

VIA CFTC PORTAL

31 October 2019

Mr Christopher Kirkpatrick  
Commodity Futures Trading Commission  
115 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington DC 20581

**LCH Limited Self-Certification: Amendments to LCH Limited's Compression Rules**

Dear Mr Kirkpatrick

Pursuant to CFTC regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to its rules related to the compression of contracts in SwapClear and ForexClear. LCH offers compression services to its members and clients that allows them to reduce the number of trades in their portfolios.

**Part I: Explanation and Analysis**

SwapClear

The current rules governing the compression of SwapClear contracts permit clearing members to request that LCH compress and combine SwapClear contracts that have substantially the same economic terms or attributes as one or more other SwapClear contracts registered for the account of the given clearing member or client. Thus, LCH's current blended netting compression offering supports the compression of trades with the same standard terms and future cash flows, but with different fixed rates, and is available for SwapClear products with a fixed rate component, i.e. IRS, OIS and FRA.

The proposed rule changes will permit LCH to determine from time to time the SwapClear products that are eligible for compression, and will remove the requirement that, to be considered eligible for compression, SwapClear contracts must have substantially the same economic terms. LCH will determine which contracts are eligible pursuant to its internal risk governance processes, which will avoid the need to continually update the rulebook as to which products are in scope.

Further, these rules changes are proposed in connection with the extension of eligible SwapClear compression contracts to include:

1. basis swaps, which will apply the same blending methodology to the spread component of the swap; and
2. inflation swaps with different fixed rates, pursuant to which LCH will rebase those inflation swaps to bring the inflation index level up to a current value.

### ForexClear

The proposed rule changes to the ForexClear compression rules are in line with the proposed SwapClear rule changes described above (excluding the extension of eligible SwapClear compression contracts).

The rule changes will go live on, or after, 18 November 2019.

### **Part II: Description of Rule Changes**

Regulation 56 (Compression) under the SwapClear Regulations and Regulation 95 (Compression) under the ForexClear Regulations of the General Regulations have been updated with a definition of an eligible SwapClear and ForexClear Compression Contract respectively and specifically for Regulation 56 provides that SwapClear Contracts are eligible SwapClear compression contracts even if they have differing fixed or floating rates. The amendments also include some minor wording corrections and references. The definitions section of the General Regulations noting the meaning of Eligible SwapClear and ForexClear Compression Contracts has also been updated.

Section 1.16 (Compression) of Procedures Section 2C (SwapClear Clearing Service) and section 1.15 (Compression) of Procedures section 2I (ForexClear Service) has been updated to refer to Regulation 56 and Regulation 95 respectively of the LCH General Regulations, as amended.

Equivalent changes have been made to the corresponding sections of the FCM Regulations and Procedures for both SwapClear and ForexClear.

The text of the changes are attached hereto as:

- **Appendix I**, General Regulations
- **Appendix II**, Procedures Section 2C
- **Appendix III**, Procedures Section 2I
- **Appendix IV**, FCM Regulations
- **Appendix V**, FCM Procedures

### **Part III: Core Principle Compliance**

LCH has reviewed the changes against the requirements of the Core Principles and finds that they will continue to comply with all the requirements and standards therein and in particular support Core Principle D on Risk Management by extending compression facilities.

### **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:

<http://www.lch.com/rules-regulations/proposed-rules-changes>.

**Part V: Opposing Views**

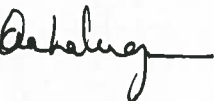
There were no opposing views expressed to LCH by governing board or committee members, members of LCH or market participants that were not incorporated into the rule.

**Certification**

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

Should you have any questions, please contact me at [julian.oliver@lch.com](mailto:julian.oliver@lch.com).

Yours sincerely,

P.P. 

Julian Oliver  
Chief Compliance Officer  
LCH Limited

**Appendix I**  
General Regulations



**GENERAL REGULATIONS OF  
LCH LIMITED**

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<b>"delivery month"</b>	means in respect of an exchange contract, the meaning ascribed to it in the Exchange Rules governing such contract , or in respect of an LSE Derivatives Markets Cleared Exchange Contract, an expiration month as defined in the LSE Derivatives Markets Rules, or in respect of a Listed Interest Rates Contract, the meaning ascribed to such Contract in the Listed Interest Rates Contract Terms
<b>"Depository"</b>	means a collateral agent, custodian, central securities depository, securities settlement system or other similar entity
<b>"Designated Group Member"</b>	has the meaning assigned to it in Chapter XIV(k)
<b>"Designated Rates Exchange"</b>	has the meaning assigned to it in Regulation 100(a)
<b>"Designated Listed Interest Rates Contract "</b>	has the meaning assigned to it in Regulation 100(b)
<b>"Determination Date"</b>	means the date for calculation of a Contribution other than an Unfunded Contribution or a Supplementary Contribution, as provided for in a Supplement, and includes an Equities Determination Date, a ForexClear Determination Date, a Listed Interest Rates Determination Date, a RepoClear Determination Date and a SwapClear Determination Date
<b>"Determined Omnibus Net Segregated Clients"</b>	has the meaning assigned to it in the Client Clearing Annex to the Default Rules
<b>"Economic Terms"</b>	means that part of the SwapClear Contract Terms, RepoClear Contract Terms, RepoClear GC Contract Terms, EquityClear Contract Terms, ForexClear Contract Terms, or, in respect of a Designated Listed Interest Rates Contract, the Listed Interest Rates Contract Terms as the case may require, designated as Economic Terms by the Clearing House from time to time
<b><u>"Eligible ForexClear Compression Contract"</u></b>	<u>has the meaning assigned to it in Regulation 95(a)</u>
<b>"Eligible Listed Interest Rates Contracts"</b>	means those Listed Interest Rates Contracts meeting the eligibility criteria in respect of Portfolio Margined Contracts as set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time
<b><u>"Eligible SwapClear Compression Contract"</u></b>	<u>has the meaning set out in Regulation 56(a)</u>

<b>"Required Margin Amount"</b>	means: (i) in respect of any type of margin and any account (other than an Omnibus Gross Segregated Account or Indirect Gross Account); (ii) in respect of any type of margin and (a) each individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) within an Omnibus Gross Segregated Account; or (b) the Combined Omnibus Gross Segregated Clearing Clients grouped together within an Omnibus Gross Segregated Account; and (iii) in respect of any type of margin and each Indirect Gross Sub-Account, the most recent amount of each type of margin which the Clearing House requires in respect of the relevant account, sub-account or client(s) (as the case may be) as determined by the Clearing House and as recorded on its books and records
<b>"Requisite ForexClear Option Clearing Members"</b>	means, on any business day, one or more ForexClear Option Clearing Members representing at least 75% of the total number of ForexClear Option Clearing Members
<b>"Resignation Effective Date"</b>	means the date on which the termination of a Resigning Member's Clearing Member status in respect of a specific Service becomes effective, as specified in Regulation 5(a)
<b>"Resigning Member"</b>	means at any time any Clearing Member: (i) who has given notice to the Clearing House for the purposes of resigning from a particular Service; or (ii) in respect of whom the Clearing House has given notice for the purposes of requiring such Clearing Member to resign from a particular Service
<b><del>"Resulting Forexclear Contract"</del></b>	<del>means a ForexClear Contract that will exist at the time the Clearing House undertakes compression, in respect of such ForexClear Contract, in accordance with the Rulebook, but that did not exist at the time at which the applicable ForexClear Clearing Member requested such compression</del>
<b>"Retirement Effective Date"</b>	means the date on which the termination of a Retiring Member's Clearing Member status becomes effective, as specified in Regulation 5(e)
<b>"Retiring Member"</b>	means at any time any Clearing Member or, as the context may require, any former Clearing Member: (i) who has given notice to terminate its Clearing Member status to the Clearing House; or (ii) in respect of whom the Clearing House has terminated or given notice to terminate its Clearing Member status
<b>"Return Window"</b>	has the meaning assigned to it in the Client Clearing Annex to the Default Rules

## REGULATION 56 COMPRESSION

- (a) The Clearing House may from time to time determine SwapClear Contracts that are eligible for compression in accordance with this Regulation 56 and the Procedures (such as SwapClear Contracts, “Eligible SwapClear Compression Contracts”), which may include SwapClear Contracts that, *inter alia*, have substantially similar economic terms.
- ~~(a) A SwapClear Clearing Member may submit a request to the Clearing House, in accordance with the Procedures, to compress and combine Notwithstanding any other provision of these Regulations if:~~
- ~~(b) one or more SwapClear Contracts registered by a SwapClear Clearing Member in accordance with the Rulebook has substantially the same Economic Terms as one or more other SwapClear Contracts registered for the account of such SwapClear Clearing Member, and~~
- (b) all such SwapClear Contracts that are registered (a) on the SwapClear Clearing Member’s own behalf to its Proprietary Account, (b) on behalf of the same SwapClear Clearing Client and to the same Client Account (which is not an Indirect Gross Account); or (c) on behalf of the same SwapClear Clearing Client and to the same Indirect Gross Sub-Account.
- ~~(c) The Clearing House will effect the compression of Eligible SwapClear Compression Contracts by:~~
- ~~(d)(c) then, to the extent permitted in the Procedures and this Regulation 56, the SwapClear Clearing Member may request that the Clearing House compress and combine all such SwapClear Contracts by terminating the relevant existing Eligible SwapClear Compression Contracts and, in some instances, compressing them into one or more new SwapClear Contracts having a net future cash flow equal to the net future cash flow of such original Eligible SwapClear Compression Contracts (including, for the purposes of determining the net future cash flow of a SwapClear STM Contract, the payment obligations of the SwapClear Clearing Member and the Clearing House under the SwapClear STM Terms applicable to such SwapClear STM Contract). For the avoidance of doubt, in no circumstances can a SwapClear Contract registered in the Proprietary Account of a SwapClear Clearing Member be compressed pursuant to this Regulation 56 with a SwapClear Contract registered in the Client Account of that SwapClear Clearing Member.~~
- ~~(d) For purposes of paragraph (a) above, two or more SwapClear Contracts may be deemed by the Clearing House to have “substantially the same Economic Terms” if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same fundamental economic attributes which influence the amount, value date and direction of all coupon cash flows. For the avoidance of doubt, the Clearing House may determine that SwapClear Contracts are Eligible SwapClear Compression Contracts two or more SwapClear Contracts have “substantially the same Economic Terms” even if (i) they have differing fixed or floating rates or (ii) they include at least one each of a SwapClear CTM Contract and a SwapClear STM Contract. Two or more SwapClear Contracts that are compressed under the terms of this paragraph and paragraph (a) above shall be (i) aggregated if the~~



position of the SwapClear Clearing Member is in the same direction on each such SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated); ~~such that the SwapClear Contract that replaces the compressed SwapClear Contracts shall have a notional amount equal to the total notional amount of the compressed SwapClear Contracts. Two or more SwapClear Contracts that are compressed under the terms of this paragraph and paragraph (a) above shall be or~~ (ii) netted if the position of the SwapClear Clearing Member is in the opposite direction on two or more of each such SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment).

(e) In most ~~such cases~~ circumstances the SwapClear Contract (if any) that replaces the compressed Eligible SwapClear Compression Contracts shall have a notional amount equal to the net notional amount of the compressed Eligible SwapClear Compression Contracts, however, in some cases the replacement SwapClear Contracts will have an aggregate notional amount that is greater than the net notional amount of the compressed SwapClear Contracts, **provided that** in no event will the aggregate notional amounts of the replacement SwapClear Contracts be greater than the aggregate notional amounts of the compressed Eligible SwapClear Compression Contracts, and **provided further** that in the event that the net notional amount and net future cash flows are equal to zero such compression shall result in no replacement SwapClear Contracts.

~~(e)(f)~~ The Clearing House shall determine (in its sole discretion) whether Eligible SwapClear Compression Contracts that are the subject of a request for compression from the SwapClear Clearing Member may be compressed and, if such Eligible SwapClear Compression Contracts are compressed, the Clearing House shall determine the resulting terms of the SwapClear Contract(s) (if any) that replaces the compressed Eligible SwapClear Compression Contracts; ~~and s~~ Such determination shall be binding on the SwapClear Clearing Member, absent manifest error. – It is a condition for compression of Eligible SwapClear Compression Contracts that the amount of Collateral that the Clearing House requires in respect of the original Eligible SwapClear Compression Contracts is equal to that which is required by the Clearing House in respect of the replacement SwapClear Contract(s).

Following the compression of Eligible SwapClear Compression Contracts pursuant to this Regulation 56~~(a)~~, and in the event that the Clearing House considers in its sole discretion that the post-compression SwapClear Contracts have a “small notional amount,” then the Clearing House may, upon written request by the relevant SwapClear Clearing Member, effect the termination of the SwapClear Contract(s) with a small notional amount. By making a request to terminate SwapClear Contracts in accordance with this Regulation 56~~(b)(f)~~, the relevant SwapClear Clearing Member shall be deemed to represent and warrant that: (i) such termination, if effected, will be in accordance with Applicable Law; and (ii) it consents to the termination of the relevant SwapClear Contracts.

~~(f)(g)~~ If:

(i) the SwapClear Contracts that are the subject of a SwapClear Clearing Member’s compression request pursuant to ~~(a)the~~ above comprise only SwapClear CTM Contracts, then the one or more SwapClear Contracts that come into existence

immediately following, and as a result of, the compression shall all be SwapClear CTM Contracts;

- (ii) the SwapClear Contracts that are the subject of a SwapClear Clearing Member's compression request pursuant to ~~(a)~~the above comprise only SwapClear STM Contracts, then the one or more SwapClear Contracts that come into existence immediately following, and as a result of, the compression shall all be SwapClear STM Contracts; and
- (iii) the SwapClear Contracts that are the subject of a SwapClear Clearing Member's compression request pursuant to ~~(a)~~the above comprise both SwapClear CTM Contracts and SwapClear STM Contracts, then:
  - (A) the SwapClear Clearing Member's compression request pursuant to (a) above shall be deemed to be a STM Conversion Request in respect of those SwapClear Contracts that are SwapClear CTM Contracts, and accordingly Regulation 57A(~~mm~~) ~~through~~ ~~(pq)~~ (inclusive) shall apply; and
  - (B) it shall be a condition precedent to the occurrence of the compression requested under this Regulation 56 that the SwapClear CTM Contracts that are the subject of the SwapClear Clearing Member's compression request have been converted into SwapClear STM Contracts in accordance with Regulation 57A

~~(g)~~(h) In addition, the Clearing House may, from time to time in its absolute discretion, make available in accordance with this Regulation 56 and/or the Procedures, Multilateral Compression on the basis of a Multilateral Compression Cycle which is either:

- (i) an ACSP Compression Cycle, available to SwapClear Clearing Members and/or applicable FCM Clearing Members; or
- (ii) a Member Compression Cycle, where so requested by two Compression Clearing Members and agreed to by the Clearing House,

(each such SwapClear Clearing Member, a "**Compression Clearing Member**").

~~(h)~~(i) In participating in any Multilateral Compression Cycle, a Compression Clearing Member:

- (i) must be party to relevant Compression Documentation with the Clearing House and/or any nominated ACSP at such time as is contemplated in the Compression Documentation and from such time up to and including the Compression Time for that Multilateral Compression Cycle and at all relevant times must be accepted by the Clearing House and/or any nominated ACSP as an entity eligible to participate in such Multilateral Compression Cycle;
- (ii) in relation to an ACSP Compression Cycle, shall nominate those SwapClear Contracts (which may be SwapClear CTM Contracts, SwapClear STM Contracts or a combination of the same) that it wishes to make available for Multilateral Compression in accordance with the relevant Compression Documentation;

## REGULATION 95 COMPRESSION

- (a) ~~Nothing in this Regulation shall apply to ForexClear Contracts which are not ForexClear NDF Contracts.~~ The Clearing House may from time to time determine ForexClear Contracts that are eligible for compression in accordance with this Regulation 95 and the Procedures (such ForexClear Contracts, “**Eligible ForexClear Compression Contracts**”), which may include ForexClear Contracts that, *inter alia*, have substantially similar economic terms.
- (b) ~~Notwithstanding any other provision of these Regulations, but subject to paragraph above, if:~~
- (c) ~~one or more ForexClear Contracts registered by a ForexClear Clearing Member in accordance with the Rulebook has substantially the same Economic Terms as one or more other ForexClear Contracts registered for the account of such ForexClear Clearing Member, and~~ A ForexClear Clearing Member may submit a request to the Clearing House, in accordance with the Procedures, to compress and combine
- ~~(b)~~ (b) all such ForexClear Contracts ~~are either~~ (a) registered on the ForexClear Clearing Member’s own behalf or (b) registered on behalf of the same ForexClear Clearing Client and in the same Client Account.<sup>5</sup>
- ~~(c)~~ (c) ~~then, to the extent permitted in the Procedures and this , the ForexClear Clearing Member may request that the Clearing House compress and combine all such ForexClear Contracts by~~ The Clearing House will effect the compression of Eligible ForexClear Compression Contracts by terminating the relevant ~~existing Eligible~~ ForexClear Compression Contracts and, in some instances, compressing them ~~so that there results in either (1) no replacement ForexClear Contract, or (2) one or more replacement ForexClear Contracts into one or more new ForexClear Contracts~~ having a net future cash flow equal to the net future cash flow of such original Eligible ForexClear Compression Contracts (including, for the purposes of determining the net future cash flow of a ForexClear STM Contract, the payment obligations of the ForexClear Clearing Member and the Clearing House under the ForexClear STM Terms applicable to such ForexClear STM Contract). For the avoidance of doubt, in no circumstances can a ForexClear Contract registered in the Proprietary Account of a ForexClear Clearing Member be compressed pursuant to this Regulation 95 with a ForexClear Contract registered in the Client Account of that ForexClear Clearing Member.
- ~~(d)~~ (d) ~~For the purposes of paragraph (b) above, two or more ForexClear Contracts may be deemed by the Clearing House to have “substantially the same Economic Terms” if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same Valuation Date (as defined in schedule 6 of the Product Specific Contract Terms and Eligibility Criteria Manual) and Settlement Date (as defined in schedule 6 of the Product Specific Contract Terms and Eligibility Criteria Manual).~~ For the avoidance of doubt, the Clearing House may determine that ~~two or more~~ two or more ForexClear Contracts are Eligible ForexClear Compression Contracts have “substantially the same Economic Terms” even if they have differing Forward Rates (as defined in schedule 6 of the Product Specific Contract Terms and Eligibility Criteria Manual).

~~(e)~~ The Clearing House shall determine (in its sole discretion) whether Eligible ForexClear Compression Contracts that are the subject of a request for compression from the ForexClear Clearing Member may be compressed and, if such Eligible ForexClear Compression Contracts are compressed, the Clearing House shall determine (in its sole discretion) whether any replacement ForexClear Contract(s) shall replace the compressed Eligible ForexClear Compression Contracts and, if so, the resulting terms of such ForexClear Contract(s), and such determinations shall be binding on the ForexClear Clearing Member, absent manifest error. It is a condition for compression of Eligible ForexClear Compression Contracts that the amount of Collateral that the Clearing House requires in respect of the original ForexClear Contracts is equal to that which is required by the Clearing House in respect of the replacement ForexClear Contract(s).

~~(g)~~(f) If:

- (i) the ForexClear Contracts that are the subject of a ForexClear Clearing Member's compression request pursuant to ~~(b)~~the above comprise only ForexClear CTM Contracts, then the one or more ForexClear Contracts that come into existence immediately following, and as a result of, the compression shall all be ForexClear CTM Contracts; and
- (ii) the ForexClear Contracts that are the subject of a ForexClear Clearing Member's compression request pursuant to ~~(b)~~the above comprise only ForexClear STM Contracts, then the one or more ForexClear Contracts that come into existence immediately following, and as a result of, the compression shall all be ForexClear STM Contracts.

**Appendix II**  
Procedures Section 2C



**LCH LIMITED**

**PROCEDURES SECTION 2C**

**SWAPCLEAR CLEARING SERVICE**

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- (d) the Clearing House is acting solely upon the SCM's instructions as detailed to the Clearing House in writing and in reliance on the SwapClear Clearing Member's agreements and representations (including as set out in this Section 1.15.10) in connection therewith;
- (e) the Permitted Transfer is permissible under Applicable Law and is not in violation of Applicable Law, and the SCM has obtained any and all necessary and appropriate consents, authorisations and approvals, and has taken any other actions required under Applicable Law in connection with the Permitted Transfer; and
- (f) the Clearing House shall not be liable for any costs, expenses, damages or losses, whether direct or indirect, suffered by any of the parties hereto, or by the Eligible Transferor or Eligible Transferee, as a result of any actions taken by the Clearing House in connection with the Permitted Transfer.

#### 1.15.11 Fees

Any Permitted Transfer effected pursuant to Regulation 60 and in accordance with these Procedures and (where applicable) any relevant Collateral Management Agreement will be subject to such fees as are established by the Clearing House from time to time in its sole and absolute discretion, and notified to SwapClear Clearing Members via a member circular.

### 1.16 Compression

A SwapClear Clearing Member may compress ~~existing~~ Eligible SwapClear Compression Contracts in accordance with Regulation 56 and this Section 1.16. There are two options available to a SwapClear Clearing Member that wishes to compress ~~existing~~ Eligible SwapClear Compression Contracts:

- (a) a SwapClear Clearing Member can request that all Eligible SwapClear Compression Contracts entered into (i) on behalf of a designated SwapClear Clearing Client (or, where relevant, in respect of an Indirect Gross Sub-Account) or (ii) on such SwapClear Clearing Member's own behalf be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the SwapClear Clearing Member after the applicable scheduled compression run) until the SwapClear Clearing Member notifies the Clearing House to discontinue ~~such~~ the compression of its Eligible SwapClear Compression Contracts. SwapClear Clearing Members should contact the Clearing House's Membership Department to request such a compression of Eligible SwapClear Compression Contracts; or
- (b) a SwapClear Clearing Member may notify the Clearing House ~~directly~~ through the ClearLink API specifying ~~which~~ the Eligible SwapClear Compression Contracts ~~should be compressed~~ it wishes to be compressed. Additionally, a SwapClear Clearing Member may provide such notice to the Clearing House through any Approved Trade Source System previously approved for this purpose by the Clearing House, but only where the

compression is by way of netting in respect of ~~one or more pairs of~~ Eligible SwapClear Compression Contracts in respect of which ~~that have substantially the same Economic Terms but for~~ which the position of the SwapClear Clearing Member (on its own behalf or on behalf of the relevant SwapClear Clearing Client or, where relevant, in respect of an Indirect Gross Sub-Account) is (x) in the opposite direction on each leg of such pair (i.e. obligations to make payment netted against rights to receive payment), such that the SwapClear Contract that replaces such pair of Eligible SwapClear Compression Contracts to be compressed shall have a notional amount equal to the net notional amount of the original pair of SwapClear Contracts or (y) in the same direction on each leg of such pair (i.e. obligations to make payment aggregated and rights to receive payment aggregated), such that the SwapClear Contract that replaces the compressed Eligible SwapClear Compression Contracts shall have a notional amount equal to the total notional amount of the original pair of Eligible SwapClear Compression Contracts. The SwapClear Clearing Member will be notified after the applicable scheduled compression run whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

In order to compress an Eligible SwapClear Compression Contract, a SwapClear Clearing Member must have in its applicable Client Account or Proprietary Account SwapClear Contracts with the same compression identifier (being an identifier applied by the Clearing House ~~which that~~ indicates that such SwapClear Contracts are eligible for compression) and shall then follow the process for compression as set out above.

In respect of each compression run, the Clearing House will notify SwapClear Clearing Members of the cut-off time by which SwapClear Clearing Members must notify the Clearing House ~~must be notified~~ of the ~~relevant requested~~ Eligible SwapClear Compression Contracts to be compressed in order for such Eligible SwapClear Compression Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all Eligible SwapClear Compression Contracts notified to it prior to such cut-off time. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day. The Clearing House shall notify the applicable SwapClear Clearing Member after the ~~applicable relevant~~ compression run of the result of such compression procedure. A SwapClear Clearing Member may, with the prior approval of the Clearing House and pursuant to Section 1.~~31~~32, elect to receive such notification via any Approved Trade Source System previously approved by the Clearing House for such purpose.

A SwapClear Clearing Member that elects to provide notices or reports to the Clearing House through any Approved Trade Source System specifying which Eligible SwapClear Compression Contracts should be compressed, have been compressed or any other information in relation to compressions acknowledges and agrees that (i) the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any Approved Trade Source System or the timeliness or otherwise of the delivery of any compression-related details by that Approved Trade Source System to the Clearing House of the SwapClear Clearing Member, (ii) the Clearing House will



process and use any compression-related information provided to it via an Approved Trade Source System on an “as is” basis (with no obligation to verify any details), (iii) the Clearing House accepts no liability for any error within or corruption of any data sent by an Approved Trade Source System to the Clearing House or to the SwapClear Clearing Member or any delay in or failure of the transmission of such data to the Clearing House or the SwapClear Clearing Member. In the event that the Clearing House terminates, registers or otherwise effects an action in connection with a compression relating to any SwapClear Contract on the basis of incorrect or corrupted data sent to it by an Approved Trade Source System, the SwapClear Clearing Member concerned shall be bound by the results of such actions. Such matters form part of the relationship between the SwapClear Clearing Member and the relevant Approved Trade Source System. Notwithstanding anything in this Section 1.16 of the Procedures, the Clearing House records in relation to any compression and the status of any SwapClear Contract prior to, during or following a compression run shall be the definitive record in connection therewith and shall prevail over any such records maintained by any Approved Trade Source System.

Following the compression process described above and as further set out in Regulation 56, the applicable SwapClear Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed SwapClear Contracts as notified to the SwapClear Clearing Member by the Clearing House.

For purposes of this Section 1.16, (i) a Clearing Client or FCM Client may, on behalf of a SwapClear Clearing Member, submit a compression request (whether under paragraph (a) or (b) above) or an election to provide notices or reports via an Approved Trade Source System, the ClearLink API or SwapClear Portal and (ii) for the avoidance of doubt, references to an Approved Trade Source System may include the SwapClear Portal, in each case as applicable.

### 1.17 Duo Compression

The Clearing House may, in its sole and absolute discretion, from time to time make available Multilateral Compression on the basis of a Member Compression Cycle to two SwapClear Clearing Members (upon approval to participate in Multilateral Compression, each such SwapClear Clearing Member, a Compression Clearing Member).

From time to time, the Clearing House may publish an anonymised report to each Compression Clearing Member participating in Duo Compression identifying compression and risk replacement opportunities based on eligible SwapClear Contracts (the “**Clearing House Compression Proposal**”). Upon receipt of a given Clearing House Compression Proposal, a Compression Clearing Member may submit a request to the Clearing House to perform a Member Compression Cycle with another Compression Clearing Member. If both Compression Clearing Members consent to participate in a given Member Compression Cycle, the Clearing House may identify each Compression Clearing Member to the other participating Compression Clearing Member.

**Appendix III**  
Procedures Section 2I



**LCH LIMITED**

**PROCEDURES SECTION 2I**

**FOREXCLEAR CLEARING SERVICE**

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Indirect Clearing Clients in respect of whom the ForexClear Clearing Member clears Contracts with the Clearing House in an Indirect Gross Account.

## 1.15 Compression

1.15.1 A ForexClear Clearing Member may compress existing-Eligible ForexClear Compression Contracts (~~other than ForexClear Contracts that are ForexClear Option Contracts, ForexClear Swap Contracts, ForexClear Spot Contracts and ForexClear Deliverable Forward Contracts~~) in accordance with Regulation 95 and this Section 1.15. There are two options available to a ForexClear Clearing Member that wishes to compress ~~such-Eligible~~ ForexClear Compression Contracts:

- (a) a ForexClear Clearing Member can request that all such Eligible ForexClear Compression Contracts entered into (i) on behalf of a designated ForexClear Clearing Client and in respect of a particular Client Account (or, where relevant, in respect of an Indirect Gross Sub-Account), or (ii) on such ForexClear Clearing Member's own behalf, be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the ForexClear Clearing Member after the applicable scheduled compression run) until the ForexClear Clearing Member notifies the Clearing House to discontinue ~~such-the~~ compression of ~~such-its~~ Eligible ForexClear Compression Contracts. ForexClear Clearing Members should contact the Clearing House's Membership Department to request such a compression of Eligible ~~such~~ ForexClear Compression Contracts; or
- (b) a ForexClear Clearing Member may notify the Clearing House ~~directly~~ through the ClearLink API specifying ~~which-the~~ Eligible ~~such~~ ForexClear Compression Contracts ~~and/or-Resulting-ForexClear Contracts should-it wishes to~~ be compressed. The ForexClear Clearing Member will be notified after the applicable scheduled compression run whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

1.15.2 In order to compress such an Eligible ForexClear Compression Contract, a ForexClear Clearing Member must follow the process for compression as set out above and must, at the time of compression, have in its applicable Client Account or Proprietary Account ForexClear Contracts with the same compression identifier (being an identifier applied by the Clearing House which indicates that such ForexClear Contracts are eligible for compression).

1.15.3 In respect of each compression run, the Clearing House will notify ForexClear Clearing Members of the cut-off time by which ForexClear Clearing Members must notify the Clearing House ~~must-be-notified~~ of the relevant-requested Eligible ForexClear Compression Contracts ~~and/or-Resulting-ForexClear Contracts~~ to be compressed in order for such Eligible ForexClear Compression Contracts ~~and/or-Resulting-ForexClear Contracts~~ to be included in the relevant compression run.

The Clearing House shall process the compression of all Eligible ForexClear Compression Contracts ~~and Resulting ForexClear Contracts~~ notified to it prior to such cut-off time and shall notify the applicable ForexClear Clearing Member after the ~~applicable-relevant~~ compression run of the result of such compression procedure. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day.

- 1.15.4 Following the compression process described above and as further set out in Regulation 95, the applicable ForexClear Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed ForexClear Contracts as notified to the ForexClear Clearing Member by the Clearing House.

## 1.16 Exercise and Expiry Agent

- 1.16.1 ForexClear Clearing Members may facilitate or communicate the exercise of (or intent to exercise) ForexClear Option Contracts to the Clearing House via an exercise and expiry agent. The Clearing House may determine, in its sole discretion, the form and manner of any instruction pursuant to this Section 1.16.
- 1.16.2 In the event that an exercise and expiry agent is not able to facilitate or communicate the exercise of (or intent to exercise) a ForexClear Option Contract for any reason whatsoever, and the Clearing House becomes aware of such failure to facilitate or communicate, the Clearing House will notify the relevant ForexClear Clearing Members of such failure and may provide details of one or more alternative exercise methods.
- 1.16.3 Exercise and expiry agents may be designated by the Clearing House from time to time and such agents shall be published on the Clearing House's website.
- 1.16.4 Neither the Clearing House nor any other member of the LCH Group shall have any liability whatsoever to any ForexClear Clearing Member or any other person, including any Clearing Client, in contract, tort (including negligence), trust, as a fiduciary or under any other cause of action in respect of any liabilities, damages, losses, costs or expenses of whatsoever nature suffered or incurred by a ForexClear Clearing Member or any other person, including any Clearing Client, as a result of (a) any failure by the Clearing House to provide notice pursuant to Section 1.16.2 or (b) any failure of an exercise and expiry agent to communicate the exercise of (or intent to exercise) a ForexClear Option Contract to the Clearing House.

## 1.17 Automatic Exercise of ForexClear Option Contracts

- 1.17.1 In relation to a ForexClear Option Contract, if, at the Expiration Time on the Expiration Date of that ForexClear Option Contract, the ForexClear Option Contract has not been exercised by the relevant ForexClear Clearing Member or the Clearing House, as the case may be, then it will be deemed exercised as of that time if the In-the-Money Amount of that ForexClear Option Contract at the Expiration Time equals (in the case of a Call) or exceeds (in the case of a Call or Put) the product of:

**Appendix IV**  
FCM Regulations



**FCM REGULATIONS OF THE CLEARING HOUSE**

**LCH LIMITED**

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	entity
“designated contract market”	means a board of trade designated as such by the CFTC pursuant to Section 5 and 6(a) of the CEA.
“Designated FCM Listed Interest Rates Contract”	has the meaning ascribed to it in FCM Regulation 57(b).
“Designated Rates Exchange”	has the meaning ascribed to it in FCM Regulation 57(a).
“Economic Terms”	means that part of the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms, or the FCM Listed Interest Rates Contract Terms designated as Economic Terms by the Clearing House from time to time.
<u>“Eligible FCM ForexClear Compression Contract”</u>	<u>has the meaning ascribed to it in FCM Regulation 49(o).</u>
<u>“Eligible FCM SwapClear Compression Contract”</u>	<u>has the meaning ascribed to it in FCM Regulation 46(n).</u>
“EMIR Client Clearing”	means the provision of Client Clearing Services on an Individual Segregated Account or Omnibus Segregated Account basis as set out in the Regulation 10 and Regulation 11 of the UK General Regulations (capitalized terms used and not otherwise defined herein bearing the same meanings set out in the UK General Regulations).
“Encumbered FCM Buffer”	has the meaning assigned to it in FCM Regulation 15(c)(ii).
“Exchange”	means an organization (whether an exchange, association, company, corporation, limited partnership or otherwise), including a designated contract market and a foreign board of trade (whether registered as such with the CFTC), responsible for administering a futures, options, or stock market (in its capacity as the administrator of such a market), to which the Clearing House provides FCM Clearing Services. The term “ <b>Exchange</b> ” shall include a Rates Exchange, save where the context otherwise requires.
“Exchange Board”	means the board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange.
“Exchange Rules”	means the rules, regulations, administrative procedures, memorandum and articles of association, charter, certificate of incorporation, by-laws or similar constituent documents which regulate an Exchange and the market administered by it as notified from time to time to the Clearing House and, without prejudice to the generality of the foregoing, any



	account or accounts from time to time.
<b>“Resignation Effective Date”</b>	means the date on which the termination of a Resigning Member's FCM Clearing Member status in respect of a specific FCM Clearing Service becomes effective as specified in FCM Regulation 5(a).
<b>“Resigning Member”</b>	means at any time any FCM Clearing Member: (i) who has given notice to the Clearing House for the purposes of resigning from a particular FCM Clearing Service; or (ii) in respect of whom the Clearing House has given notice for the purposes of requiring such FCM Clearing Member to resign from a particular FCM Clearing Service.
<del><b>“Resulting FCM ForexClear Contract”</b></del>	<del>means an FCM ForexClear Contract that will exist at the time the Clearing House undertakes compression, in respect of such FCM ForexClear Contract, in accordance with the FCM Rulebook, but that did not exist at the time at which the applicable FCM Clearing Member requested such compression.</del>
<b>“Retirement Effective Date”</b>	means the date on which the termination of a Retiring Member's FCM Clearing Member status becomes effective in accordance with Section 17 of the FCM Clearing Membership Agreement and the FCM Procedures as specified in FCM Regulation 5(e).
<b>“Retiring Member”</b>	means at any time any FCM Clearing Member or, as the context may require, any former FCM Clearing Member: (i) who has given notice to terminate its FCM Clearing Member status to the Clearing House; or (ii) in respect of whom the Clearing House has terminated or given notice to terminate its FCM Clearing Member status, in each case in accordance with Section 17 of the FCM Clearing Membership Agreement and the FCM Procedures.
<b>“Risk Neutralisation”</b>	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.
<b>“Rules Change Committee”</b>	means the decision-making body of the Clearing House that will oversee and implement all material alterations, amendments or extensions to the FCM Rulebook or the FCM Clearing Membership Agreement in accordance with its terms of reference
<b>“Second Listed Interest Rates Clearing Member”</b>	has the meaning assigned to it in FCM Regulation 54(c)(ii).
<b>“Seller”</b>	means an FCM Clearing Member (or the Clearing House where the context so requires) who is a seller under the

(m) In the case of an FCM SwapClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 46 shall take effect.

(n) **Compression.**

(i) The Clearing House may from time to time determine FCM SwapClear Contracts that are eligible for compression in accordance with this Regulation 46(n) and the FCM Procedures (such FCM SwapClear Contracts, “Eligible FCM SwapClear Compression Contracts”), which may include FCM SwapClear Contracts that, *inter alia*, have substantially similar economic terms.

~~(ii) Notwithstanding any other provision of these FCM Regulations, if one or more FCM SwapClear Contracts registered by an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures has substantially the same Economic Terms as one or more other FCM SwapClear Contracts previously registered for the account of such FCM Clearing Member, and An FCM Clearing Member may submit a request to the Clearing House, in accordance with the FCM Procedures, to compress and combine all such FCM SwapClear Contracts that are either (i) registered on the FCM Clearing Member's own behalf or (ii) registered on behalf of the same FCM Client~~

~~(iii) The Clearing House will effect the compression of Eligible FCM SwapClear Compression Contracts by, the FCM Clearing Member may request that the Clearing House compress and combine all such FCM SwapClear Contracts by terminating the relevant existing Eligible FCM SwapClear Compression Contracts and, in some instances, compressing them into one or more new FCM SwapClear Contracts having a net future cash flow equal to the net future cash flow of the original Eligible FCM SwapClear Compression Contracts. For purposes of this FCM Regulation 46(n), two or more FCM SwapClear Contracts may be deemed by the Clearing House to have “substantially the same Economic Terms” if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same fundamental economic attributes which influence the amount, value date and direction of all coupon cash flows.~~

~~(iv) For the avoidance of doubt, the Clearing House may determine that FCM SwapClear Contracts are Eligible FCM SwapClear Compression Contracts two or more FCM SwapClear Contracts have “substantially the same Economic Terms” even if they have differing fixed or floating rates. Two or more FCM SwapClear Contracts that are compressed under the terms of this FCM Regulation 46(n) shall be (i) aggregated if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client is in the same direction on each such FCM SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated), such that the FCM SwapClear Contract that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the total notional amount of the compressed FCM SwapClear Contracts. Two or more FCM SwapClear Contracts that are~~

*FCM Regulations*

~~compressed under the terms of this Regulation~~

Reference Currency Seller under an FCM ForexClear Transaction shall have the same rights against, and owe the same obligations to, the Clearing House under the corresponding FCM ForexClear Contract registered by it in respect of such FCM ForexClear Transaction.

In sub-clauses (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM ForexClear Transaction (it being assumed, for this purpose, that such FCM ForexClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

- (m) If an FCM ForexClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM ForexClear Contract arising under this FCM Regulation 49 or any other applicable provision of the FCM Rulebook.
- (n) In the case of an FCM ForexClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 49 shall take effect.

(o) Compression.

(i) The Clearing House may from time to time determine FCM ForexClear Contracts that are eligible for compression in accordance with this FCM Regulation 49(o) and the FCM Procedures (such FCM ForexClear Contracts, “Eligible FCM ForexClear Compression Contracts”), which may include FCM ForexClear Contracts that, inter alia, have substantially similar economic terms.

(ii) Notwithstanding any other provision of these FCM Regulations, if one or more FCM ForexClear Contracts registered by an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures has substantially the same Economic Terms as one or more other FCM ForexClear Contracts previously registered for the account of such FCM Clearing Member, and An FCM Clearing Member may submit a request to the Clearing House, in accordance with the FCM Procedures, to compress and combine all such FCM ForexClear Contracts are either (i) registered on the FCM Clearing Member's own behalf, or (ii) registered on behalf of the same FCM Client and in the same FCM Client Sub-Account.

(iii) , then the FCM Clearing Member may request that the Clearing House The Clearing House will effect the compression of Eligible FCM ForexClear Contracts by compress and combine all such FCM ForexClear Contracts by terminating the relevant existing Eligible FCM ForexClear Compression Contracts and, in some instances, compressing them so that there results in

~~either (1) no replacement FCM ForexClear Contract, or (2) into one or more FCM ForexClear Contracts having a net future cash flow equal to the net future cash flow of the original Eligible FCM ForexClear Compression Contracts. For the purposes of this FCM Regulation 49(1), two or more FCM ForexClear Contracts may be deemed by the Clearing House to have “substantially the same Economic Terms” if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same Valuation Date (as defined in schedule 3 of the FCM Product Specific Contract Terms and Eligibility Criteria Manual) and Settlement Date (as defined in schedule 3 of the FCM Product Specific Contract Terms and Eligibility Criteria Manual).~~

~~(iv)~~ For the avoidance of doubt, the Clearing House may determine that ~~two or more~~ FCM ForexClear Contracts are Eligible FCM ForexClear Compression Contracts have “substantially the same Economic Terms” even if they have differing Forward Rates (as defined in schedule 3 of the FCM Product Specific Contract Terms and Eligibility Criteria Manual).

~~(v)~~ The Clearing House shall determine (in its sole discretion) whether Eligible FCM ForexClear Compression Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such Eligible FCM ForexClear Compression Contracts are compressed, the Clearing House shall determine (in its sole discretion) whether any replacement ForexClear Contract(s) shall replace the compressed Eligible FCM ForexClear Compression Contracts and, if so, the resulting terms of such FCM ForexClear Contract(s) ~~, and s~~Such determinations shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of Eligible FCM ForexClear Compression Contracts that the amount of Margin that the Clearing House requires in respect of the original FCM ForexClear Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM ForexClear Contract(s).

~~(p)~~ **ForexClear Accounts.** All FCM Omnibus ForexClear Client Accounts with LCH shall not be permitted to contain any FCM Contracts other than FCM ForexClear Contracts or to reflect any Margin other than in connection with FCM ForexClear Contracts.

~~(q)~~ **Unallocated FCM ForexClear Transactions.** In accordance with all other applicable provisions of the FCM Rulebook, an FCM Clearing Member may register an FCM ForexClear Contract subject to post-registration allocation on behalf of a Pre-Allocation Executing Party in accordance with the following provisions:

(i) In order for an FCM ForexClear Transaction executed by a Pre-Allocation Executing Party to be subject to post-registration allocation (such transaction, an “**Unallocated FCM ForexClear Transaction**”), the FCM Clearing Member that will be registering the Unallocated FCM ForexClear Transaction (such FCM Clearing Member, a “**Pre-Allocation FCM Clearing Member**”) must have provided the Clearing House with prior notice that it wishes to establish an FCM ForexClear Suspension Sub-Account with respect to that Pre-Allocation Executing Party, and the Clearing House must have opened

~~46(n) shall be~~ (ii) e-netted if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client is in the opposite direction on two or more of each such FCM SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment).

(v) In most ~~such cases~~ circumstances, the FCM SwapClear Contract (if any) that replaces the compressed Eligible FCM SwapClear Compression Contracts shall have a notional amount equal to the net notional amount of the compressed Eligible FCM SwapClear Compression Contracts, however, in some cases the replacement FCM SwapClear Contracts will have an aggregate notional amount that is greater than the net notional amount of the compressed FCM SwapClear Contracts, **provided that** in no event will the aggregate notional amounts of the replacement FCM SwapClear Contracts be greater than the aggregate notional amounts of the compressed Eligible FCM SwapClear Compression Contracts, and **provided further** that in the event that the net notional amount and net future cash flows are equal to zero such compression shall result in no replacement FCM SwapClear Contracts.

~~(v)~~ (vi) The Clearing House shall determine (in its sole discretion) whether Eligible FCM SwapClear Compression Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such Eligible FCM SwapClear Compression Contracts are compressed, the Clearing House shall determine the resulting terms of the FCM SwapClear Contract(s) (if any) that replaces the compressed Eligible FCM SwapClear Compression Contracts. ~~S, and~~ such determination shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of Eligible FCM SwapClear Compression Contracts that the amount of Margin that the Clearing House requires in respect of the original Eligible FCM SwapClear Compression Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM SwapClear Contract(s).

Following the compression of Eligible FCM SwapClear Compression Contracts pursuant to this Regulation 46~~(m)~~, and in the event that the Clearing House considers in its sole discretion that the post-compression FCM SwapClear Contracts have a “small notional amount,” then the Clearing House may, upon written request by the relevant FCM Clearing Member, effect the termination of the FCM SwapClear Contract(s) with a small notional amount. By making a request to terminate FCM SwapClear Contracts in accordance with this Regulation 46~~(m)~~, the relevant FCM Clearing Member shall be deemed to represent and warrant that: (i) such termination, if effected, will be in accordance with Applicable Law; and (ii) it consents to the termination of the relevant FCM SwapClear Contracts.

~~(v)~~ (vii) In addition to the foregoing, the Clearing House may, from time to time in its absolute discretion, make available in accordance with this FCM Regulation 46 Multilateral Compression on the basis of a Multilateral Compression Cycle which is either:

(A) an ACSP Compression Cycle, available to FCM Clearing Members and/or applicable non-FCM Clearing Members (each a “**Compression**

**Clearing Member**”, and either on their own behalf or on behalf of an Authorised Compression Client); or

- (B) a Member Compression Cycle, where so requested by two or more Compression Clearing Members and agreed to by the Clearing House.

~~(iii)~~(viii) In participating in any Multilateral Compression Cycle, a Compression Clearing Member:

- (A) must be party to relevant Compression Documentation with the Clearing House and/or any nominated ACSP at such time as is contemplated in the Compression Documentation and from such time up to and including the Compression Time for that Multilateral Compression Cycle and at all relevant times must be accepted by the Clearing House and/or any nominated ACSP as an entity eligible to participate in such Multilateral Compression Cycle;
- (B) in relation to an ACSP Compression Cycle, shall nominate those FCM SwapClear Contracts that it wishes to make available for Multilateral Compression in accordance with the relevant Compression Documentation;
- (C) in relation to a Member Compression Cycle, shall together with the other requesting Compression Clearing Members, provide to the Clearing House details of the proposed Terminating FCM SwapClear Contracts and, where the Member Compression Cycle also includes the registration of Post-Multilateral Compression Contracts, details of those FCM SwapClear Contracts (in such form as the Clearing House may require from time to time) which shall, subject to the Clearing House’s confirmation, constitute the Compression Proposal;
- (D) warrants and represents to the Clearing House that the terms of its participation in the proposed Multilateral Compression Cycle are in compliance with Applicable Law;
- (E) agrees and acknowledges that the Multilateral Compression Cycle will operate, and Multilateral Compression shall take place, in accordance with this FCM Regulation 46, the relevant Compression Proposal as accepted by such Compression Clearing Member, relevant Compression Documentation and such other processes and procedures as may be notified by the Clearing House from time to time; and
- (F) warrants and represents that, in the event that it provides or receives instructions to or from the Clearing House or to the ACSP on behalf of an Authorised Compression Client and in connection with a Multilateral Compression Cycle, that it is authorised to provide or receive such instructions on behalf of such Authorised Compression Client.

**Appendix V**  
FCM Procedures





**FCM PROCEDURES OF THE CLEARING HOUSE**

**LCH LIMITED**

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apply a lower percentage than that requested by the SwapClear Clearing Member).

An FCM Clearing Member may cease paying Stress Loss Margin by giving not less than three (3) business days' written notice to the Clearing House.

Before making any request to pay or notifying the Clearing House of ceasing to pay Stress Loss Margin, an FCM Clearing Member must obtain the consent of the FCM Client to which the Stress Loss Margin applies. In making any request pursuant to this paragraph, the FCM Clearing Member is deemed to represent that it has obtained such consent.

Where FCM SwapClear Contracts entered into by an FCM Clearing Member in respect of an FCM Client which has requested to pay Stress Loss Margin are transferred to a Receiving Clearing Member, such Receiving Clearing Member may be required to pay additional initial margin to the Clearing House in the event that it does not pay Stress Loss Margin with respect to the transferring FCM Client.

#### 2.1.10 *Intra-Day Margin Call: Collateral Management*

##### (a) *General – Intra-day Margining*

Following an intra-day margin call and unless notified otherwise by an FCM Clearing Member at the time of an intra-day margin call the Clearing House will deduct cash, in the appropriate currency, directly from the relevant FCM Clearing Member's PPS account to cover the Margin needed to meet that intra-day margin call.

Cash payments in respect of intra-day Margin requirements are accepted only in USD by the Clearing House.

It is the responsibility of the FCM to ensure that they have sufficient cash funds in place with their PPS bank(s) in order to avoid any intra-day liquidity issues.

#### 2.1.11 *Compression*

(a) ~~Pursuant to FCM Regulation 46(m) (Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts), a~~ An FCM Clearing Member may compress existing Eligible FCM SwapClear Compression Contracts in accordance with ~~that~~ FCM Regulation 46(n) and this Section 2.1.11. There are two options available to an FCM Clearing Member that wishes to compress existing Eligible FCM SwapClear Compression Contracts:

(i) an FCM Clearing Member can request that all Eligible FCM SwapClear Compression Contracts entered into (i) on behalf of a designated FCM Client or (ii) in such FCM Clearing Member's Proprietary Account be considered for compression

by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the FCM Clearing Member after the applicable scheduled compression run) until the FCM Clearing Member notifies the Clearing House to discontinue ~~such—the~~ compression of Eligible FCM SwapClear Compression Contracts.— FCM Clearing Members should contact the Clearing House's Membership Department to request such a compression of Eligible FCM SwapClear Compression Contracts; or

- (ii) an FCM Clearing Member may notify the Clearing House ~~directly~~ through the ClearLink API, specifying ~~which—the~~ Eligible FCM SwapClear Compression Contracts should be compressed it wishes to be compressed. Additionally, an FCM Clearing Member may provide such notice to the Clearing House through any FCM Approved Trade Source System previously approved for this purpose by the Clearing House, but only where the compression is by way of netting in respect of Eligible one or more pairs of FCM SwapClear Compression Contracts that have substantially the same Economic Terms but for in respect of which the position of the FCM Clearing Member (on its own behalf or on behalf of the relevant FCM Client) is (x) in the opposite direction on each leg of such pair (i.e., obligations to make payment netted against rights to receive payment), such that the FCM SwapClear Contract that replaces such pair of Eligible FCM SwapClear Compression Contracts to be compressed shall have a notional amount equal to the net notional amount of the original pair of Eligible FCM SwapClear Compression Contracts or (y) in the same direction on each leg of such pair (i.e., obligations to make payment aggregated and rights to receive payment aggregated), such that the FCM SwapClear Contract that replaces the compressed Eligible FCM SwapClear Compression Contracts shall have a notional amount equal to the total notional amount of the original pair of Eligible FCM SwapClear Compression Contracts. The FCM Clearing Member will be notified after the applicable scheduled compression run whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

Any request for the Clearing House to approve an FCM Approved Trade Source System for the purposes of this Section 2.1.11(a) must be made in writing and using the Clearing House's standard documentation. Through making a request, an FCM Clearing Member is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

- (b) In order to compress an Eligible FCM SwapClear Compression Contract, an FCM Clearing Member must have in its applicable FCM Client Sub-Account or Proprietary Account two or more FCM SwapClear Contracts with the same compression identifier (being an identifier applied by the Clearing House ~~which~~that indicates that such FCM SwapClear Contracts are eligible for compression) and shall then follow the process for compression as set out above.
- (c) In respect of each compression run, the Clearing House will notify Clearing Members of the cut-off time by which the FCM Clearing Members must notify the Clearing House ~~must be notified~~ of the ~~relevant requested Eligible~~ FCM ~~SwapClear~~ SwapClear Compression Contracts to be compressed in order for such Eligible FCM SwapClear Compression Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all Eligible FCM SwapClear Compression Contracts notified to it prior such cut-off time. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day. The Clearing House shall notify the applicable FCM Clearing Member after the ~~applicable relevant~~ compression run of the result of such compression procedure. An FCM Clearing Member may, with the prior approval of the Clearing House and pursuant to the Procedures, elect to receive such notification via any FCM Approved Trade Source System previously approved by the Clearing House for such purpose.

Any request for the Clearing House to approve an FCM Approved Trade Source System for the purposes of this Section 2.1.11(c) must be made in writing and using the Clearing House's standard documentation. Through making a request, an FCM Clearing Member is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

- (d) An FCM Clearing Member that elects to provide notices or reports to the Clearing House through any FCM Approved Trade Source System specifying which Eligible FCM SwapClear Compression Contracts should be compressed, have been compressed or any other information in relation to compressions acknowledges and agrees that (i) the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any compression-related details by that FCM Approved Trade Source System to the Clearing House of the FCM Clearing Member, (ii) the Clearing House will process and use any compression-related information provided to it via an FCM Approved Trade Source System on an "as is" basis (with no obligation to verify any details), (iii) the Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to the FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House or the FCM Clearing Member. In the event

that the Clearing House terminates, registers or otherwise effects an action in connection with a compression relating to any FCM SwapClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System, the FCM Clearing Member concerned shall be bound by the results of such actions. Such matters form part of the relationship between the FCM Clearing Member and the relevant FCM Approved Trade Source System. Notwithstanding anything in this Section 2.1.11 of the FCM Procedures, the Clearing House records in relation to any compression and the status of any FCM SwapClear Contract prior to, during or following a compression run shall be the definitive record in connection therewith and shall prevail over any such records maintained by any FCM Approved Trade Source System.

- (e) Following the compression process described above and as further set out in FCM Regulation 46(m) (*Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts*), the applicable FCM Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed FCM SwapClear Contracts as notified to the FCM Clearing Member by the Clearing House.

For purposes of this Section 2.1.11, (i) an FCM Client may, on behalf of an FCM Clearing Member, submit a compression request (whether under paragraph (a) or (b) above) or an election to provide notices or reports via an FCM Approved Trade Source System, the ClearLink API or SwapClear Portal and (ii) for the avoidance of doubt, references to an FCM Approved Trade Source System may include the SwapClear Portal, in each case as applicable.

#### 2.1.12 *Portfolio Transfers (BAU)*

FCM Clearing Members may, acting for their own account or for the account of an FCM Client, effect Permitted Transfers in accordance with the provisions of FCM Regulation 46(p).

#### 2.1.13 *Actions in Respect of an FCM Client Default*

This Section describes certain transfers and registrations that, under certain conditions, can be requested by an FCM Clearing Member upon the occurrence of an event of default or termination event with respect to an FCM Client (an “**FCM Client Default**”) under its agreement(s) with that FCM Client (such client, a “**Defaulting FCM Client**”).

The Clearing House shall have no liability in connection with any loss or cost suffered or incurred by any FCM Clearing Member or FCM Client in connection with any actions taken by the Clearing House pursuant to this Section 2.1.13.

Tolerance, then the Clearing House will issue a margin call for the amount of the shortfall plus 50 per cent. of the FX FCM's MER Buffer amount.

#### 2.2.18 *Compression*

- (a) ~~Pursuant to FCM Regulation 49(l) (Registration of FCM ForexClear Contracts; Compression; ForexClear Accounts), a~~An FCM Clearing Member may compress ~~existing~~ Eligible FCM ForexClear Compression Contracts in accordance with ~~that~~ FCM Regulation 49(o) and this Section 2.2.18. There are two options available to an FCM Clearing Member that wishes to compress Eligible FCM ForexClear Compression Contracts:
- (A) an FCM Clearing Member can request that all Eligible FCM ForexClear Compression Contracts entered into (i) on behalf of a designated FCM Client and in respect of a particular FCM Client Sub-Account —(including an FCM ForexClear Suspension Sub-Account), or (ii) on such FCM Clearing Member's own behalf, be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the FCM Clearing Member after the applicable scheduled compression run) until the FCM Clearing Member notifies the Clearing House to discontinue ~~such—the~~ compression ~~of~~ Eligible FCM ForexClear Compression Contracts. FCM Clearing Members should contact the Clearing House's Membership Department to request such a compression of Eligible FCM ForexClear Compression Contracts; or
- (B) an FCM Clearing Member may notify the Clearing House ~~directly~~ through the ClearLink API specifying ~~which—the~~ Eligible FCM ForexClear Compression Contracts ~~and/or Resulting FCM ForexClear Contracts should~~ it wishes to be compressed. The FCM Clearing Member will be notified after the applicable scheduled compression run whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.
- (b) In order to compress an Eligible FCM ForexClear Compression Contract, an FCM Clearing Member must follow the process for compression as set out above and must, at the time of compression, have in its applicable FCM Client Sub-Account (or FCM ForexClear Suspension Sub-Account, if applicable) or Proprietary Account two or more FCM ForexClear Contracts with the same compression identifier (being an identifier applied by the Clearing House which indicates that such FCM ForexClear Contracts are eligible for compression).

- (c) In respect of each compression run, the Clearing House will notify Clearing Members of the cut-off time by which the FCM Clearing Members must notify the Clearing House ~~must be notified of the relevant FCM ForexClear Contracts and/or Resulting of the requested Eligible~~ FCM ForexClear Compression Contracts to be compressed in order for such Eligible FCM ForexClear Compression Contracts ~~and/or Resulting FCM ForexClear Contracts~~ to be included in the relevant compression run. The Clearing House shall process the compression of all Eligible FCM ForexClear Compression Contracts ~~and Resulting FCM ForexClear Contracts~~ notified to it prior to such cut-off time and shall notify the applicable FCM Clearing Member after the applicable compression run of the result of such compression procedure. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day.
- (d) ~~†~~Following the compression process described above and as further set out in FCM Regulation 49~~(10)~~ (*Registration of FCM ForexClear Contracts; Compression; ForexClear Accounts*), the applicable FCM Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed FCM ForexClear Contracts as notified to the FCM Clearing Member by the Clearing House.

#### 2.2.19 *Transfer of FCM Clients; Defaulting FCM Clients*

In certain circumstances the Clearing House will transfer FCM ForexClear Contracts from one FCM Clearing Member to another FCM Clearing Member, pursuant to and in accordance with FCM Regulation 13 (*Transfer*) and these FCM Procedures.

(a) *Partial Transfers of FCM Clients*

Where a Receiving Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of a portion of such FCM Client's portfolio of FCM ForexClear Contracts held with a Carrying Clearing Member, it shall provide the Clearing House with an FCM Client Partial Transfer Form (see ~~Schedule 2.2A~~Schedule 2.2A), signed on behalf of the relevant FCM Client. Such form shall list all of the FCM ForexClear Contracts that are to be transferred pursuant to this procedure. Following receipt of an FCM Client Partial Transfer Form, the Clearing House shall notify the Carrying Clearing Member that a request has been received to transfer FCM ForexClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in Section ~~2.2.19(d)~~2.2.19(d).

In the event that any of the applicable conditions set forth in FCM Regulation 13 (*Transfer*) are not satisfied, and the Carrying Clearing Member notifies the Clearing house that they have not been satisfied