clearing House pursuant to the terms of the ForexClear DMP Annex to the Default Rules) in the ForexClear DMP entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure that such potential conflicts are demonstrably contained, Schedule 2.2A establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on FX FCMs (and their executives or directors who participate from time to time in the ForexClear DMG) and on the Clearing House.

Each FX FCM who makes available a representative to serve on the ForexClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the ForexClear DMG complies with Schedule 2.2A covering confidentiality, non-disclosure and other terms.

(f) *Default Management Accounts*

(A) For the purposes of this paragraph (f), the following definitions will apply:

“**Affected Non-Porting FCM Client Sub-Account**” means, in respect of an Initial DMA or a Final DMA (as applicable) and the FCM ForexClear Contracts that (at any time) comprise such Initial DMA or a Final DMA (as applicable), each Non-Porting FCM Client Sub-Account from which any such FCM ForexClear Contract originated.

“**Auction**” has the meaning assigned to it in the ForexClear DMP Annex.

“**Auction Date**” means, in respect of an Auction Portfolio, the business day on which such Auction Portfolio is sold.

“**Auction Result**” means, in respect of an Auction Portfolio, the amount equal to:

- (i) the gains or losses of the Clearing House arising from the sale of such Auction Portfolio, where a gain is a positive amount and a loss is a negative amount;
- (ii) plus the Auction Portfolio NPV Gain for such Auction Portfolio (if any);

- (iii) minus the Auction Portfolio NPV Loss for such Auction Portfolio (if any).

“**Auction Portfolio**” means a ForexClear Auction Portfolio.

“**Auction Portfolio Calculation Period**” means, in respect of an Auction Portfolio and its Auction Date, the period commencing immediately after the ~~Daily Calculation Period end-of-day margin and settlement call of the Clearing House~~ for the business day preceding such Auction Date and ending at the point at which such Auction Portfolio is sold.

“**Auction Portfolio NPV Change**” means, in respect of an Auction Portfolio and its Auction Portfolio Calculation Period, the amount (if any) by which the aggregate net present value of the FCM ForexClear Contracts within such Auction Portfolio has changed during such Auction Portfolio Calculation Period, and

- (i) where such change is in favour of the Defaulter, is the “**Auction Portfolio NPV Gain**”; and
- (ii) where such change is in favour of the Clearing House, is the “**Auction Portfolio NPV Loss**”.

“**Daily Amount**” means, in respect of a DMA and a Daily Calculation Period, the Daily Gain or Daily Loss for such DMA and Daily Calculation Period.

“**Daily Calculation Period**” means, in respect of a business day, the period, ~~in respect of which the Clearing House determines commencing immediately after~~ the end of day margin and settlement ~~payments for FCM ForexClear Contracts for call of the Clearing House for the previous business day and ending at the end of day margin and settlement call of the Clearing House for~~ such business day.

“**Daily Gain**” means, in respect of a DMA and a Daily Calculation Period, the amount (if any) by which the Daily NPV Gain exceeds the Daily Hedge Costs (in each case) for such DMA and Daily Calculation Period.

“**Daily Hedge Costs**” means, in respect of a DMA and a Daily Calculation Period, all costs incurred by the Clearing House in connection with hedging the exposure of one or more FCM ForexClear Contracts within such DMA in accordance with the Risk Neutralisation process under Rule 2.2 of the ForexClear DMP Annex.

“**Daily Loss**” means, in respect of a DMA and a Daily Calculation Period, either: (i) where the DMA experiences a

Daily NPV Loss in respect of such Daily Calculation Period, the aggregate of such Daily NPV Loss and the Daily Hedge Costs for such DMA and Daily Calculation Period; or (ii) where the DMA experiences a Daily NPV Gain in respect of such Daily Calculation Period, the amount by which the Daily Hedge Costs for such DMA and Daily Calculation Period exceed such Daily NPV Gain.

**“Daily NPV Change”** means, in respect of a DMA and a Daily Calculation Period, the amount (if any) by which the aggregate net present value of the Remaining Contracts within such DMA has changed during such Daily Calculation Period, and:

- (i) where such change is in favour of the Defaulter, is the **“Daily NPV Gain”**; and
- (ii) where such change is in favour of the Clearing House, is the **“Daily NPV Loss”**.

**“DMA”** means an Initial DMA or a Merged DMA, as applicable.

**“DMA Creation Date”** means, in respect of an Initial DMA, the business day on which such Initial DMA is established by the Clearing House.

**“DMA Merger Date”** means, in respect of a Merged DMA, the business day on which two or more DMAs are combined to form such Merged DMA.

**“Final DMA”** means, in respect of an Auction Portfolio that is auctioned and sold, the most recently established DMA from which such Auction Portfolio was formed.

**“ForexClear Auction Portfolio”** means an “Auction Portfolio” as defined in the ForexClear DMP Annex.

**“Initial DMA”** means a default management account established by the Clearing House, acting in its sole discretion, to which one or more Sets of Non-Porting Contracts are transferred (by book-entry) on the DMA Creation Date for such default management account.

**“Latest DMA”** means, in respect of a Daily Calculation Period, a DMA that exists at the end of such Daily Calculation Period, but which has not itself been combined with another DMA to form a separate Merged DMA.

**“Merged DMA”** means a default management account established by the Clearing House, acting in its sole discretion, which results from the combination of two or more DMAs.

**“Non-Porting FCM Client Sub-Account”** means, in respect of a Defaulter, the FCM Client Sub-Account of such Defaulter, to which the FCM ForexClear Contracts that the Clearing House has determined will not be ported in accordance with the FCM Rulebook are, or were, registered at the point of the Default of the Defaulter.

**“Pre-Default TMR”** means, in respect of an Affected Non-Porting FCM Client Sub-Account of a Defaulter, the TMR for such Affected Non-Porting FCM Client Sub-Account as at the end of day margin and settlement call for the business day before the day of Default of such Defaulter.

**“Pre-Default TMR Ratio”** means

- (i) in respect of an Initial DMA and an Affected Non-Porting FCM Client Sub-Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting FCM Client Sub-Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting FCM Client Sub-Accounts referable to such Initial DMA; or
- (ii) in respect of a Final DMA and an Affected Non-Porting FCM Client Sub-Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting FCM Client Sub-Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting FCM Client Sub-Accounts referable to such Final DMA.

**“Pre-Merger TMR”** means, in respect of a DMA that was combined with one or more other DMA(s) to form a Merged DMA, the TMR for such DMA as at the end of day margin and settlement call for the business day before the DMA Merger Date of such Merged DMA.

**“Pre-Merger TMR Ratio”** means, in respect of a DMA that was combined with one or more other DMA(s) to form a Merged DMA, the ratio that such DMA’s Pre-Merger TMR bears to the aggregate Pre-Merger TMR of all DMAs that were combined to form such Merged DMA.

**“Prior Merged DMA”** means, in respect of a Merged DMA, an existing Merged DMA that has been combined with one or more other DMA(s) to form such Merged DMA.

**“Remaining Contracts”** means, in respect of a DMA and a Daily Calculation Period, all of the FCM ForexClear Contracts within such DMA during such Daily Calculation Period, excluding those FCM ForexClear Contracts that the Clearing House has auctioned and sold at any point within such Daily Calculation Period.

“**Set of Non-Porting Contracts**” means, in respect of a Non-Porting FCM Client Sub-Account, the FCM ForexClear Contracts that are transferred by the Clearing House from such Non-Porting FCM Client Sub-Account to an Initial DMA.

“**TMR**” means (i) in respect of an Affected Non-Porting FCM Client Sub-Account, the total margin requirement as determined by the Clearing House for such Affected Non-Porting FCM Client Sub-Account, or (ii) in respect of a DMA, the total margin requirement as determined by the Clearing House for such DMA, in each case, excluding variation margin.

(B) *Initial DMAs*

(A) After a Default, the Clearing House may, in its sole discretion:

- (1) determine that the FCM ForexClear Contracts registered to a Non-Porting FCM Client Sub-Account will not port in accordance with the FCM Rulebook; and
- (2) transfer the resulting Set of Non-Porting Contracts in respect of such Non-Porting FCM Client Sub-Account to an Initial DMA on the business day on which the Clearing House makes such determination.

(B) The Clearing House may in its sole discretion create more than one Initial DMA for the purposes of subparagraph (A)(2) above on the same business day.

(C) No Contracts other than FCM ForexClear Contracts will be transferred into an Initial DMA.

(D) Any outstanding and owing, but unsettled, variation margin or settlement amounts in respect of FCM ForexClear Contracts as at the end of the Daily Calculation Period for the business day prior to the transfer of such FCM ForexClear Contracts in accordance with subparagraph (A) above shall be discharged by the Clearing House debiting or crediting (as applicable) the Non-Porting FCM Client Sub-Account from which such FCM ForexClear Contracts were transferred.

(C) *Merged DMAs*

(A) On any business day following the creation of two or more Initial DMAs pursuant to paragraph (B) above, the



Clearing House may create a Merged DMA by combining:

- (1) multiple Initial DMAs;
- (2) one or more Initial DMAs and one or more Prior Merged DMAs; or
- (3) multiple Prior Merged DMAs.

(B) The Clearing House may in its sole discretion create more than one Merged DMA on the same business day.

(D) *Auctions*

(A) The Clearing House shall conduct Auctions in respect of Auction Portfolios referable to DMAs in accordance with the provisions of the ForexClear DMP Annex.

(B) More than one Auction Portfolio may be referable to a single DMA, in which case:

- (1) the Clearing House will conduct one or more Auctions of each Auction Portfolio referable to such DMA; and
- (2) on and from the date of the first Auction in respect of the DMA, the Clearing House may no longer combine such DMA into a Merged DMA.

(C) Following the sale of an Auction Portfolio, the ForexClear Contacts within such Auction Portfolio shall no longer form part of the DMA from which the Auction Portfolio was created.

(E) *Attribution of Daily Amounts*

(A) The Clearing House shall, following each Daily Calculation Period, determine the Daily Amount for each Latest DMA in respect of such Daily Calculation Period.

(B) The Clearing House shall attribute the Daily Amount of a Latest DMA that is:

- (1) an Initial DMA, to each Affected Non-Porting FCM Client Sub-Account referable to such Initial DMA, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting FCM Client Sub-Account; and
- (2) Merged DMA, to each DMA that was combined to form such Merged DMA, pro rata according to

the Pre-Merger TMR Ratio of each such DMA (where the amount attributed to each such DMA is an “**Interim Amount**”).

- (C) If the Clearing House attributes an Interim Amount to a DMA under subparagraph (B)(2) above, then it will further attribute such Interim Amount as follows:
- (1) Where the DMA to which the Interim Amount was attributed is an Initial DMA, the Clearing House will further attribute such amount to each Affected Non-Porting FCM Client Sub-Account referable to such Initial DMA, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting FCM Client Sub-Account; and
  - (2) Where the DMA to which the Interim Amount was attributed is a Merged DMA, the Clearing House will further attribute such amount to each DMA that was combined to form such Merged DMA, pro rata according to the Pre-Merger TMR Ratio of each such DMA.
- (D) If the Clearing House attributes an amount to a DMA under subparagraph (C)(2) above, then it will further attribute such amount according to the method specified in subparagraph (C) (treating such amount as an Interim Amount for the purposes of subparagraph (C)) until all amounts are attributed to Non-Porting FCM Client Sub-Accounts.

(F) *Attribution of Auction Results*

The Clearing House shall attribute the Auction Result, in respect of the sale of an Auction Portfolio, to each Affected Non-Porting FCM Client Sub-Account referable to the Final DMA from which such Auction Portfolio was formed, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting FCM Client Sub-Account.

(G) *CFTC Regulations*

The Clearing House shall hold the relevant Collateral in respect of Non-Porting FCM Client Sub-Accounts (segregated as belonging to each such applicable Non-Porting FCM Client Sub-Account in accordance with the CFTC Regulations and Part 22 thereof) in its applicable FCM Omnibus ForexClear Client Account with LCH until the process described in this paragraph (f) has been completed. For the avoidance of doubt, the Clearing House may only take such actions pursuant to this paragraph as

permitted by the FCM Rulebook, the CEA and the CFTC Regulations or as directed by an applicable Regulatory Body.

(g) Notwithstanding the definition of "Auction Losses Calculation Period" in Rule 1.4 of Schedule 3 of the Default Rules, on and from the date determined by the Clearing House, the following definition will apply for the purposes of the ForexClear DMP Annex:

"Auction Losses Calculation Period" means, in respect of an Auction Portfolio and the business day on which the Clearing House auctions and sells such portfolio, the period:

(a) commencing immediately after the Daily Calculation Period for the previous business day; and

(b) ending at the point at which the Clearing House sells such portfolio;"

where:

"Daily Calculation Period" means, in respect of a business day, the period, in respect of which the Clearing House determines the end of day margin and settlement payments for ForexClear Contracts for such business day.

#### 2.2.27 *Payment of Stamp Tax*

Each FCM Clearing Member shall pay any stamp tax or duty levied or imposed upon it or in respect of its execution or performance of the FCM Clearing Membership Agreement, the FCM Default Fund Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM ForexClear Contract) 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 and shall indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House or in respect of the Clearing House's execution or performance of the FCM Clearing Membership Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM ForexClear Contract) by any such jurisdiction.

#### 2.2.28 *Section 696, Corporation Tax Act 2009*

The FCM Clearing Member agrees that should a situation arise where HM Revenue and Customs ("HMRC") raises an enquiry, or makes an information request, to the Clearing House regarding an FCM Transaction or FCM Contract that the FCM Clearing Member is submitting (or has submitted) to the Clearing House, and that enquiry or information request is in respect of the application of s696 - s697 Corporation Tax Act 2009, the FCM Clearing Member will use its reasonable efforts to provide such information and support as the Clearing House may reasonably require in order to respond to and effectively deal with the queries raised by HMRC.