

VIA CFTC Portal

30 September 2020

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

LCH Limited Self Certification: Rule changes related to clearing of Non-Deliverable Options (“NDOs”) and the calculation of the Sovereign Risk Margin (“SRM”) add-on in the ForexClear service.

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 regarding the clearing of NDOs and the calculation of the SRM add-on in the ForexClear service.

Part I: Explanation and Analysis

LCH proposes to extend the ForexClear product offering to include non-deliverable European Vanilla FX Options on five G10 currency pairs (AUD/USD, EUR/USD, GBP/USD, USD/JPY, USD/CHF) and four EM currency pairs (USD/BRL, USD/INR, USD/KRW, USD/TWD). ForexClear currently clears deliverable FX Options and FX Forwards in the same G10 currencies.

An NDO is settled by a net cash payment in the settlement currency (i.e. USD) reflecting the difference between the strike price and the settlement rate of the reference currency. Market participants trade NDOs typically for protection against unfavourable exchange rate movements.

In addition, under the current risk framework, ForexClear can charge Clearing Members the Sovereign Risk Margin (“SRM”) add-on, as applicable. Such add-on is intended to cover specific risks associated with a given currency (e.g. the risk of currency depreciation due to a sovereign default or the risk of currency appreciation or depreciation due to sudden economic or political changes), which are not captured by the core Initial Margin (IM) model. ForexClear proposes to enhance the calculation of the SRM add-on by taking into account the risks that may arise in relation to a country’s debt ratio (external debt to reserve), which could deteriorate and/or become unstable.

Separately, LCH is taking the opportunity to make amendments to the rules to divide the products eligible for clearing in the ForexClear service under two categories: the ForexClear Non-Deliverable category and the ForexClear Deliverable category, as further outlined under Part II of this letter.

The rule changes will go live on, or after, 19 October 2020.

Part II: Description of Rule Changes

General Regulations

The rules changes reflect the introduction of the concept of the ForexClear Non-Deliverable and ForexClear Deliverable categories. Such changes have been reflected in the definitions as well as throughout the General Regulations. Further details are set out below.

As ForexClear is expanding its non-deliverable product offering to include NDOs alongside Non-Deliverable Forwards (“NDFs”), certain definitions have been amended to refer to Non-Deliverable Contracts to cover both products. Redundant references to NDFs have been removed. New definitions related specifically to NDO Contracts have been added and existing definitions have been updated to reflect the addition of such contracts, where necessary.

Certain references related to ForexClear Option Contracts have been replaced with references related to Deliverable Contracts to cover ForexClear Forward, Spot and Swap Contracts, alongside Option Contracts, and new definitions referring to Deliverable Contracts have been added.

Regulation 16 (“Registration”) has been amended to clarify that the terms “First Clearing Member”, (new subparagraph G j) i)), and “Second Clearing Member” (new subparagraph G j) ii)) of in an NDO Transaction mean the Seller and the Buyer, respectively.

Regulation 97 has been updated to refer to NDO Contracts. The revised title is “Premiums under ForexClear NDO Contracts and ForexClear Option Contracts” and it stipulates that the premium related to such contracts shall be payable by the relevant buyer to LCH or by LCH to the relevant seller in accordance with the LCH Procedures.

Regulation 106A, which applies to ForexClear Contracts that are Settled to Market¹, includes equivalent amendments under sections r) i) and iii) to note that the calculation of the “Cumulative Net Present Value” for Non-Deliverable and FX Options Contracts, respectively, shall not include any Price Alignment Amount².

Default Rules

Similarly to the changes in the General Regulations described above, the Default Rules have been updated to reflect the introduction of the ForexClear Non-Deliverable and ForexClear Deliverable categories. Such changes have been reflected in the terms defined in Schedule 3 (“ForexClear DMP Annex”) and throughout Schedule 5 (“ForexClear Default Fund Supplement”).

¹ “Settled-to-Market Contracts” or “STM Contracts” are contracts for which variation margin is treated as settlement payment. For STM Contracts, upon payment of amounts due in respect of such variation margin, the outstanding exposure of the relevant contracts will be discharged.

² The Price Alignment Amount (“PAA”) is the amount LCH will charge or pay in respect of ForexClear Contracts to minimise the impact of daily cash Variation Settlement payments on the pricing of those Contracts, in accordance with section 1.5.5 of the Procedures Section 2I and 3.5.2 of the FCM Procedures.

Product Specific Contract Terms and Eligibility Criteria Manual and FCM Product Specific Contract Terms and Eligibility Criteria Manual

The majority of the changes are in the “Product Specific Contract Terms and Eligibility Criteria Manual” and the “FCM Product Specific Contract Terms and Eligibility Criteria Manual” (also referred to as “manuals” in this letter) include equivalent new sections as set out below:

i) The ForexClear NDO Contract Terms (“Part L” and “Part D”, respectively)

The Contract Terms comprise:

- *Interpretation*, which mainly refer to the ISDA Definitions;
- *Economic Terms*, which mainly refer to the particulars of the NDO transaction to be submitted to LCH for clearing, such as the trade, settlement and valuation dates, and the Put and Call Currencies.
- *Standard Terms*, which clarify specific information of the ForexClear NDO Transaction to be cleared, such as the style (European), the type (Call or Put), the method by which the option will be exercised, as set out in the relevant LCH rules, the law governing the contracts (laws of England and Wales), and the price used for exercise/expiry decision for G10 NDOs (WMR rate published on Reuters). The Standard Terms also note that any payments under the ForexClear NDO Contract shall be calculated by LCH and made by or to the Clearing Member in accordance with the relevant ForexClear Procedures. This section also includes provisions regarding tax payments, clarifying that a) all payments due under a ForexClear NDO Contract shall be made by the ForexClear Clearing Member or LCH, as relevant, free and clear and without deduction or withholding for or on account of any tax, and b) the Clearing Member shall be liable for any Stamp Tax or duty imposed by a jurisdiction upon any ForexClear NDO Contract to which it is party to.
- *ForexClear NDO STM Terms*, if the NDO Contract is a Settled to Market Contract. The section covers the obligation of the ForexClear Clearing Member, under such terms, to pay any amount resulting from LCH’s determination of the net present value and the Price Alignment Amount related to a given NDO Contract.

The ForexClear NDO Contract Terms clarify that they shall prevail in case of a conflict with the terms of an Emerging Markets Trade Association (“EMTA”) Template or LCH G10 NDO Contract Template (further described below); and that the EMTA Template terms shall prevail in case of a conflict with the ISDA Definitions.

ii) The ForexClear Eligibility Criteria for NDO Contracts (“Part M” and “Part B”, respectively)

This section stipulates that an NDO Transaction will be registered by LCH only where it meets the Product Eligibility Criteria, set out in the respective sections 2 (e.g. eligible currency pair; valuation and settlement date; economic terms), and where the ForexClear Clearing Member registering the Contract is not in default.

iii) The G10 NDO Contract Templates (“Part N” and “Part C”, respectively)

For non-deliverable G10 currencies eligible for clearing in ForexClear, LCH includes its contract templates in the manuals. Part N and D of the manuals applicable to non-FCMs and FCMs ForexClear Clearing Members, respectively, have been added to include the contract templates for the NDO Contracts in the following NDO currency pairs: AUD/USD, EUR/USD, GBP/USD, USD/JPY, USD/CHF.

Separately, the contract templates applicable to non-deliverable emerging currencies eligible for clearing in ForexClear are those published by EMTA (the “EMTA Contract Templates”) on its website on the relevant Trade Date, as set out in the LCH rules; therefore, they are not included in the manuals. LCH will follow the EMTA Templates for the NDO Contracts in the following currency pairs: USD/BRL, USD/INR, USD/KRW, USD/TWD.

Procedures Section 2I (“ForexClear Clearing Service”) and FCM Procedures

Throughout the Procedures Section 2I specific references to Non-Deliverable Forwards (NDFs) have been replaced by Non-Deliverable Contracts or Transactions, where provisions will be applicable to both NDFs and NDOs going forward. Where required, the rules have been updated to refer to NDFs and NDOs specifically. Similarly, specific references to ForexClear Option and ForexClear Forward Contracts have been removed and replaced by ForexClear Deliverable Contracts. Other word references have been updated and those that were redundant have been removed. Save for changes related to ForexClear Deliverable Contracts, which are currently not available to FCM Clearing Members, equivalent changes to those above have been made to the FCM Procedures, alongside the following additional amendments in section 2.2.8 “Trade Validation and Registration”:

- Amended paragraph b) clarifies that the Valuation Date and Settlement Date of a ForexClear Non-Deliverable Transaction must meet the criteria under the relevant contract terms;
- Amended paragraph h) notes that trade cancellation may be permitted until the end of the business day before the relevant expiration of the relevant contract;
- New paragraph o) is about the payment of premiums on NDO Contracts.

Further, for contract valuation purposes, ForexClear uses a set of market data sources, including data provided by ForexClear Clearing Members. These include FX Swap Points, which are submitted by Clearing Members up to a maximum rate of once every five minutes. Equivalent section 1.4.2 b) of the Procedures Section 2I and section 2.2.9 b) of the FCM Procedures on market data sources include additional tenors for the FX Swap Points that will be required to be submitted by Clearing Members. The range of tenors will now be from overnight to 60 months.

As noted under Part 1 of this letter, ForexClear intends to enhance the calculation of the SRM add-on in the service to take into account the risks that may arise in relation to a country’s debt ratio (external debt to reserve), which could deteriorate and/or become unstable. Subsection 1.5.6 d) “Sovereign Risk Margin” of the Procedures Section 2I has been updated to reflect this change. The equivalent section in the FCM Procedures (2.2.11 c)) has also been updated so that is in line with subsection 1.5.6 d) above, including the latest changes.

Section 1.17 “Automatic Exercise of ForexClear Option Contracts” of the Procedures Section 2I is currently applicable to ForexClear Option Contracts only. As you aware, under an FX option contract, the buyer has the right to exercise its option trade on a given expiry date into an underlying FX spot between itself and the seller. LCH, via its ForexClear service, facilitates the exercise, or otherwise the expiry, of the cleared FX Option Contracts following an instruction received by the Clearing Member

that is the buyer. In addition, as set out in section 1.17, LCH allows the automatic expiry of certain ForexClear Option Contracts that are deemed to be “equal and offsetting”. This functionality is triggered if a relevant FX Option Contract has not been exercised by the end of the business day immediately preceding the given Expiration Date. Section 1.17, has been revised so that it will also apply to NDO Contracts and ForexClear Clearing Members clearing either product. A new equivalent section on automatic exercise of NDO Contracts has been added in the FCM Procedures (2.2.20 “Automatic Exercise of FCM ForexClear NDO Contracts”).

The texts of the changes are attached hereto as:

- i. **Appendix I**, General Regulations
- ii. **Appendix II**, Default Rules
- iii. **Appendix III**, Product Specific Contract Terms and Eligibility Criteria Manual
- iv. **Appendix IV**, FCM Product Specific Contract Terms and Eligibility Criteria Manual
- v. **Appendix V**, Procedures Section 2I (ForexClear)
- vi. **Appendix VI**, 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.

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 attached rule submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions please contact me.

Yours sincerely

P.P. 

Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
General Regulations



**GENERAL REGULATIONS OF
LCH LIMITED**

"buyer"	means a Member (or the Clearing House where the context so requires) who is a buyer under the terms of an exchange contract, a Cleared Exchange Contract, a RepoClear Transaction, a RepoClear Contract, a RepoClear Term £GC Transaction, a RepoClear Term £GC Contract, an EquityClear ATP Match, an EquityClear Novation Transaction, a Rates Exchange Match, or a Listed Interest Rates Novation Transaction, as the case may be
"Call Currency Amount"	means, in relation to a ForexClear <u>NDO Transaction, ForexClear Option Transaction,</u> or ForexClear <u>NDOOption</u> Contract, as applicable, the amount specified as such in the ForexClear Option Contract Terms <u>or ForexClear Option Contract Terms</u> evidencing such ForexClear <u>NDO Transaction, ForexClear Option Transaction, ForexClear NDO Contract</u> or ForexClear Option Contract, as applicable
"Capped Amount"	has the meaning as described in Default Rule 15(c)
"Carrying Clearing Member"	means (a) a SwapClear Clearing Member or ForexClear Clearing Member, as the case may be, that carries a Transfer Account from which Transferring SwapClear Contracts or Transferring ForexClear Contracts and the relevant Associated Collateral Balance(s) may be transferred to the Transfer Account of a Receiving Clearing Member pursuant to Regulation 60 or Regulation 95 and in accordance with the Procedures and (where applicable) any relevant Collateral Management Agreement, or (b) in respect of a transfer as described in sub-paragraph (ii) of the definition of "Receiving Clearing Member", an FCM Clearing Member (and, for the avoidance of doubt, a Carrying Clearing Member may be a Receiving Clearing Member, and vice versa)
"CEA"	has the meaning assigned to it in the Default Rules
"CFTC"	has the meaning assigned to it in the Default Rules
"CFTC Regulations"	has the meaning assigned to it in the FCM Regulations
"CHF ForexClear Liquidity Fund Contribution"	means, in respect of a ForexClear Option Clearing Member, the amount (notified by the Clearing House pursuant to Regulation 102(b)) of cash denominated in Swiss Francs that is required to be paid by that ForexClear Option Clearing Member to the Clearing House
"Charged Cash Collateral"	has the meaning assigned to it in Regulation 20(s)(iii)

"ForexClear Approved Trade Source System"	means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market, trade or affirmation system, a ForexClear Matcher or other similar venue or system, approved by the Clearing House for submitting ForexClear Transactions to the Clearing House (and excludes, for the avoidance of doubt, the ClearLink API)
"ForexClear Business"	means any transaction, obligation or liability arising out of any ForexClear Contract
"ForexClear Clearing Client"	means, in respect of ForexClear Client Clearing Business, an Individual Segregated Account Clearing Client, Indirect Gross Account Clearing Client or Omnibus Segregated Clearing Client
"ForexClear Clearing House Business"	means ForexClear Contracts entered into by a ForexClear Clearing Member with the Clearing House on a proprietary basis and for its own account
"ForexClear Clearing Member (FXCCM)"	means a Member who is designated by the Clearing House as a ForexClear Clearing Member eligible to clear ForexClear Contracts which includes, in the case of the Default Rules (including the ForexClear DMP Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM Clearing Member
"ForexClear Client Clearing Business"	means the provision of ForexClear Client Clearing Services by a ForexClear Clearing Member
"ForexClear Client Clearing Services"	means the entering into of ForexClear Contracts by a ForexClear Clearing Member in respect of its Individual Segregated Account Clearing Clients, Indirect Gross Account Clearing Clients and/or Omnibus Segregated Clearing Clients
"ForexClear Contract"	means a ForexClear Non-NDF Contract, a ForexClear Spot Contract, a ForexClear Deliverable Forward Contract, a ForexClear Option Contract or a ForexClear <u>DeliverableSwap</u> Contract
"ForexClear Contract Terms"	means the ForexClear Non-NDF Contract Terms, the ForexClear Spot Contract Terms, the ForexClear Deliverable Forward Contract Terms, the ForexClear Option Contract Terms or the ForexClear <u>DeliverableSwap</u> Contract Terms (as applicable)

"ForexClear Contribution"	means an FXCCM's Contribution provided for under the ForexClear Default Fund Supplement and shall include (i) any relevant ForexClear Unfunded Contributions in respect of the FXCCM, (ii) any relevant Supplementary Contribution in respect of the FXCCM, and (iii) if the Clearing Member is a ForexClear Option Clearing Member, the ForexClear DeliverableOption-Service Default Fund Contribution of that ForexClear Option Clearing Member. For the avoidance of doubt, the ForexClear Contribution shall not include any of the ForexClear Liquidity Fund Contributions made by a ForexClear Option Clearing Member
"ForexClear CTM Contract"	means a ForexClear Contract that is not a ForexClear STM Contract
"ForexClear Currency"	means: <ul style="list-style-type: none"> (b) USD; (c) JPY; (d) EUR; (e) GBP; (f) CHF; or (g) AUD
"ForexClear Dealer (FXD)"	means a person admitted by the Clearing House to the Register of ForexClear Dealers and who has not been removed from the Register of ForexClear Dealers
"ForexClear Dealer Clearing Agreement (FDC Agreement)"	means a written agreement, in the form and on the terms prescribed by the Clearing House between an FXD, an FXCCM and the Clearing House
"ForexClear Default Fund Supplement"	means the Supplement relating to ForexClear Business
"ForexClear Default Management Process"	has the meaning assigned to it in the ForexClear DMP Annex in the Default Rules
"ForexClear Default Management Process Completion Date"	has the meaning assigned to it in the ForexClear DMP Annex in the Default Rules
"ForexClear Default Period"	has the meaning ascribed to it in Rule F2 of the ForexClear Default Fund Supplement

"ForexClear Deliverable Contract"

means a ForexClear Deliverable Forward Contract, ForexClear Option Contract, ForexClear Spot Contract or ForexClear Swap Contract

"ForexClear Deliverable Contract Terms"

means the ForexClear Deliverable Forward Contract Terms, ForexClear Option Contract Terms, ForexClear Spot Contract Terms or ForexClear Swap Contract Terms

"ForexClear Deliverable Default Fund Contribution"

means, for any FXCCM which is a ForexClear Option Clearing Member, the amount of that FXCCM's Contribution attributable to the ForexClear Option Service determined in accordance with the ForexClear Default Fund Supplement and the Procedures

"ForexClear Deliverable Forward Contract"

means a Contract entered into by the Clearing House with a ForexClear Clearing Member on the ForexClear Deliverable Forward Contract Terms which includes, in the case of the Default Rules (including the ForexClear DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time

"ForexClear Deliverable Forward Contract Terms"

means the terms applicable to each ForexClear Deliverable Forward Contract as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual applicable to ForexClear Deliverable Forward Contracts

"ForexClear Deliverable Forward STM Contract"

means a ForexClear Deliverable Forward Contract that is either (i) registered at the Clearing House as a ForexClear Deliverable Forward STM Contract pursuant to Regulation 91, (ii) converted into a ForexClear Deliverable Forward STM Contract by the Clearing House pursuant to Regulation 106A, or (iii) a ForexClear Deliverable Forward STM Contract through novation pursuant to Regulation 12(b), in each case the terms of which therefore include the ForexClear Deliverable Forward STM Terms

"ForexClear Deliverable Forward STM Terms"

means the part of the ForexClear Deliverable Forward Contract Terms designated as the ForexClear Deliverable Forward STM Terms by the Clearing House from time to time

"ForexClear Deliverable Forward Transaction"

means a contract, meeting the applicable ForexClear Eligibility Criteria for registration as a ForexClear Deliverable Forward Contract, entered into between two ForexClear Participants, of which particulars are presented to the Clearing House for registration in the name of ForexClear Clearing Members in accordance with the Regulations

“ForexClear Deliverable Service”

means the service provided by the Clearing House under the ForexClear Regulations, whereby the Clearing House makes available services in respect of ForexClear Option Contracts, ForexClear Deliverable Forward Contracts, ForexClear Spot Contracts and ForexClear Swap Contracts

“ForexClear Deliverable Transaction”

means a ForexClear Deliverable Forward Transaction, ForexClear Option Transaction, ForexClear Spot Transaction or ForexClear Swap Transaction

"ForexClear Determination Date"

has the meaning assigned to it in Rule F2 of the ForexClear Default Fund Supplement

"ForexClear DMG "

has the meaning assigned to it in the ForexClear DMP Annex in the Default Rules

"ForexClear DMP"

has the meaning assigned to it in the ForexClear DMP Annex in the Default Rules

"ForexClear Eligibility Criteria"

means the product eligibility criteria in respect of a type of ForexClear Transaction 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, which shall include, the ForexClear Eligibility Criteria applicable to ~~each of (i) ForexClear Deliverable Forward Transactions, (ii) and ForexClear Non-Deliverable NDF Transactions, (iii) ForexClear Option Transactions, and (iv) ForexClear Spot Transactions (as applicable~~

"ForexClear Excess Loss"

means the net sum or aggregate of net sums certified to be payable by a Defaulter in respect of ForexClear Business by a Rule 19 Certificate less (a) the proportion of the Capped Amount applicable to ForexClear Business under Rule 15(c) and (b) any sums then immediately payable in respect of ForexClear Business Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House

"ForexClear Fund Amount"

means the amount as determined in accordance with Rule F2(c) of the ForexClear Default Fund Supplement

"ForexClear Liquidity Event"

means the event or circumstance specified as such in Regulation 101(a)

"ForexClear Liquidity Fund Contributions"

means the AUD ForexClear Liquidity Fund Contribution, CHF ForexClear Liquidity Fund Contribution, EUR ForexClear Liquidity Fund Contribution, and GBP ForexClear Liquidity Fund Contribution

"ForexClear NDO Contract"

means a Contract entered into by the Clearing House with a ForexClear Clearing Member on the ForexClear NDO Contract Terms which includes, in the case of the Default Rules (including the ForexClear DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM ForexClear Contract

"ForexClear NDO Contract Terms"

means the terms applicable to each ForexClear NDO Contract as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual applicable to ForexClear NDO Contracts

"ForexClear NDO STM Contract"

means a ForexClear NDO Contract that is either (i) registered at the Clearing House as a ForexClear NDO STM Contract pursuant to Regulation 91, (ii) converted into a ForexClear NDO STM Contract by the Clearing House pursuant to Regulation 106A, or (iii) a ForexClear NDO STM Contract through novation pursuant to Regulation 12(b), in each case the terms of which therefore include the ForexClear NDO STM Terms

"ForexClear NDO STM Terms"

means the part of the ForexClear NDO Contract Terms designated as the ForexClear NDO STM Terms by the Clearing House from time to time

"ForexClear NDO Transaction"

means a contract, meeting the applicable ForexClear Eligibility Criteria for registration as a ForexClear NDO Contract, entered into between two ForexClear Participants, of which particulars are presented to the Clearing House for registration in the name of ForexClear Clearing Members in accordance with the Regulations. In addition, a ForexClear Transaction shall include an FCM ForexClear Transaction where the relevant ForexClear Clearing Member is an executing party

"ForexClear Non-Deliverable Contract"

means a ForexClear NDF Contract or ForexClear NDO Contract

"ForexClear Non-Deliverable Contract Terms"

means the ForexClear NDF Contract Terms or ForexClear NDO Contract Terms

"ForexClear Non-Deliverable Service"

means the service provided by the Clearing House under the ForexClear Regulations, whereby the Clearing House makes available services in respect of ForexClear NDO Contracts and ForexClear NDF Contracts

"ForexClear Non-Deliverable Transaction"

means a ForexClear NDF Transaction or ForexClear NDO Transaction

"ForexClear Spot Contract"	means a Contract entered into by the Clearing House with a ForexClear Clearing Member on the ForexClear Spot Contract Terms which includes, in the case of the Default Rules (including the ForexClear DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time
"ForexClear Spot Contract Terms"	means the terms applicable to each ForexClear Spot Contract as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual applicable to ForexClear Spot Contracts
"ForexClear Spot STM Contract"	means a ForexClear Spot Contract that is either (i) registered at the Clearing House as a ForexClear Spot STM Contract pursuant to Regulation 91, (ii) converted into a ForexClear Spot STM Contract by the Clearing House pursuant to Regulation 106A, or (iii) a ForexClear Spot STM Contract through novation pursuant to Regulation 12(b), in each case the terms of which therefore include the ForexClear Spot STM Terms
"ForexClear Spot STM Terms"	means the part of the ForexClear Spot Contract Terms designated as the ForexClear Spot STM Terms by the Clearing House from time to time
"ForexClear Spot Transaction"	means a contract, meeting the applicable ForexClear Eligibility Criteria for registration as a ForexClear Spot Contract, entered into between two ForexClear Participants, of which particulars are presented to the Clearing House for registration in the name of ForexClear Clearing Members in accordance with the Regulations.
"ForexClear STM Contract"	means: <ul style="list-style-type: none"> (a) a ForexClear Deliverable Forward STM Contract; (b) <u>(b)</u> a ForexClear NDF STM Contract; (b)(c) <u>(b)(c)</u> a ForexClear NDO STM Contract; (e)(d) <u>(e)(d)</u> a ForexClear Option STM Contract; (d)(e) <u>(d)(e)</u> a ForexClear Spot STM Contract; or (e)(f) <u>(e)(f)</u> a ForexClear Swap STM Contract
"ForexClear STM Conversion Date"	has the meaning assigned to it in Regulation 106A(o)
"ForexClear STM Conversion Request"	has the meaning assigned to it in Regulation 106A(n)

"ForexClear STM Terms"	<p>means:</p> <p>(f)(a) the ForexClear Deliverable Forward STM Terms;</p> <p>(b) the ForexClear NDF STM Terms;</p> <p>(g)(c) the ForexClear NDO STM Terms;</p> <p>(h)(d) the ForexClear Option STM Terms;</p> <p>(i)(e) the ForexClear Spot STM Terms; or</p> <p>(j)(f) the ForexClear Swap STM Terms</p>
"ForexClear Swap Contract"	<p>means a Contract entered into by the Clearing House with a ForexClear Clearing Member on the ForexClear Swap Contract Terms which includes, in the case of the Default Rules (including the ForexClear DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time</p>
"ForexClear Swap Contract Terms"	<p>means the terms applicable to each ForexClear Swap Contract as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual applicable to ForexClear Swap Contracts</p>
"ForexClear Swap STM Contract"	<p>means a ForexClear Swap Contract that is either (i) registered at the Clearing House as a ForexClear Swap STM Contract pursuant to Regulation 91, (ii) converted into a ForexClear Swap STM Contract by the Clearing House pursuant to Regulation 106A, or (iii) a ForexClear Swap STM Contract through novation pursuant to Regulation 12(b), in each case the terms of which therefore include the ForexClear Swap STM Terms</p>
"ForexClear Swap STM Terms"	<p>means the part of the ForexClear Swap Contract Terms designated as the ForexClear Swap STM Terms by the Clearing House from time to time</p>
"ForexClear Swap Transaction"	<p>means a contract, meeting the applicable ForexClear Eligibility Criteria for registration as a ForexClear Swap Contract, entered into for and on behalf of two ForexClear Option Clearing Members, of which particulars are deemed to be presented to the Clearing House for registration in the name of those ForexClear Clearing Members in accordance with the Regulations.</p>
"ForexClear Tolerance"	<p>has the meaning assigned to it in the Procedures</p>

"ForexClear Transaction"	means a ForexClear NDF Transaction, a ForexClear Spot Transaction, a ForexClear Deliverable Forward Transaction a ForexClear Option Transaction or a ForexClear <u>Non-Deliverable Swap</u> Transaction (as applicable)
"ForexClear Unfunded Contribution"	has the meaning assigned to it in Rule F8 of the ForexClear Default Fund Supplement
"ForexClear Unfunded Contribution Notice"	has the meaning assigned to it in Rule F8 of the ForexClear Default Fund Supplement
"ForexClear Voluntary Payment"	has the meaning assigned to it in Rule F10 of the ForexClear Default Fund Supplement
"ForexClear Voluntary Payment Notice"	has the meaning assigned to it in Rule F10 of the ForexClear Default Fund Supplement
"Fund Amount"	in relation to the Equities Business and the Listed Interest Rates Business, has the meaning given to the term "Fund Amount" in the Supplement relating to each such Business and includes such amounts and the ForexClear Fund Amount, the General Fund Amount, the RepoClear Segregated Fund Amount and/or the Rates Service Fund Amount as applicable
"GBP ForexClear Liquidity Fund Contribution"	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
"Governmental Authority"	means any: <ul style="list-style-type: none"> (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.
"Group Member"	has the meaning assigned to it in Chapter XIV(c)(i)
"Hedged Account"	has the meaning assigned to it in the FCM Regulations
"Hedging ForexClear Service Clearing Member"	has the meaning assigned to it in the ForexClear DMP Annex in the Default Rules
"Hedging Rates Service Clearing Member"	has the meaning assigned to it in the Rates DMP Annex in the Default Rules

"Put Currency Amount"

means, in relation to a ForexClear Option Transaction~~—or~~, ForexClear Option Contract, ForexClear NDO Transaction or ForexClear NDO Contract, as applicable, the amount specified as such in the ForexClear Option Contract Terms or ForexClear NDO Contract Terms (as the case may be) evidencing such ForexClear Option Transaction~~—or~~, ForexClear Option Contract, ForexClear NDO Transaction or ForexClear NDO Contract, as applicable

"Quarter Start Date"

has the meaning assigned to it in Regulation 60A(c)

"Rate X" and Rate "Y"

means, in relation to a SwapClear Transaction or a SwapClear Contract, the outstanding payment obligations of each party to the transaction, such that Rate X comprises the outstanding payment obligations of one party to the other and Rate Y comprises the outstanding payment obligations of the other party to the first party

"Rate Change Annex"

means, in relation to a change in the rate used for the calculation of PAI and Price Alignment Amount and for purposes of constructing the Clearing House's zero coupon yield curves under 1.7.2 of Section 2C of the Procedures to calculate the net present value of Impacted SwapClear Contracts, any annex to the Procedures identified by the Clearing House in the related Rate Change Notice as being the "Rate Change Annex" applicable to such change

"Rate Change Effective Date"

means, in relation to a change in an interest rate identified in a Rate Change Notice, the date on which such change shall take effect, as identified in the related Rate Change Notice

"Receiving Clearing Member"	means a SwapClear Clearing Member, ForexClear Clearing Member or an FCM Clearing Member that carries the Transfer Account that will receive the transfer of Transferring SwapClear Contracts or Transferring ForexClear Contracts and, where applicable, the relevant Associated Collateral Balance(s) held in respect of the Eligible Transferor from a Carrying Clearing Member pursuant to Regulation 60 or Regulation 95 and in accordance with the Procedures and (where applicable) any relevant Collateral Management Agreement. For the avoidance of doubt, (i) an entity that is a Clearing Client may also be a Receiving Clearing Member (other than a Receiving Clearing Member that is an FCM Clearing Member), (ii) a Receiving Clearing Member that is not an FCM Clearing Member may be nominated to receive a transfer of FCM SwapClear Contracts or FCM ForexClear Contracts and associated Collateral from a Carrying Clearing Member that is an FCM Clearing Member pursuant to Regulation 46(q) or Regulation 49(r) of the FCM Regulations (capitalised terms used in this sub-paragraph (ii) having the meanings set out in the FCM Regulations), and (iii) a Receiving Clearing Member may be a Carrying Clearing Member, and vice versa
"Reference Currency Buyer"	means <u>(A) in relation to a ForexClear NDF Contract, the party specified as the 'Reference Currency Buyer' in the Economic Terms or (B) in relation to a ForexClear NDO Contract, the party specified as the 'Buyer' in the Economic Terms</u>
"Reference Currency Seller"	means: <u>(A) in relation to a ForexClear NDF Contract, the party specified as the 'Reference Currency Seller' in the Economic Terms or (B) in relation to a ForexClear NDO Contract, the party specified as the 'Seller' in the Economic Terms</u>
"Reference Price"	means a price (howsoever called) by reference to which a Contract is settled to market, marked to market, settled or valued in accordance with the Regulations and Procedures
"Register of ForexClear Dealers"	means the register which lists ForexClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as ForexClear Contracts by the Clearing House

"Service"	means any one of the services made available by the Clearing House: (i) to an Exchange; (ii) under the SwapClear Regulations and under the FCM Regulations in respect of FCM SwapClear Contracts; (iii) under the RepoClear Regulations; (iv) under the EquityClear Regulations; (v) under the ForexClear Regulations and under the FCM Regulations in respect of FCM ForexClear Contracts; or (vi) under the Listed Interest Rates Regulations and under the FCM Regulations in respect of FCM Listed Interest Rates Contracts
"settlement contract"	means a contract between the Clearing House and a Member arising pursuant to Regulation 23(b) or Regulation 99(a)
"Settlement Cycle Failure"	has the meaning assigned to it in Regulation 101(h)
"Settlement Exposure Amount"	has the meaning assigned to it in Regulation 100
"Settlement Exposure Limit"	means, with respect to a ForexClear Option Clearing Member and a given ForexClear Currency, the "Settlement Exposure Limit" determined in accordance with the Procedures and made available from time to time by the Clearing House to that ForexClear Option Clearing Member, being the maximum permitted net deliverable or payable value in such currency on any given day arising from all ForexClear Contracts (other than ForexClear Non-DeliverableNDF Contracts) that have a Settlement Date falling more than two business days after such day
"Settlement Exposure Limit Cap"	means, with respect to a given ForexClear Option Clearing Member and a given ForexClear Currency, USD5,000,000,000 (as amended from time to time in accordance with the Regulations)
"Settlement Position Amount"	has the meaning assigned to it in Regulation 100 <u>Regulation 100</u>
"Settlement Position Limit"	means, with respect to a ForexClear Option Clearing Member and a given ForexClear Currency, the "Settlement Position Limit" determined in accordance with the Procedures and made available from time to time by the Clearing House to that ForexClear Option Clearing Member, being the maximum permitted net deliverable or payable value in such currency on any given day arising from all ForexClear Contracts (other than ForexClear Non-DeliverableNDF Contracts) that have a Settlement Date falling two business days after such day

"Settlement Position Limit Cap"

means, with respect to all ForexClear Option Clearing Members and all ForexClear Currencies, USD5,000,000,000 (as amended from time to time in accordance with the Regulations)

"settlement price"

means one or more prices determined and issued by an Exchange in accordance with its Exchange Rules in respect of a delivery month or prompt date

In relation to a Contract other than an exchange contract, one or more prices determined in accordance with the Regulations or the Procedures.

"Settlement Service Provider"

means CLS Bank International or any other entity approved by the Clearing House from time to time for the provision to the Clearing House of settlement services in connection with settlement under the ForexClear Service not taking place through the Clearing House Protected Payment System

"Shortfall Ratio"

means, in respect of an SCM and

(i) a Client Account (other than an Omnibus Gross Segregated Account) of such SCM, the ratio that the Margin Shortfall for such Client Account bears to aggregate Margin Shortfalls for all Client Accounts (other than Omnibus Gross Segregated Accounts) of such SCM and all sub-accounts of each Omnibus Gross Segregated Account of such SCM, and

(ii) a sub-account of an Omnibus Gross Segregated Account of such SCM, the ratio that the Margin Shortfall for such sub-account bears to aggregate Margin Shortfalls for all Client Accounts (other than Omnibus Gross Segregated Accounts) of such SCM and all sub-accounts of each Omnibus Gross Segregated Account of such SCM

"Single Omnibus Gross Segregated Clearing Client"

means, in respect of an Omnibus Gross Segregated Account, an Omnibus Gross Segregated Clearing Client within such account that is not a Combined Omnibus Gross Segregated Clearing Client

"SONIA"

means the overnight rate as calculated by the Wholesale Market Broker's Association and appearing on the Reuters Screen SONIA Page (or, if such a rate is not available, such SONIA-linked rate as may be determined in light of market conditions at such time by the Clearing House and notified by the Clearing House to Clearing Members)

REGULATION 16 REGISTRATION

- (a) The Clearing House shall not register an original exchange contract in the name of a Member unless such contract has been confirmed or deemed confirmed pursuant to Regulation 12, 14 or 27 by or on behalf of a Member as a buyer and a Member as a seller who thereby have consented to such contract being registered in his name. For the avoidance of doubt, the same Member may act in a capacity of seller and buyer in respect of such registration of a contract. The Clearing House shall register a contract in the name of a Member which is a Co-operating Clearing House in accordance with the terms of any agreement made with the Co-operating Clearing House and none of the following paragraphs shall apply in respect of a Member which is a Co-operating Clearing House.
- (b) Where the Procedures so provide the Clearing House may require the Members in whose names one or more contracts are to be registered to transfer Collateral to the Clearing House in respect of their initial and variation margin obligations as a condition of registration of such contract or contracts, and such Collateral shall be transferred to the Clearing House in accordance with Regulation 20 and, if applicable, the SwapClear Regulations, the RepoClear Regulations, the EquityClear Regulations, the ForexClear Regulations and the Listed Interest Rates Regulations.
- (c) The Clearing House may decline to register a contract in the name of a Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any contract subject to any conditions stipulated by the Clearing House including, without limitation, the transfer of sufficient Collateral by both Members in whose name any such contract is to be registered.
- (d) No original exchange contract for a commodity shall be registered in the name of a Member who is not entitled under Exchange Rules to have original exchange contracts for such commodity registered in his name.
- (e) The Clearing House shall be deemed to register in the name of a Member an original contract or RepoClear Transaction at the Registration Time in respect of the relevant type of Contract, provided that, in the case of a 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 Regulation 16 shall take effect.
- (f) Without prejudice to the Clearing House's rights under paragraph (g) of this Regulation, a Clearing Member shall be bound by a Contract registered in its name pursuant to the presentation of particulars of an Exchange Transaction, an OTC Transaction, an EquityClear Novation Transaction, or a Listed Interest Rates Novation Transaction, as the case may be, by him or on his behalf, including: (i) in the case of a RepoClear Transaction or RepoClear Term £GC Transaction, where such particulars are presented by a RepoClear Dealer with whom it is party to a RepoClear Dealer Clearing Agreement; (ii) in the case of a ForexClear Transaction, where such particulars are presented by a ForexClear Dealer with whom it is party to a FDC Agreement; (iii) in the case of an EquityClear Novation Transaction, where such particulars are presented by an NCP; and (v) in the case of a Listed Interest Rates Novation Transaction, where such particulars are presented by an NCP.

- (g) For the avoidance of doubt, any transaction of which details have been presented by or on behalf of a Clearing Member for registration as a Contract which is not so registered shall remain in effect between the original parties to that transaction or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of the application of the relevant ATP Market Rules or Rates Exchange Rules or of their common participation or membership of the relevant Trading System or Rates Exchange through or on which the transaction was executed or by which it was registered) but subject to the relevant Exchange Rules and the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.
- (h) Without prejudice to the Clearing House's rights under Regulation 16(i), an original exchange contract, OTC Transaction or Listed Interest Rates Novation Transaction presented for registration must, in order that it be registered as the relevant type of Contract, meet the eligibility criteria and other requirements as prescribed on the Clearing House's website for the relevant type of Contract, at the time when the details (as prescribed from time to time by the Clearing House) of the original exchange contract, OTC Transaction or Listed Interest Rates Novation Transaction are presented to the Clearing House and at all times thereafter up to and including the Registration Time. A Clearing Member may not revoke, cancel or transfer an Exchange Transaction, OTC Transaction or Listed Interest Rates Novation Transaction that has been submitted for registration unless permitted (as applicable) by the relevant Exchange Rules and by the relevant Regulations or the relevant Procedures or with the consent of the Clearing House. A Clearing Member shall not allow the submission for registration of a transaction which is not a relevant Exchange Transaction, OTC Transaction or Listed Interest Rates Novation Transaction.
- (i) If at any time after registration of a Contract the Clearing House determines that the corresponding transaction of which details were presented for registration did not, at the Registration Time, meet the eligibility criteria for registration as a Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such Contract. Upon the purported Contract being set aside under this Regulation 16, the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House (and such transaction shall remain in effect between the original parties thereto or be terminated, as the case may be, in accordance with any terms agreed between them, whether directly or (where applicable) by virtue of the application of the relevant ATP Market Rules, Rates Exchange Rules or Trading System rules). Any payment made under, or in respect of, a Contract set aside under this paragraph shall be repayable to the person who made the payment and any securities delivered under such Contract shall be re-delivered to the person who made the delivery of such securities. Without prejudice to Regulation 52 and its obligations under this Regulation 16, the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a contract as a Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as the relevant type of Contract.
- (j) An Exchange Transaction, EquityClear Novation Transaction, OTC Transaction or Listed Interest Rates Novation Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as two Contracts, one

between the First Clearing Member as the seller, Reference Currency Seller, the ForexClear Option Seller, ForexClear Option Party A or party paying a Fixed Price (as the case may be) and the Clearing House as the buyer, Reference Currency Buyer, ForexClear Option Buyer, ForexClear Option Party B or party paying a Floating Price (as the case may be) as principals to such contract, and the other between the Clearing House as the seller, Reference Currency Seller, ForexClear Option Seller, ForexClear Option Party A or party paying a Fixed Price (as the case may be) and the Second Clearing Member as the buyer, Reference Currency Buyer, ForexClear Option Buyer, ForexClear Option Party B or party paying a Floating Price (as the case may be) as principals to such contract. For the purposes of this Regulation 16:

- (i) "First Clearing Member" is a Clearing Member who:
 - (A) was, before registration of the Contract party to the corresponding Exchange Transaction, or OTC Transaction as the seller or the party paying a Fixed Price (as the case may be);
 - (B) in the case of a Repo Transaction, has a subsisting RepoClear Dealer Clearing Arrangement with a RepoClear Dealer who was party to the corresponding Repo Transaction as the seller;
 - (C) in the case of a ForexClear NDF Transaction, was, before registration of the ForexClear NDF Contract, party to the corresponding ForexClear NDF Transaction as the Reference Currency Seller, or who has a subsisting FDC Agreement with the ForexClear Dealer who was party to the corresponding ForexClear NDF Transaction as the Reference Currency Seller;
 - (D) in the case of a ForexClear Deliverable Forward Transaction, was, before registration of the ForexClear Deliverable Forward Contract, party to the corresponding ForexClear Deliverable Forward Transaction as ForexClear Option Party A;
 - (E) in the case of a ForexClear Spot Transaction, was, before registration of the ForexClear Spot Contract, party to the corresponding ForexClear Spot Transaction as ForexClear Option Party A;
 - (F) in the case of a ForexClear Swap Transaction, was, before registration of the ForexClear Swap Contract, party to the corresponding ForexClear Swap Transaction as ForexClear Option Party A;
 - (G) in the case of a ForexClear NDO Transaction, was, before registration of the ForexClear NDO Contract, party to the corresponding ForexClear NDO Transaction as the Reference Currency Seller;
 - ~~(G)~~(H) in the case of a ForexClear Option Transaction, was, before registration of the ForexClear Option Contract, party to the corresponding ForexClear Option Transaction as the ForexClear Option Seller;

~~(H)~~(I) was, before registration of the EquityClear Contract identified in the particulars of the corresponding EquityClear Novation Transaction as, or as acting as clearing member for, the seller; or

~~(I)~~(J) was, before registration of the Listed Interest Rates Contract identified in the particulars of the corresponding Listed Interest Rates Novation Transaction as, or as acting as clearing member for, the seller.

(ii) "Second Clearing Member" is a Clearing Member (who may be the same as the First Clearing Member) who:

(A) was, before registration of the Contract, party to the corresponding Exchange Transaction or OTC Transaction as the buyer or the party paying a Floating Price (as the case may be);

(B) in the case of a Repo Transaction, has a subsisting RepoClear Dealer Clearing Arrangement with a RepoClear Dealer who was party to the corresponding Repo Transaction as the buyer;

(C) in the case of a ForexClear NDF Transaction, was, before registration of the ForexClear NDF Contract, party to the corresponding ForexClear NDF Transaction as the Reference Currency Buyer, or who has a subsisting FDC Agreement with the ForexClear Dealer who was party to the corresponding ForexClear NDF Transaction as the Reference Currency Buyer;

(D) in the case of a ForexClear Deliverable Forward Transaction, was, before registration of the ForexClear Deliverable Forward Contract, party to the corresponding ForexClear Deliverable Forward Transaction as ForexClear Option Party B;

(E) in the case of a ForexClear Spot Transaction, was, before registration of the ForexClear Spot Contract, party to the corresponding ForexClear Spot Transaction as ForexClear Option Party B;

(F) in the case of a ForexClear Swap Transaction, was, before registration of the ForexClear Swap Contract, party to the corresponding ForexClear Swap Transaction as ForexClear Option Party B;

(G) in the case of a ForexClear NDO Transaction, was, before registration of the ForexClear NDO Contract, party to the corresponding ForexClear NDO Transaction as the Reference Currency Buyer;

~~(G)~~(H) -in the case of a ForexClear Option Transaction, was, before registration of the ForexClear Option Contract, party to the corresponding ForexClear Option Transaction as the ForexClear Option Buyer;

~~(H)~~(I) was, before registration of the EquityClear Contract identified in the particulars of the corresponding EquityClear Novation Transaction as, or as acting as clearing member for, the buyer; or

REGULATION 91 REGISTRATION OF FOREXCLEAR CONTRACTS

- (a) A ForexClear Transaction may be presented for registration as two ForexClear Contracts, or one ForexClear Contract and one FCM ForexClear Contract, in accordance with the provisions of the Rulebook.
- (b) Once a ForexClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (c) below and Procedure 2I (*ForexClear Clearing Service*)) request the consent of the relevant ForexClear Clearing Member with whom a ForexClear Contract shall be registered as a result thereof to such registration. Upon the ForexClear Clearing Member providing its consent, such ForexClear Transaction shall be deemed to have been submitted (as such term is defined in the Procedures) by such ForexClear Clearing Member to the Clearing House for registration. Any such consent shall be provided in accordance with the Procedures.
- (c) Each ForexClear Contract shall be registered by the Clearing House either as a ForexClear CTM Contract or a ForexClear STM Contract, and a ForexClear Transaction may be registered as two ForexClear STM Contracts, two ForexClear CTM Contracts, one ForexClear CTM Contract and one ForexClear STM Contract, a ForexClear STM Contract and an FCM ForexClear Contract or a ForexClear CTM Contract and an FCM ForexClear Contract (in accordance with the other provisions of the Rulebook). The registration of a ForexClear Contract as a ForexClear CTM Contract or a ForexClear STM Contract shall be determined by the Clearing House as follows:
 - (i) if the ForexClear Clearing Member in whose name the ForexClear Contract is to be registered is a US FXCCM, the Clearing House shall, subject to the Rulebook, register such ForexClear Contract as a ForexClear STM Contract; and
 - (ii) if the ForexClear Clearing Member in whose name the ForexClear Contract is to be registered is not a US FXCCM, the Clearing House shall, subject to the Rulebook, on or after the occurrence of a ForexClear STM Conversion Date in respect of that ForexClear Clearing Member, register such ForexClear Contract as a ForexClear STM Contract, or, if no such date has occurred, as a ForexClear CTM Contract.
- (d) At the point the Clearing House registers a ForexClear Contract as a ForexClear STM Contract in accordance with the Procedures, the ForexClear Contract Terms applicable to that ForexClear Contract will automatically, and without any further action by either party, include the ForexClear STM Terms applicable to that type of ForexClear Contract.
- (e) A ForexClear Clearing Member which has been nominated to clear the ForexClear Contract arising from the registration of a ForexClear Transaction on behalf of a third party Executing Party other than a ForexClear Dealer will (only where such ForexClear Transaction is not a Trading Venue Transaction) be notified by the Clearing House of the relevant ForexClear Transaction and shall choose whether to grant or refuse consent to the registration of such ForexClear Transaction and the ForexClear Contract resulting from such ForexClear Transaction. Where:

- (i) a ForexClear Clearing Member is an Executing Party to a ForexClear Transaction and is to clear a ForexClear Contract resulting from such ForexClear Transaction;
- (ii) a ForexClear Dealer approved to clear ForexClear Transactions through a ForexClear Clearing Member is an Executing Party to a ForexClear Transaction and such ForexClear Clearing Member is to clear a ForexClear Contract resulting from such ForexClear Transaction; or
- (iii) a ForexClear Transaction is an Eligible Trading Venue Transaction in respect of a ForexClear Clearing Member, and a third party Executing Party (other than a ForexClear Dealer) to such ForexClear Transaction has nominated such ForexClear Clearing Member to clear a ForexClear Contract resulting from such ForexClear Transaction,

the consent of that ForexClear Clearing Member to the registration of the relevant ForexClear Contract will occur automatically and without the need for any further action by such ForexClear Clearing Member.

- (f) The Clearing House shall register or reject the registration of a ForexClear Contract in respect of a ForexClear Transaction presented for registration subject to, and in accordance with, these Regulations, the Procedures and all Applicable Law
- (g) Subject to Regulation 91(i), if at any time falling after the registration of any ForexClear Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration:
 - (i) did not, at the Registration Time, meet the ForexClear Eligibility Criteria applicable to that ForexClear Transaction in existence at the Registration Time; or
 - (ii) in the case of a ForexClear Swap Transaction, was not, at the Registration Time, entered into in accordance with Regulation 100 or Regulation 101, each an **"Ineligible Transaction"**,

the Clearing House shall, as soon as practicable thereafter, set aside both ForexClear Contracts arising from such Ineligible Transaction in accordance with Regulation 91(h) below.

- (h) Upon a ForexClear Contract being set aside under Regulation 91(g) (an **"Ineligible ForexClear Contract"**), the Clearing House will notify the FXCCM party to such Ineligible ForexClear Contract via the ForexClear Approved Trade Source System that such Ineligible ForexClear Contract has been set aside. The following shall take effect immediately upon the delivery of such notice: (i) such Ineligible ForexClear Contract shall be deemed to be terminated at the time of the notification and shall thereafter have no force or effect; (ii) all collateral in respect of variation margin obligations (if any) provided by the Clearing House or by an FXCCM in respect of such Ineligible ForexClear Contract shall be retained by the receiving party upon termination; (iii) where there is a difference between the value of the Ineligible ForexClear Contract as at the last margin run and the value (as determined by the Clearing House) of that Ineligible ForexClear Contract at the time of the next official settlement rate for that

currency pair, then a payment shall be made between the FXCCMs to the original Ineligible Transaction equal to such difference; and (iv) these payments shall be deemed to satisfy in full the relevant party's obligations under the Ineligible ForexClear Contract and shall be retained by the receiving party upon termination as a termination payment.

- (i) The Clearing House may not determine a ForexClear ~~Non-DeliverableNDF~~ Transaction to be an Ineligible Transaction after the Valuation Date in respect of the ForexClear ~~Non-DeliverableNDF~~ Contracts arising from the registration of such a ForexClear ~~Non-DeliverableNDF~~ Transaction has occurred.
- (j) The Clearing House shall provide no less than 10 business days' prior notice (including by email) to ForexClear Clearing Members of an amendment to the ForexClear Eligibility Criteria.
- (k) Where a ForexClear Contract relates to an FCM ForexClear Transaction, it is a condition for registration as a ForexClear Contract that the FCM ForexClear Transaction to which the ForexClear Contract relates be presented for clearing: (i) by an executing party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) as a ForexClear Contract or FCM ForexClear Contract (as the case may be); and (ii) by an FCM Clearing Member on behalf of its FCM Client as an FCM ForexClear Contract. In the event that the Clearing House registers a ForexClear Contract and, for whatever reason, the corresponding FCM ForexClear Contract has not also been registered, the ForexClear Contract shall be deemed not to be registered as a ForexClear Contract until such time as such corresponding FCM ForexClear Contract has been registered.
- (l) In relation to an FCM ForexClear Transaction, if either the executing party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) or the FCM Clearing Member (as the case may be) does not present an FCM ForexClear Transaction for clearing, the Clearing House shall set aside any FCM ForexClear Contract or ForexClear Contract that has been registered (if any) and the particulars of the corresponding FCM ForexClear Transaction in question shall at the Clearing House's discretion be either: (i) deemed never to have been submitted to the Clearing House; or (ii) rejected until such time as the Executing Party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) or the FCM Clearing Member have presented the relevant contract to the Clearing House. In addition, any payment made under, or in respect of, any FCM ForexClear Contract set aside or deemed not cleared under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 44 and its obligations under this Regulation 91 and under FCM Regulation 49, the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM ForexClear Contract.
- (m) Upon the exercise of a ForexClear Option Contract by or on behalf of a ForexClear Clearing Member or, as the case may be, by the Clearing House or upon the deemed exercise of such option pursuant to these Regulations or the Procedures, the ForexClear

Option Contract shall immediately terminate and in its place a ForexClear Spot Transaction or a ForexClear Deliverable Forward Transaction shall automatically and immediately come into existence, and the related ForexClear Spot Contracts and ForexClear Deliverable Forward Contracts shall immediately be deemed to be registered by the Clearing House, on the terms specified in the applicable ForexClear Option Contract Terms, these Regulations and/or the Procedures (for the avoidance of doubt, each ForexClear NDO Contract shall be subject to automatic exercise and settlement in accordance with the Procedures). Notwithstanding the foregoing and in accordance with the Procedures, the Clearing House may, in its sole discretion, postpone or delay the registration of a ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction resulting from the exercise of a ForexClear Option Contract in the event of an administrative, system or processing delay that affects the Clearing House's ability to register such ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction. For the avoidance of doubt, a postponement or delay pursuant to this Regulation 91(m) shall not (a) impact a ForexClear Option Clearing Member's ability to exercise a ForexClear Option Contract (or the deemed exercise of such ForexClear Option Contract pursuant to these Regulations or the Procedures), which exercise shall be irrevocable or (b) prevent ~~the related ForexClear Spot Contracts or ForexClear Deliverable Forward Contracts, as applicable, from coming into existence. Where the Clearing House postpones or delays registration pursuant to this Regulation 91(m) with respect to a ForexClear Option Clearing Member, such ForexClear Option Clearing Member cannot be considered a Defaulter, and a Liquidity Event cannot be considered to have occurred with respect to such ForexClear Option Clearing Member, as a result of a failure by such ForexClear Option Clearing Member to make a payment under an unregistered ForexClear Spot Contract or ForexClear Deliverable Forward Contract, as applicable. The Clearing House shall, upon registration of a postponed or delayed ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction, as applicable, request such payments from the ForexClear Option Clearing Member, or make such payments to the ForexClear Option Clearing Member, in each case as are necessary to put the Clearing House and such ForexClear Option Clearing Member in the position they would have been if the ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction, as applicable, had been registered immediately upon exercise (or deemed exercise) of the related ForexClear Option Contract.~~

- (n) Where a transfer of an open contract (the “**Original Contract**”) which is a ForexClear Contract takes place pursuant to Regulation 12(b) and Regulation 95, the Clearing House may, subject to any conditions stipulated by it, register the new open contract (i) if the ForexClear Clearing Member in whose name the new open contract is to be registered is a US FXCCM, as a ForexClear STM Contract or (ii) if the ForexClear Clearing Member in whose name the new open contract is to be registered is not a US FXCCM, on or after the occurrence of a ForexClear STM Conversion Date in respect of that ForexClear Clearing Member, as a ForexClear STM Contract, or, if no such date has occurred, as a ForexClear CTM Contract, in each case notwithstanding that the Original Contract was registered as a ForexClear STM Contract or a ForexClear CTM Contract (as applicable). For the avoidance of doubt, the transfer of an Original Contract (including a transfer that is made pursuant to the Default Rules) shall be effected by that Original Contract being closed-out and a new ForexClear Contract being

REGULATION 97 PREMIUM UNDER FOREXCLEAR NDO CONTRACTS AND FOREXCLEAR OPTION CONTRACTS

- (a) The premium payable by a Reference Currency Buyer or ForexClear Option Buyer under the terms of a ForexClear NDO Contract or ForexClear Option Contract, as the case may be, shall be paid by such party to the Clearing House in the form and manner prescribed in the Procedures and by the time specified in the Procedures.
- (b) The Clearing House shall pay to a Reference Currency Seller or ForexClear Option Seller under the terms of a ForexClear NDO Contract or ForexClear Option Contract, as the case may be, the premium in the form and manner prescribed in the Procedures and by the time specified in the Procedures.

REGULATION 99 FOREXCLEAR OPTION SERVICE – MEMBERSHIP REQUIREMENTS

- (a) A ForexClear Clearing Member that wishes to be designated as a ForexClear Option Clearing Member shall apply to the Clearing House in the manner prescribed by the Clearing House from time to time. That Clearing Member must, at the point of application and at all times thereafter, satisfy, in a manner satisfactory to the Clearing House, the ForexClear Option Service Membership Requirements set out in the Procedures.
- (b) If, in its absolute discretion, the Clearing House determines that a ForexClear Option Clearing Member ceases to meet one or more of the ForexClear Option Service Membership Requirements in effect at the applicable time, the Clearing House may rescind that Clearing Member's eligibility to have ForexClear Option Contracts, ForexClear Deliverable Forward Contracts, ForexClear Spot Contracts and/or ForexClear Swap Contracts registered in such Clearing Member's name, but without prejudice to (i) that Clearing Member's eligibility to have registered in its name, subject to the Regulations, any other Contracts in respect of which it continues to meet the relevant eligibility criteria, and (ii) the Clearing House's rights to take the actions specified in Regulation 100, Regulation 101 or any other Regulation with respect to that ForexClear Option Clearing Member, to the extent such ForexClear Option Clearing Member continues to have any ForexClear Contracts (other than ForexClear Non-Deliverable~~NDF~~ Contracts) registered in its name.

REGULATION 100 FOREXCLEAR OPTION SERVICE – SETTLEMENT LIMITS, SETTLEMENT TRADE-DOWN AND SETTLEMENT EVENTS

Settlement Limits

- (a) Subject to (c) and (d) below and the Procedures, the Clearing House may, in its sole and absolute discretion, determine from time to time:
- (i) the Settlement Position Limit;
 - (ii) the Settlement Exposure Limit; and
 - (iii) the Mandatory ForexClear Swap Limit,
- in respect of each ForexClear Option Clearing Member and each ForexClear Currency.
- (b) From time to time the Clearing House shall notify each ForexClear Option Clearing Member of the Settlement Position Limit, Settlement Exposure Limit and Mandatory ForexClear Swap Limit applicable to it and each ForexClear Currency in accordance with the Procedures.
- (c) Subject to (e) below, if the Clearing House wishes to increase the Settlement Position Limit, Settlement Exposure Limit or, the Mandatory ForexClear Swap Limit in relation to a given ForexClear Currency, to no more than the Settlement Position Limit Cap (where such limit is aggregated with respect to all ForexClear Option Clearing Members and ForexClear Currencies), Mandatory ForexClear Swap Limit Cap (where such limit is aggregated with respect to all ForexClear Option Clearing Members) or Settlement Exposure Cap, as applicable, then the Clearing House may propose such amendment by giving all ForexClear Option Clearing Members no fewer than 10 business days' notice, such notice to specify the proposed new Settlement Position Limit, Settlement Exposure Limit and/or Mandatory ForexClear Swap Limit (the "**Revised Limits**"). If the Requisite ForexClear Option Clearing Members vote in favour of the Revised Limits then the Revised Limits shall take effect following 30 calendar days' notice (or such other period as the Clearing House shall decide) from, and including, the expiration of the notice period specified above. If the Requisite ForexClear Option Clearing Members do not vote in favour of the Revised Limits, then the Revised Limits shall not take effect. For the purposes of the foregoing, a ForexClear Option Clearing Member that does not communicate its vote to the Clearing House by the end of the notice period specified above shall be deemed to have voted in favour of the Revised Limits. The Clearing House shall publish the terms of the voting process on or prior to the business day on which the vote is initiated. Notwithstanding the foregoing, this paragraph (b) shall not apply in the event of an increase to a Settlement Position Limit in accordance with Section 1.19.2 of the Procedures.
- (d) Subject to (e) below, if the Clearing House wishes to increase the Settlement Position Limit Cap, Settlement Exposure Limit Cap or Mandatory ForexClear Limit Cap (as applicable), then the Clearing House may propose such amendment by giving all ForexClear Option Clearing Members no fewer than 10 business days' notice, such notice to specify the proposed new Settlement Position Limit Cap, Settlement Exposure Limit Cap and/or Mandatory ForexClear Limit Cap (the "**Revised Caps**"). If 100% of the then total number of ForexClear Option Clearing Members vote in favour of the

Revised Caps then the Revised Caps shall take effect following 30 calendar days' notice (or such other period as the Clearing House shall decide) from, and including, the expiration of the notice period specified above. If less than 100% of the then total number of ForexClear Option Clearing Members vote in favour of the Revised Caps then the Revised Caps shall not take effect. For the purposes of the foregoing, a ForexClear Option Clearing Member that does not communicate its vote to the Clearing House by the end of the notice period specified above shall not be deemed to have voted in favour of the Revised Caps. The Clearing House shall publish the terms of the voting process **on or prior** to the business day on which the vote is initiated.

- (e) The Clearing House shall be entitled to increase the Settlement Position Limit, Settlement Exposure Limit, Mandatory ForexClear Swap Limit, Settlement Position Limit Cap and/or Settlement Exposure Limit Cap without the consent of any ForexClear Option Clearing Member, and without regard for the process in paragraphs (c) or (d) above if, it determines, in its sole and absolute discretion, that:
- (i) it considers such action advisable for its own protection or the protection of the relevant market;
 - (ii) it is required to take such action to comply with any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation;
 - (iii) except with respect to an increase to the Settlement Position Limit, Settlement Exposure Limit, Mandatory ForexClear Swap Limit and/or Settlement Exposure Limit Cap, a new ForexClear Clearing Member has been designated as a new ForexClear Option Clearing Member, provided however that, in such circumstance, the Clearing House shall only be entitled to increase the caps referenced in (e) above without using the process in paragraph (d) above to the extent that such increase is no greater, in percentage terms, than the percentage increase in the number of ForexClear Option Clearing Members that has occurred as a result of such ForexClear Option Clearing Member being so designated;
 - (iv) solely with respect to the Settlement Position Limit and/or Settlement Position Limit Cap, it considers such action advisable where (A) the register of primary nostro account providers of ForexClear Option Clearing Members is updated in accordance with the Procedures and (B) an increase to the Settlement Position Limit occurs as the direct result of the given update to register of primary nostro account providers; or
 - (v) it considers such action advisable in connection with an operational or technical failure or delay,

provided, however, that in no event shall the Clearing House be entitled to increase the Mandatory ForexClear Swap Limit for any ForexClear Option Clearing Member to an amount that, when aggregated with the Mandatory ForexClear Swap Limits of all the other ForexClear Option Clearing Members, exceeds above the Mandatory ForexClear Swap Limit Cap.

The Clearing House shall provide ForexClear Option Clearing Members with no fewer than 10 business days' prior notice of any increase to the Settlement Position Limit or Settlement Position Limit Cap pursuant to paragraph (iv) above.

Notwithstanding the foregoing, this paragraph (e) shall not apply in the event of an increase to a Settlement Position Limit in accordance with Section 1.19.2 of the Procedures.

Settlement Position Limit and Settlement Trade-Down

- (f) At 10:00 AM Eastern Standard Time on each day the Clearing House shall compare:
- (i) the Settlement Position Limit on that day with respect to a given ForexClear Option Clearing Member and a given ForexClear Currency; and
 - (ii) the value of the Settlement Position Amount on that day with respect to that ForexClear Option Clearing Member and that ForexClear Currency.

The "**Settlement Position Amount**" means, with respect to a given day, a given ForexClear Option Clearing Member and a given ForexClear Currency, the net amount of that ForexClear Currency that is or will be payable by that ForexClear Option Clearing Member under all ForexClear Contracts (other than ForexClear ~~Non-Deliverable~~~~NDF~~ Contracts) to which it is a party that have a Settlement Date (as defined in the applicable ForexClear Contract Terms) falling two days after such day.

- (g) If, at 10:00 AM Eastern Standard Time on any day, (f)(ii) exceeds (f)(i) with respect to a ForexClear Option Clearing Member and a given ForexClear Currency, then a ForexClear Settlement Event shall immediately occur with respect to that ForexClear Option Clearing Member (such ForexClear Option Clearing Member, the "**Impacted ForexClear Option Clearing Member**") and that ForexClear Currency.
- (h) The Clearing House shall, immediately upon the occurrence of a ForexClear Settlement Event, give notice in writing (which may be given by electronic messaging system or email) to the Impacted ForexClear Option Clearing Member specifying that a ForexClear Settlement Event has occurred with respect to it. A failure by the Clearing House to deliver, or any delay in the delivery of, the notice required by this paragraph (h) shall not affect the Clearing House's ability to exercise any of its rights under this Regulation 100.
- (i) From the occurrence of the ForexClear Settlement Event to (but excluding) 5:00 PM Eastern Standard Time on the same day, the Impacted ForexClear Option Clearing Member shall be entitled to enter into, and submit for registration by the Clearing House, one or more ForexClear Spot Transactions, *provided however that*, the Clearing House may only register the related ForexClear Spot Contracts arising out of such ForexClear Spot Transaction(s) if:
- (i) such ForexClear Spot Transaction(s) are for the purpose, and will have the effect, of reducing the Impacted ForexClear Option Clearing Member's Settlement Position Amount for that ForexClear Currency, so that immediately after registration of the related ForexClear Spot Contracts, the Settlement

Position Amount with respect to that Impacted ForexClear Option Clearing Member and that ForexClear Currency would be less than the Settlement Position Amount with respect to that Impacted ForexClear Option Clearing Member and that ForexClear Currency immediately prior to registration of such ForexClear Spot Contracts; and

- (ii) the ForexClear Spot Transaction(s) meet the applicable ForexClear Eligibility Criteria in effect on such date.

For the avoidance of doubt, the Clearing House shall be entitled (in accordance with Regulation 16(c)) to refuse to register any new ForexClear Spot Contract notwithstanding that it may satisfy (i) and (ii) above if it considers such action advisable for its own protection or the protection of the relevant market.

- (j) Each time a ForexClear Option Clearing Member submits a ForexClear Spot Transaction to the Clearing House for registration pursuant to (i) above, it hereby represents and warrants to the Clearing House that such ForexClear Spot Transaction (either individually or when taken together with other ForexClear Spot Transactions submitted pursuant to (i) above) satisfies the condition in (i)(i) above.
- (k) If an Impacted ForexClear Option Clearing Member has opted-in to the Clearing House's ForexClear Settlement Reduction Service, from the occurrence of the ForexClear Settlement Event to (but excluding) 5:00 PM Eastern Standard Time on the same day, the Clearing House shall be entitled to conclude and bind (i) the Impacted ForexClear Option Clearing Member and (ii) any other ForexClear Option Clearing Member that has opted-in to the ForexClear Settlement Reduction Service to one or more Mandatory Settlement ForexClear Swap Contracts, in each case in accordance with the applicable provisions set forth in the Procedures.
- (l) If, at 5:00 PM Eastern Standard Time on the day on which the ForexClear Settlement Event has occurred, the ForexClear Settlement Event is continuing, the Clearing House shall be entitled to conclude and bind (i) the Impacted ForexClear Option Clearing Member and (ii) in accordance with the applicable allocation provisions in Regulation 103, any other ForexClear Option Clearing Member(s), to one or more Mandatory Settlement ForexClear Swap Contracts. The Clearing House shall be entitled to levy fees in addition to clearing fees on an Impacted ForexClear Option Clearing Member in connection with a ForexClear Settlement Event (with such fees being determined in respect of the excess of such Impacted ForexClear Option Clearing Member's Settlement Position Amount over the Settlement Position Limit).
- (m) Each Mandatory Settlement ForexClear Swap Contract shall (for the avoidance of doubt, entered into pursuant to paragraph (k) or (l) above):
 - (i) be between the Impacted ForexClear Option Clearing Member or another ForexClear Option Clearing Member on the one hand, and the Clearing House on the other hand;
 - (ii) be concluded only with a view to either (A) reducing the Settlement Position Amount with respect to the Impacted ForexClear Clearing Member and a given ForexClear Currency, or (B) creating corresponding positions for the Clearing House vis a vis the other ForexClear Option Clearing Member(s);

- (iii) be subject to immediate registration with the Clearing House in the name of the relevant ForexClear Option Clearing Member;
 - (iv) have an Initial Exchange Date (as defined in the ForexClear Swap Contract Terms) that is the day falling two business days (for the applicable Currency Pair (as defined in the ForexClear Swap Contract Terms)) after the date on which the ForexClear Settlement Event occurred;
 - (v) have a Final Exchange Date (as defined in the ForexClear Swap Contract Terms) that is the business day (for the applicable Currency Pair (as defined in the ForexClear Swap Contract Terms)) immediately following the Initial Exchange Date;
 - (vi) be executed at the prevailing mid-price (as determined by the Clearing House) on the day on which the ForexClear Settlement Event has occurred;
 - (vii) meet the Product Eligibility Criteria for a ForexClear Swap Transaction;
 - (viii) with respect to Mandatory Settlement ForexClear Swap Contracts entered into pursuant to paragraph (l) above only, be allocated by the Clearing House to (A) the Impacted ForexClear Option Clearing Member in accordance with this Regulation 100, or (B) the other ForexClear Option Clearing Members in accordance with Regulation 103;
 - (ix) each Mandatory Settlement ForexClear Swap Contract arising between the Clearing House and a ForexClear Option Clearing Member shall be a ForexClear Swap STM Contract if that ForexClear Option Clearing Member is a US FXCCM; and
 - (x) each Mandatory Settlement ForexClear Swap Contract arising between the Clearing House and a ForexClear Option Clearing Member that is not a US FXCCM shall, on or after the occurrence of a ForexClear STM Conversion Date in respect of that ForexClear Option Clearing Member, be registered as a ForexClear Swap STM Contract, or, if no such date has occurred, be registered as a ForexClear CTM Contract.
- (n) The Clearing House shall determine the mid-price of a Mandatory Settlement ForexClear Swap Contract under (m)(vi) above in its sole and absolute discretion.
 - (o) A Mandatory Settlement ForexClear Swap Contract shall not be concluded with, and entered into on behalf of, a Non-Impacted ForexClear Option Clearing Member which has the effect, immediately upon registration of the related ForexClear Swap Contract, that the relevant Settlement Position Limit would be exceeded by the Settlement Position Amount applicable to any ForexClear Currency and that Non-Impacted ForexClear Option Clearing Member.
 - (p) At the time and in the manner specified in the Procedures, the Clearing House shall notify each Non-Impacted ForexClear Option Clearing Member and the Impacted ForexClear Option Clearing Member of the Mandatory Settlement ForexClear Swap Contracts (if any) that it has entered into for and on its behalf.

- (q) Each ForexClear Option Clearing Member agrees and acknowledges that the Mandatory Settlement ForexClear Swap Contract entered into on its behalf by the Clearing House shall constitute part of that ForexClear Clearing Member's ForexClear Clearing House Business and shall be recorded in that ForexClear Clearing Member's Proprietary Account. In no circumstance shall a Mandatory Settlement ForexClear Swap Contract be recorded in a ForexClear Clearing Member's Client Account.
- (r) For as long as a ForexClear Settlement Event is continuing with respect to a ForexClear Option Clearing Member and a given ForexClear Currency, the Clearing House shall be entitled, in its sole and absolute discretion, to refuse to register any new ForexClear Contract in respect of any ForexClear Transaction denominated in that ForexClear Currency that is submitted by that ForexClear Option Clearing Member, other than (i) any ForexClear ~~Non-DeliverableNDF~~ Transaction, (ii) any ForexClear Transaction that is expressly permitted by this Regulation 100 or Regulation 101, (iii) any ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction arising pursuant to the exercise of a ForexClear Option Contract under Regulation 96, or (iv) any ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction concluded for the purpose of (A) hedging some or all of such ForexClear Option Clearing Member's foreign exchange exposure, (B) reducing its initial margin requirements or (C) reducing its settlement risk, in each case in relation to Contracts registered at the Clearing House. If a ForexClear Settlement Event is still continuing at 5:00 PM Eastern Standard Time on the day on which the ForexClear Settlement Event has occurred, it will only cease to be continuing when the Clearing House registers the necessary Mandatory Settlement ForexClear Swap Contracts in accordance with this Regulation.

Settlement Exposure Limit

- (s) Each time a ForexClear Option Clearing Member submits a ForexClear Transaction (other than a ForexClear ~~Non-DeliverableNDF~~ Transaction) for registration with the Clearing House (either as a new ForexClear Transaction or in connection with a transfer in accordance with Regulation 18), which would, if registered, have a Settlement Date falling more than two days after the date of registration, the Clearing House shall compare:
- (i) the Settlement Exposure Limit on that day with respect to that ForexClear Option Clearing Member and the relevant ForexClear Currency; and
 - (ii) the value of the Settlement Exposure Amount on that day with respect to that ForexClear Option Clearing Member, that ForexClear Currency and that Settlement Date.

The "**Settlement Exposure Amount**" means, with respect to a given day of determination, a given ForexClear Option Clearing Member a given ForexClear Currency, and a given Settlement Date, the net expected amount of that ForexClear Currency that the Clearing House has determined, in its sole and absolute discretion, is or will be payable by that ForexClear Option Clearing Member on that Settlement Date under all ForexClear Contracts (other than ForexClear ~~Non-DeliverableNDF~~ Contracts) to which it is a party.

- (t) If, in relation to a ForexClear Option Clearing Member and a given ForexClear Currency, either:
- (i) the most recent calculation undertaken by the Clearing House under (r) indicates that (s)(ii) exceeds (s)(i) for any Settlement Date and that ForexClear Currency; or
 - (ii) that ForexClear Option Clearing Member submits for registration a ForexClear Transaction that, immediately following its registration, would have the effect that (s)(ii) would exceed (s)(i) for the relevant Settlement Date and that ForexClear Currency,

then the Clearing House shall be entitled, in its sole and absolute discretion, to refuse to register any new ForexClear Contract for that ForexClear Option Clearing Member that may, if registered, result in that ForexClear Option Clearing Member having to pay a net amount in that ForexClear Currency to the Clearing House under such ForexClear Contract on the applicable Settlement Date, other than (A) any ForexClear Non-Deliverable~~NDF~~ Transaction, (B) any ForexClear Transaction that is expressly permitted by this Regulation 100 or Regulation 101, (C) any ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction arising pursuant to the exercise of a ForexClear Option Contract under Regulation 96, or (D) any ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction concluded for the purpose of (A) hedging some or all of such ForexClear Option Clearing Member's foreign exchange exposure, (B) reducing its initial margin requirements or (C) reducing its settlement risk, in each case in relation to Contracts registered at the Clearing House.

REGULATION 104 FOREXCLEAR OPTION SERVICE – PAYMENT NETTING

The Clearing House shall, on each day:

- (i) to the extent that amounts are (a) payable in the same currency, (b) payable by a ForexClear Clearing Member to the Clearing House on such day under the ForexClear Contracts (other than ForexClear ~~Non-DeliverableNDF~~ Contracts) then registered in the name of that ForexClear Clearing Member, and (c) payable to the Clearing House's account at the Settlement Service Provider, aggregate such amounts; and
- (ii) to the extent that amounts are (a) payable in the same currency, (b) payable to a ForexClear Clearing Member by the Clearing House on such day under the ForexClear Contracts (other than ForexClear ~~Non-DeliverableNDF~~ Contracts) then registered in the name of that ForexClear Clearing Member, and (c) payable from the Clearing House's account at the Settlement Service Provider, aggregate such amounts,

and the amount payable on a day to one party (the **Payee**) by the other party (the **Payer**) under (i) or (ii) (as applicable) above shall be reduced by setting-off such amount against the amount (the **Other Amount**) payable by the Payee to the Payer under (i) or (ii) (as applicable) above. To the extent the Other Amount is so applied, the Other Amount will be discharged promptly and in all respects.

REGULATION 106A SETTLEMENT-TO-MARKET OF FOREXCLEAR STM CONTRACTS

- (a) Notwithstanding anything to the contrary in Regulation 20, neither the Clearing House nor a ForexClear Clearing Member shall be obliged to make any payment by way of variation margin in respect of a ForexClear STM Contract. This Regulation 106A shall be without prejudice to the Clearing House's other rights to require Collateral to be transferred to it under Regulation 20 (including, but not limited to, its right to require Collateral to be transferred to it in respect of a ForexClear Clearing Member's initial margin obligations in respect of a ForexClear STM Contract).
- (b) The Clearing House shall, at least once per business day, determine (i) the change in the net present value of each ForexClear STM Contract, and (ii) the Price Alignment Amount payable on such business day, in each case in accordance with the relevant ForexClear STM Terms and in such manner and at such times as may be provided in the Procedures. Immediately upon the Clearing House making each such determination of the net present value of a ForexClear STM Contract, an NPV Reset shall occur with respect to that ForexClear STM Contract.
- (c) Upon the occurrence of an NPV Reset in relation to a ForexClear STM Contract that is not a ForexClear Option Contract:
- (i) if the Clearing House has determined that the net present value of the ForexClear STM Contract has increased since the immediately preceding NPV Reset, an amount of cash (denominated in the currency determined in accordance with the Procedures for that ForexClear STM Contract) equal to the amount of such increase shall immediately become due and payable by the ForexClear Clearing Member to the Clearing House under the relevant ForexClear STM Terms;
 - (ii) if the Clearing House has determined that the net present value of the ForexClear STM Contract has decreased since the immediately preceding NPV Reset, an amount of cash (denominated in the currency determined in accordance with the Procedures for that ForexClear STM Contract) equal to the amount of such decrease shall immediately become due and payable by the Clearing House to the ForexClear Clearing Member under the relevant ForexClear STM Terms;
 - (iii) if the Clearing House has determined that the net present value of the ForexClear STM Contract has not changed since the immediately preceding NPV Reset, neither the Clearing House nor the ForexClear Clearing Member shall be obliged to make any payment; and
 - (iv) the net present value of the ForexClear STM Contract shall for all purposes be reset to zero.
- (d) Upon the occurrence of an NPV Reset in relation to a ForexClear STM Contract that is a ForexClear Option Contract:

- (v) if the Clearing House has determined that the net present value of the obligation to pay the “Premium” (as defined in the ForexClear Contract Terms of that ForexClear STM Contract) has increased since the immediately preceding NPV Reset, an amount of cash (denominated in the currency determined in accordance with the Procedures for that ForexClear STM Contract) equal to the amount of such increase shall immediately become due and payable by the ForexClear Clearing Member to the Clearing House under the relevant ForexClear STM Terms;
 - (vi) if the Clearing House has determined that the net present value of the obligation to pay the “Premium” (as defined in the ForexClear Contract Terms of that ForexClear STM Contract) has decreased since the immediately preceding NPV Reset, an amount of cash (denominated in the currency determined in accordance with the Procedures for that ForexClear STM Contract) equal to the amount of such decrease shall immediately become due and payable by the Clearing House to the ForexClear Clearing Member under the relevant ForexClear STM Terms;
 - (vii) if the Clearing House has determined that the net present value of the ForexClear STM Contract (excluding the obligation to pay the “Premium” (as defined in the ForexClear Contract Terms of that ForexClear STM Contract)) has increased since the immediately preceding NPV Reset, an amount of cash (denominated in the currency determined in accordance with the Procedures for that ForexClear STM Contract) equal to the amount of such increase shall immediately become due and payable by the ForexClear Clearing Member to the Clearing House under the relevant ForexClear STM Terms;
 - (viii) if the Clearing House has determined that the net present value of the ForexClear STM Contract (excluding the obligation to pay the “Premium” (as defined in the ForexClear Contract Terms of that ForexClear STM Contract)) has decreased since the immediately preceding NPV Reset, an amount of cash (denominated in the currency determined in accordance with the Procedures for that ForexClear STM Contract) equal to the amount of such decrease shall immediately become due and payable by the Clearing House to the ForexClear Clearing Member under the relevant ForexClear STM Terms;
 - (ix) if the Clearing House has determined that the net present value referred to in any of (i)-(iv) above has not changed since the immediately preceding NPV Reset, neither the Clearing House nor the ForexClear Clearing Member shall be obliged to make any payment; and
 - (x) the net present value of the ForexClear STM Contract shall for all purposes be reset to zero.
- (e) The ForexClear Clearing Member and the Clearing House hereby agree that:
- (i) for the avoidance of doubt, an "increase" in the net present value of a ForexClear STM Contract or an obligation thereunder shall mean that the net present value of that ForexClear STM Contract or that obligation has moved in favour of the Clearing House since the immediately preceding NPV Reset;

- (ii) for the avoidance of doubt, a “decrease” in the net present value of a ForexClear STM Contract or an obligation thereunder shall mean that the net present value of that ForexClear STM Contract or that obligation has moved in favour of the ForexClear Clearing Member since the immediately preceding NPV Reset; and
 - (iii) unless otherwise agreed between the ForexClear Clearing Member and the Clearing House, the net present value of a ForexClear STM Contract or an obligation thereunder on the Trade Date (as such term is defined in the ForexClear STM Terms applicable to that ForexClear STM Contract) shall be reset to zero.
- (f) Except as prescribed in the Procedures, the net present value calculated by the Clearing House shall in no circumstances be called in question.
- (g) Any determination of the net present value of a ForexClear STM Contract or obligation thereunder shall not take into account the ForexClear STM Terms of such ForexClear STM Contract.
- (h) Upon the Clearing House’s determination of the Price Alignment Amount in relation to a ForexClear STM Contract or certain obligations thereunder:
- (i) if the Clearing House has determined that the Cumulative Net Present Value in relation to the ForexClear STM Contract or those obligations is greater than zero, then, subject to (iii) below, an amount of cash (denominated in the currency determined in accordance with the Procedures for that ForexClear STM Contract) equal to the relevant Price Alignment Amount shall immediately become due and payable by the Clearing House to the ForexClear Clearing Member;
 - (ii) if the Clearing House has determined that the Cumulative Net Present Value in relation to the ForexClear STM Contract or those obligations is less than zero, then, subject to (iii) below, an amount of cash (denominated in the currency determined in accordance with the Procedures for that ForexClear STM Contract) equal to the relevant Price Alignment Amount shall immediately become due and payable by the ForexClear Clearing Member to the Clearing House; and
 - (iii) if any Price Alignment Amount payable by a party on a business day is a negative amount, then the relevant Price Alignment Amount payable by that party will be deemed to be zero, and the other party will pay to that party the absolute value of the negative Price Alignment Amount on such business day.
- (i) For the purpose of determining the Cumulative Net Present Value in relation to a ForexClear STM Contract that has been (i) transferred to a Backup Clearing Member pursuant to the Default Rules in relation to ForexClear Contracts, or (ii) novated pursuant to Regulation 91(n), the Trade Date of the ForexClear STM Contract that comes into existence immediately following such transfer or novation (as applicable) shall be the Trade Date of the ForexClear STM Contract that was so transferred or novated (as applicable).

- (j) For the purpose of determining the Cumulative Net Present Value in relation to a ForexClear STM Contract that has been converted from a ForexClear CTM Contract pursuant to Regulation 106A, the Trade Date of the ForexClear STM Contract that comes into existence immediately following such conversion shall be the Trade Date of the ForexClear CTM Contract that was so converted.
- (k) The payment of each of the amounts due and payable under the ForexClear STM Terms applicable to a ForexClear STM Contract shall be made in such manner and at such times as may be provided in the Procedures.
- (l) In respect of all ForexClear STM Contracts the Clearing House shall:
 - (i) on each business day (as such term is defined in the ForexClear STM Terms relating to that ForexClear STM Contract), and to the extent that the following amounts are payable in the same currency and in respect of the same Client Account (that is not an Indirect Gross Account), Proprietary Account or Indirect Gross Sub-Account (as applicable), aggregate:
 - (A) the amounts (if any) payable by the ForexClear Clearing Member to the Clearing House on such business day in accordance with Regulation 106A(c)(i), 106A(d)(i) and 106A(d)(iii);
 - (B) the Price Alignment Amount (if any) payable by the ForexClear Clearing Member to the Clearing House on such business day in accordance with Regulation 106A(h)(ii); and
 - (C) any other amounts which are payable by the ForexClear Clearing Member to the Clearing House on such business day under those ForexClear STM Contracts,
 - (ii) on each business day, and to the extent that the following amounts are payable in the same currency and in respect of the same Client Account (that is not an Indirect Gross Account), Proprietary Account or Indirect Gross Sub-Account (as applicable), aggregate:
 - (A) the amounts (if any) payable by the Clearing House to the ForexClear Clearing Member on such business day in accordance with Regulation 106A(c)(ii), 106A(d)(ii) and 106A(d)(iv);
 - (B) the Price Alignment Amount (if any) payable by the Clearing House to the ForexClear Clearing Member on such business day in accordance with Regulation 106(a)(h)(ii); and
 - (C) any other amounts which are payable by the Clearing House to the ForexClear Clearing Member on such business day under those ForexClear STM Contracts,

and only the excess of the larger amount over the smaller amount (when comparing the aggregate amounts payable under (i) and (ii) above) shall be payable by the party by whom the larger amount would otherwise have been payable. To the extent the smaller amount is so applied, the smaller amount will be discharged promptly and in all respects.

- (m) The Clearing House and the ForexClear Clearing Member agree that satisfaction of the payment obligation arising under the ForexClear STM Terms of a ForexClear STM Contract by the applicable party shall discharge such obligation for the purpose of settling the then outstanding exposure under that ForexClear STM Contract.
- (n) A ForexClear Clearing Member that is not a US FXCCM may submit a request in accordance with the Procedures (a “**ForexClear STM Conversion Request**”) to the Clearing House requesting that the Clearing House convert all of its open ForexClear CTM Contracts in its Proprietary Account or a given Client Account to ForexClear STM Contracts and register all of its future ForexClear Contracts in its Proprietary Account or such Client Account as ForexClear STM Contracts (such ForexClear Clearing Member, a “**Converting ForexClear Clearing Member**”). For the avoidance of doubt, a ForexClear STM Conversion Request must specify the given Proprietary Account or Client Account that contains the ForexClear Contracts the Converting ForexClear Clearing Member wishes to convert.
- (o) Following the Clearing House’s receipt of a ForexClear STM Conversion Request, the Clearing House may, in its sole and absolute discretion, nominate a business day (such day, a “**ForexClear STM Conversion Date**”) from, and including which, all of such ForexClear Clearing Member’s ForexClear CTM Contracts in its Proprietary Account or in a given Client Account shall cease to be registered as ForexClear CTM Contracts and shall immediately and automatically become registered as ForexClear STM Contracts, which are subject to this Regulation 106A and the ForexClear STM Terms. For the avoidance of doubt, if the Clearing House determines that it shall convert a ForexClear CTM Contract into a ForexClear STM Contract, such conversion shall be effected through the Clearing House and the Converting ForexClear Clearing Member agreeing to a modification of the terms of the relevant ForexClear CTM Contract to include the ForexClear STM Terms, and each Converting ForexClear Clearing Member hereby agrees to such modification. Such conversion shall not be effected through the Clearing House and the Converting ForexClear Clearing Member terminating the relevant ForexClear CTM Contract and entering into a new ForexClear STM Contract.
- (p) A conversion of a Converting ForexClear Clearing Member’s ForexClear Contracts pursuant to paragraph (o) above shall be subject to the following conditions precedent:
- (i) the Converting ForexClear Clearing Member is not a Defaulter;
 - (ii) the conversion of the Converting ForexClear Clearing Member’s ForexClear Contracts to ForexClear STM Contracts would not violate or result in the violation of any Applicable Law;
 - (iii) the Converting ForexClear Clearing Member has satisfied all of its obligations to meet any margin calls made by the Clearing House with respect to its ForexClear Contracts subject to conversion pursuant to paragraph (o) above up to, but excluding, the ForexClear STM Conversion Date. The Converting ForexClear Clearing Member shall satisfy such margin calls in accordance with the Procedures and/or applicable Regulations, as would ordinarily be the case;
 - (iv) the Converting ForexClear Clearing Member has paid to the Clearing House, or the Clearing House has paid to the Converting ForexClear Clearing Member (as applicable), any cash settlement amount that the Clearing House determines (in

its sole and absolute discretion) must be paid to ensure that the net present value of each ForexClear Contract to be converted shall be equal to zero on the ForexClear STM Conversion Date. Such amounts shall be determined and paid by the relevant party in accordance with the Procedures. The Converting ForexClear Clearing Member and the Clearing House agree that the Clearing House may, in its sole and absolute discretion, apply any Collateral held by it in respect of the ForexClear Contracts of the Converting ForexClear Clearing Member to satisfy (in whole or in part) the Converting ForexClear Clearing Member's obligation to pay the amount (if any) required under this Regulation 106A(p)(iv). The Converting ForexClear Clearing Member and the Clearing House agree that any Collateral held by the Converting ForexClear Clearing Member in respect of each ForexClear Contract registered in the name of the Converting ForexClear Clearing Member and subject to conversion under paragraph (o) above shall be applied to satisfy (in whole or in part) the Clearing House's obligation to pay the amount (if any) required under this Regulation 106A(p)(iv) in relation to such ForexClear Contracts; and

- (v) all other conditions stipulated by the Clearing House have been complied with in a manner satisfactory to it.
- (q) Upon the occurrence of a ForexClear STM Conversion Date, the given Converting ForexClear Clearing Member agrees and acknowledges for the benefit of the Clearing House that the ForexClear Contracts registered in its name and converted pursuant to paragraph (o) above cannot, in any circumstance, be re-converted into ForexClear CTM Contracts.
- (r) For the purposes of this Regulation 106A;
 - (i) **"Cumulative Net Present Value"** means:
 - (A) in respect of a ForexClear STM Contract that is not a ForexClear Option Contract and a business day (as such term is defined in the ForexClear STM Terms relating to that ForexClear STM Contract) falling after the Trade Date, a hypothetical value, determined by the Clearing House acting in its sole and absolute discretion, equal to:
 - ~~—~~ the aggregate of the amounts (if any) payable by the
(1) ForexClear Clearing Member to the Clearing House (expressed as a positive number) under ~~Section 4.1 (or Section 10.1, if the ForexClear STM Contract is a ForexClear NDF STM Contract)~~ of the applicable ForexClear STM Terms (excluding any Price Alignment Amount) from, and including, the Trade Date to, but excluding, that business day; plus
 - ~~—~~(2) if such ForexClear STM Contract has been converted from a ForexClear CTM Contract, the aggregate of the amounts (if any) of variation margin determined to be payable by the ForexClear Clearing Member to the Clearing House (expressed as a positive number) from,

and including, the Trade Date, to, and including, the ForexClear STM Conversion Date relating to such ForexClear STM Contract; plus

~~(3)~~(3) the aggregate of the amounts (if any) payable by the Clearing House to the ForexClear Clearing Member (expressed as a negative number) under ~~Section 4.1 (or Section 10.1, if the applicable ForexClear STM Contract is a ForexClear NDF STM Contract)~~ of the ForexClear STM Terms (excluding any Price Alignment Amount) from, and including, the Trade Date, to, but excluding, that business day; plus

~~(4)~~(4) if such ForexClear STM Contract has been converted from a ForexClear CTM Contract, the aggregate of the amounts (if any) of variation margin determined to be payable by the Clearing House to the ForexClear Clearing Member (expressed as a negative number) from, and including, the Trade Date, to, and including, the ForexClear STM Conversion Date relating to the ForexClear STM Contract.

(B) in respect of a ForexClear STM Contract that is a ForexClear Option Contract, the sum of the Premium Cumulative Net Present Value and the Option Cumulative Net Present Value.

(ii) "**NPV Reset**" means, in relation to a ForexClear STM Contract, the point in time when the Clearing House makes its determination of the net present value in relation to that ForexClear STM Contract, and immediately following which the provisions of Regulation 106A(c) and (d) shall apply.

(iii) "**Option Cumulative Net Present Value**" means in relation to all obligations under a ForexClear Option STM Contract other than the obligation to pay "Premium" and a business day falling after the Trade Date, a hypothetical value, determined by the Clearing House acting in its sole and absolute discretion, equal to:

(1) the aggregate of the amounts (if any) payable by the ForexClear Clearing Member to the Clearing House (expressed as a positive number) under ~~Section 4.1(b)(ii)~~ of the applicable ForexClear STM Terms (excluding any Price Alignment Amount) from, and including, the Trade Date to, but excluding, that business day; plus

(2) if such ForexClear STM Contract has been converted from a ForexClear CTM Contract, the aggregate of the amounts (if any) of variation margin in respect of such obligations determined to be payable by the ForexClear Clearing Member to the Clearing House (expressed as a positive number) from, and including, the Trade Date, to,

and including, the ForexClear STM Conversion Date relating to such ForexClear STM Contract; plus

- (3) the aggregate of the amounts (if any) payable by the Clearing House to the ForexClear Clearing Member (expressed as a negative number) under ~~Section 4.1(b)(ii)~~ of the applicable ForexClear STM Terms (excluding any Price Alignment Amount) from, and including, the Trade Date, to, but excluding, that business day; plus
 - (4) if such ForexClear STM Contract has been converted from a ForexClear CTM Contract, the aggregate of the amounts (if any) of variation margin in respect of such obligations determined to be payable by the Clearing House to the ForexClear Clearing Member (expressed as a negative number) from, and including, the Trade Date, to, and including, the ForexClear STM Conversion Date relating to the ForexClear STM Contract.
- (iv) **"Option Price Alignment Amount"** means, in relation to all obligations under a ForexClear Option STM Contract other than the obligation to pay "Premium" and a business day falling after the Trade Date of that ForexClear STM Contract, the product of:
- (A) the absolute value of the Option Cumulative Net Present Value on such business day;
 - (B) the applicable Price Alignment Amount Rate on such business day; and
 - (C) the day count fraction determined by the Clearing House as being applicable to the ForexClear Margin or Settlement Currency (as defined in Procedures 2I) of that ForexClear STM Contract.
- (v) **"Premium Cumulative Net Present Value"** means in relation to the obligation under a ForexClear Option STM Contract to pay "Premium" and a business day falling after the Trade Date, a hypothetical value, determined by the Clearing House acting in its sole and absolute discretion, equal to:
- (A) the aggregate of the amounts (if any) payable by the ForexClear Clearing Member to the Clearing House (expressed as a positive number) under ~~Section 4.1(b)(i)~~ of the applicable ForexClear STM Terms (excluding any Price Alignment Amount) from, and including, the Trade Date to, but excluding, that business day; plus
 - (B) if such ForexClear STM Contract has been converted from a ForexClear CTM Contract, the aggregate of the amounts (if any) of variation margin in respect of such obligation determined to be payable by the ForexClear Clearing Member to the Clearing

House (expressed as a positive number) from, and including, the Trade Date, to, and including, the ForexClear STM Conversion Date relating to such ForexClear STM Contract; plus

- (C) the aggregate of the amounts (if any) payable by the Clearing House to the ForexClear Clearing Member (expressed as a negative number) under ~~Section 4.1(b)(i) of the applicable~~ ForexClear STM Terms (excluding any Price Alignment Amount) from, and including, the Trade Date, to, but excluding, that business day; plus
 - (D) if such ForexClear STM Contract has been converted from a ForexClear CTM Contract, the aggregate of the amounts (if any) of variation margin in respect of such obligation determined to be payable by the Clearing House to the ForexClear Clearing Member (expressed as a negative number) from, and including, the Trade Date, to, and including, the ForexClear STM Conversion Date relating to the ForexClear STM Contract.
- (vi) **"Premium Price Alignment Amount"** means, in relation to the obligation to pay "Premium" under a ForexClear Option Contract and a business day falling after the Trade Date of that ForexClear STM Contract, the product of:
- (A) the absolute value of the Premium Cumulative Net Present Value on such business day;
 - (B) the applicable Price Alignment Amount Rate on such business day; and
 - (C) the day count fraction determined by the Clearing House as being applicable to the ForexClear Margin or Settlement Currency (as defined in Procedures 2I) of that ForexClear STM Contract.
- (vii) **"Price Alignment Amount"** means:
- (A) in relation to a ForexClear STM Contract that is not a ForexClear Option Contract and a business day falling after the Trade Date of that ForexClear STM Contract, the product of:
 - (1) the absolute value of the Cumulative Net Present Value of that ForexClear STM Contract on such business day;
 - (2) the applicable Price Alignment Amount Rate on such business day; and
 - (3) the day count fraction determined by the Clearing House as being applicable to the ForexClear Margin or Settlement Currency (as defined in Procedures 2I) of that ForexClear STM Contract.

Appendix II
Default Rules

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DEFAULT RULES

SCHEDULE 3 FOREXCLEAR DMP ANNEX

1. Scope and interpretation

1.1 The Clearing House has established a ForexClear DMP which will apply to ForexClear Contracts following the issuing of a Default Notice relating to a ForexClear Clearing Member and in respect of which, for the avoidance of doubt, the Clearing House will have no recourse to the process of invoicing-back. The fundamental principles of the ForexClear DMP are elaborated to the fullest extent possible in this Annex. Where exhaustive detail cannot be laid out in the provisions of this Annex, the ForexClear DMP will be undertaken on the basis of the principles contained herein.

1.2 The Clearing House has an obligation to ensure the on-going integrity of the ForexClear Service and of the ForexClear Contracts in the interests of the Non-Defaulting FXCCMs. When a ForexClear Clearing Member defaults, Non-Defaulting FXCCMs are required to supply impartial expertise through the ForexClear DMG and to bid for the Auction Portfolios of a Defaulting FXCCM, as laid out in this Annex. In addition, most FXCCMs or their parent companies or subsidiaries or fellow subsidiaries, have direct interests in that integrity, notably as contributors to the various default funds of the Clearing House. Each FXCCM shall take all steps and execute all documents necessary or required by the Clearing House to comply with its obligations as a FXCCM arising out of this ForexClear DMP Annex.

1.3 The initial margining process in respect of ForexClear Contracts will be such so as to ensure that the acceptance of bids for the Auction Portfolio of a Defaulting FXCCM will recognise risk premiums, and that equivalent premiums will be paid by the Clearing House in closing-out large positions in other Contracts traded on exchange or ATS-organised markets.

1.4 In this Annex:

"**AIP**" has the meaning given in Rule 2.4 of this Annex;

"**Auction**" means the process of bidding by FXCCMs for an Auction Portfolio, prescribed by the Clearing House, following consultation with the ForexClear DMG from time to time in accordance with Rule 2.3 of this Annex;

"**Auction Losses**" has the meaning given in Rule 2.5(b) of this Annex;

"**Auction Portfolio**" means (i) a Portfolio; or (ii) a group of ForexClear Contracts resulting from the splitting of a Portfolio pursuant to Rule 2.1 of this Annex including any connected Hedging ForexClear Contracts concluded by the Clearing House through Risk Neutralisation;

"**Auction Portfolio Category**" means, in relation to an Auction Portfolio, the ForexClear Contract Category to which the ForexClear Contracts in the Auction Portfolio belong, ~~provided that in the case of an Auction Portfolio containing both ForexClear NDF~~Non-Deliverable ~~Contracts and ForexClear Contracts that are not~~

~~ForexClear NDF Non-Deliverable Contracts, the relevant Auction Portfolio Category shall be deemed to be the ForexClear Non-NDF Non-Deliverable Contract Category;~~

"**Auction Portfolio Currency Pair**" means in relation to an Auction Portfolio, the Currency Pair in which the ForexClear Contracts in the Auction Portfolio are denominated;

"**Bankruptcy Code**" means the U.S. Bankruptcy Code, as amended;

"**CEA**" means the U.S. Commodity Exchange Act, as amended;

"**CFTC**" means the U.S. Commodity Futures Trading Commission;

"**Currency Pair**" has the meaning set out at Part A of the Schedule to the ForexClear Regulations;

"**Derivatives Clearing Organization**" means an organisation designated and registered as such by way of United States Code - Title 7, Chapter 1, paragraph 7a-1;

"**Equal Bid**" has the meaning given in Rule 2.3(e) of this Annex;

"**Expected Auction Participant**" means, in respect of an Auction Portfolio, any Non-Defaulting FXCCM who, at the time the Clearing House declared a Default, has at least one Resembling Contract registered in its name;

"**FCM ForexClear Client Business**" means the provision of FCM ForexClear Client Clearing Services by an FCM Clearing Member to its FCM Clients;

"**FCM ForexClear House Business**" means the FCM ForexClear Contracts entered into by an FCM Clearing Member for its own account or for the account of an affiliate;

"**ForexClear Contract Category**" means a category of ForexClear Contracts, being either the ForexClear ~~Non-Deliverable NDF Non-Deliverable~~ Contract Category or the ForexClear ~~Non-Deliverable NDF Non-Deliverable~~ Contract Category;

"**ForexClear Default Management Process**" or "**ForexClear DMP**" means the processes of the Clearing House outlined in this Annex, as may be supplemented and/or amended from time to time in accordance with this Annex;

"**ForexClear Default Management Process Completion Date**" means the date when the ForexClear Default Management Process in relation to a Default has been completed as determined by the Clearing House in consultation with the ForexClear DMG and notified to all FXCCMs;

"**ForexClear Deliverable Contract Category**" means the category of ForexClear Contract which comprises ForexClear Deliverable Contracts registered with the Clearing House;

"**ForexClear DMG**" means the advisory ForexClear Default Management Group established by the Clearing House pursuant to the terms of this Annex;

"ForexClear ~~Non-Deliverable~~NDF~~Non-Deliverable~~ Contract Category" means the category of ForexClear Contracts which comprises ForexClear ~~Non-Deliverable~~NDF~~Non-Deliverable~~ Contracts registered with the Clearing House;

~~"ForexClear Non-NDF~~Non-Deliverable ~~Contract Category" means the category of ForexClear Contract which comprises all ForexClear Contracts registered with the Clearing House other than ForexClear NDF~~Non-Deliverable ~~Contracts registered with the Clearing House;~~

"Guidance" means guidance, in the form of one or more written notices, issued from time to time pursuant to Rule (a) of this Annex by or on behalf of the Clearing House to FXCCMs, supplementing the detail or conduct of any aspect of the ForexClear DMP;

"Hedging ForexClear Contract" has the meaning given in Rule 2.2(b)(ii)(B) of this Annex;

"Hedging ForexClear Service Clearing Member" has the meaning given in Rule 2.2(b)(i) of this Annex;

"Higher Bid" and "Higher Bidder" have the meanings given in Rule 2.5(c) of this Annex;

"Initial Resources" has the meaning given in Rule 2.5(b) of this Annex;

"Losing AP Type" has the meaning given in Rule 2.5(d) of this Annex;

"Losing Original FXCCM" has the meaning given in Rule 2.5(d) of this Annex;

"Losing Unfunded FXCCM" has the meaning given in Rule 2.5(g) of this Annex;

"Margin Cover" has the meaning given in Rule 15(a) of the Default Rules;

"Non-Defaulters' Contributions" means the ForexClear Contributions made by Non-Defaulting FXCCMs to the ForexClear Default Fund;

"Original Contributions" has the meaning given in Rule 2.3(c) of this Annex;

"Portfolio" means, in respect of each Currency Pair, the ForexClear Contracts in such Currency Pair registered in the name of a Defaulting FXCCM in respect of House Clearing Business or the ForexClear Contracts in such Currency Pair registered in the name of a Defaulting FXCCM in respect of Client Clearing Business and, in both such cases includes, where relevant, any Hedging ForexClear Contracts connected to the relevant ForexClear Contracts concluded by the Clearing House through Risk Neutralisation. For the avoidance of doubt, a Portfolio containing ForexClear Contracts relating to the Client Clearing Business of a Defaulting FXCCM will only contain ForexClear Contracts relating to Client Clearing Business. The Clearing House shall not be entitled to combine client and house positions in a single Portfolio;

"Potential Unfunded Contributions" has the meaning given in Rule 2.4(b) of this Annex;

"Recognised Clearing House" mean an organisation which is declared to be a recognised clearing house by a recognition order (that is for the time in force) made under section 290(1)(b) of the Financial Services and Markets Act 2000;

"Relevant Original Contributions" has the meaning given to it in Rule 2.5(c) of this Annex;

"Relevant Unfunded Contributions" has the meaning given to it in Rule 2.5(f) of this Annex;

"Remaining Original Short Bidder" has the meaning given to it in Rule 2.5(c) of this Annex;

"Remaining Unfunded Short Bidder" has the meaning given to it in Rule 2.5(f) of this Annex;

"Resembling Contract" means in respect of the ForexClear Contracts in a specific Auction Portfolio, a ForexClear Contract registered in the name of a Non-Defaulting FXCCM that (i) is denominated in the same currencies as the Auction Portfolio Currency Pair and (ii) belongs to the ForexClear Contract Category which corresponds to the Auction Portfolio Category of such Auction Portfolio.

"Risk Neutralisation" means the process of reducing the market risk and/or settlement risk associated with a Defaulting FXCCM's obligations to the Clearing House under ForexClear Contracts by hedging the exposure prior to the auction process as described in Rule 2.2 of this Annex; and

"Short Bidder" has the meaning given in Rule 2.5(c) of this Annex.

1.5 Terms used in this Annex which are not defined herein shall have the meanings given to them in the Regulations and in the FCM Regulations.

2. **ForexClear Clearing House Business and FCM ForexClear House Business**

The ForexClear Default Management Process in respect of ForexClear Clearing House Business and FCM ForexClear House Business shall involve the stages described in this Rule 2.

2.1 ***Portfolio Splitting***

The Clearing House, in consultation with and with the assistance of the ForexClear DMG, shall determine the composition of each Auction Portfolio and shall have the discretion to divide a Portfolio into two or more individual Auction Portfolios with the aim of facilitating the efficiency of, and reducing the risk associated with, the auction process provided for in Rule 2.3 of this Annex. The overriding principle is that the Clearing House will structure Auction Portfolios with the intention of ensuring a ForexClear DMP which best protects the resources of the Clearing House, subject to compliance with applicable provisions of the CEA and the CFTC Regulations regarding segregation of client assets. Therefore, nothing in this Rule 2.1 shall be deemed to imply: (a) that the Clearing House is under any obligation to split a particular Portfolio of a Defaulting FXCCM (regardless of the number of ForexClear Contracts that such Portfolio contains); or (b) any particular requirements

SCHEDULE 5
FOREXCLEAR DEFAULT FUND SUPPLEMENT

- F1. **In accordance** with and subject to Rule F2, the amount of each ForexClear Clearing Member's ForexClear Contributions shall be determined by the Clearing House as soon as practicable after each ForexClear Determination Date as appropriate on the basis of information available as at close of business on such ForexClear Determination Date and notified to such FXCCM as soon as practicable after such determination in accordance with the Procedures.
- F2. Each FXCCM's ForexClear Contribution (other than any ForexClear Unfunded Contribution or any Supplementary Contribution) shall be determined by the Clearing House in accordance with the following provisions:
- (a) determinations will be made by the Clearing House on the date that an FXCCM joins the ForexClear Service, and at the close of business on the first business day of each month, and otherwise in accordance with paragraph (f) below (each, a "**ForexClear Determination Date**") **provided, however, that** following a Default, any such determinations and any such ForexClear Determination Date which might otherwise have occurred under this Rule F2 shall be suspended for the duration of the period (the "**ForexClear Default Period**") commencing on the date of such Default and terminating on the last to occur of the following dates:
 - (i) the date which is the close of business on the day falling 30 calendar days after the ForexClear Default Management Process Completion Date in relation to such Default (or, if such day is not a business day, the next succeeding business day); and
 - (ii) where, prior to the end of the period referred to in (i) above (or such period as has already been extended pursuant to this paragraph (ii)), one or more subsequent Defaults (each a "**Relevant Default**") occur, the date which is the close of business on the day falling 30 calendar days after the ForexClear Default Management Process Completion Date in relation to a Relevant Default which falls latest in time (or, if such day is not a business day, the next succeeding business day);
 - (b) On each business day, the Clearing House will determine a "**Combined Loss Value**" in respect of each of the 30 preceding business days. The Combined Loss Value in respect of a particular day will be the sum of the largest and the second largest stress-testing loss incurred on that day in relation to ForexClear Business (for a given scenario);
 - (c) the "**ForexClear Fund Amount**" shall equal the sum of (i) the "**ForexClear ~~NDF~~Non-Deliverable Sub-Fund Amount**," (ii) the "**ForexClear ~~Non-NDF~~Non-Deliverable Sub-Fund Amount**" and (iii) the "**ForexClear Tolerance Amount**". The ForexClear ~~NDF~~Non-Deliverable Sub-Fund Amount and ForexClear ~~Non-NDF~~Non-Deliverable Sub-Fund Amount shall be calculated in United States dollars ("**USD**") and, for a given ForexClear Determination Date, shall be (i) in relation to the ForexClear ~~NDF~~Non-Deliverable Sub-Fund Amount, the largest of the 30 Combined Loss Values in

respect of ForexClear ~~NDF~~Non-Deliverable Contracts, and (ii) in relation to the ForexClear ~~Non-NDF~~Non-Deliverable Sub-Fund Amount, the largest of the 30 Combined Loss Values in respect of ForexClear Contracts other than ForexClear ~~NDF~~Non-Deliverable Contracts, each as determined under paragraph (b) above plus 10 per cent. Each of the ForexClear ~~NDF~~Non-Deliverable Sub-Fund Amount and ForexClear ~~Non-NDF~~Non-Deliverable Sub-Fund Amount shall not be less than USD 70 million (the "**ForexClear Fund Floor**"). The "**ForexClear Tolerance Amount**" for a given ForexClear Determination Date shall equal the aggregate amount of ForexClear Tolerance provided by the Clearing House to all participating FXCCMs to facilitate the registration of ForexClear Contracts, provided that the ForexClear Tolerance Amount shall not exceed USD 500 million;

- (d) the "**ForexClear Margin Weight**" means the "**ForexClear ~~NDF~~Non-Deliverable Margin Weight**" or the "**ForexClear ~~Non-NDF~~Non-Deliverable Margin Weight**", as applicable.
- (i) an FXCCM's "**ForexClear ~~NDF~~Non-Deliverable Margin Weight**" shall be calculated by dividing (A) the Uncovered Stress Loss Metric associated with such FXCCM's ForexClear ~~NDF~~Non-Deliverable Contracts by (B) the total Uncovered Stress Loss Metric applied to all Non-Defaulting FXCCMs with respect to their ForexClear ~~NDF~~Non-Deliverable Contracts, in each case where the ForexClear ~~NDF~~Non-Deliverable Contracts are (I) entered into on the FXCCM's own behalf or with respect to a ForexClear Clearing Client or an FCM Client and (II) open and outstanding during the reference period set forth in paragraph (b) above;
- (ii) an FXCCM's "**ForexClear ~~Non-NDF~~Non-Deliverable Margin Weight**" shall be calculated by dividing (A) the Uncovered Stress Loss Metric associated with all of such FXCCM's ForexClear Contracts other than ForexClear ~~NDF~~Non-Deliverable Contracts by (B) the total Uncovered Stress Loss Metric applied to all Non-Defaulting FXCCMs with respect to their ForexClear Contracts that are not ForexClear ~~NDF~~Non-Deliverable Contracts, in each case where the ForexClear Contracts are (I) entered into on the FXCCM's own behalf or with respect to a ForexClear Clearing Client or an FCM Client and (II) open and outstanding during the reference period set forth in paragraph (b) above;
- (iii) an FXCCM's "**Uncovered Stress Loss Metric**," as determined in accordance with sub-paragraphs (i) and/or (ii) above, is a risk metric used by the Clearing House in the calculation of the FXCCM's ForexClear Contribution and shall be determined by the Clearing House (and notified to each FXCCM) from time to time by, inter alia, deducting the amount of eligible margin held by the Clearing House with respect to the relevant ForexClear Contracts from the stress loss associated with such ForexClear Contracts; **provided** that the Clearing House may, in determining the Uncovered Stress Loss Metric of an FXCCM, take into account, inter alia, the number of alternative FXCCMs that clear ForexClear Contracts with respect to that

FXCCM's ForexClear Clearing Clients or FCM Clients; for the avoidance of doubt, the largest and second largest stress-testing losses for purposes of determining a Combined Loss Value in accordance with paragraph (b) above are not the applicable Uncovered Stress Loss Metrics of the relevant FXCCMs for the purposes of this sub-paragraph (iii);

- (iv) the provisions of this sub-paragraph (d) shall not apply to New Members and, for the avoidance of doubt, New Members shall not constitute Non-Defaulting FXCCMs for the purposes of limb (B) of sub-paragraphs (i) and (ii);
- (e) each FXCCM's ForexClear Contribution comprises the "**ForexClear ~~NDF~~Non-Deliverable Contribution**," the "**ForexClear ~~Non-NDF~~Non-Deliverable Contribution**" and its ForexClear Tolerance, as applicable. The FXCCM's ForexClear ~~NDF~~Non-Deliverable Contribution shall be calculated by multiplying the ForexClear ~~NDF~~Non-Deliverable Sub-Fund Amount by the FXCCM's ForexClear ~~NDF~~Non-Deliverable Margin Weight, and shall be no less than the Minimum ForexClear Contribution. The FXCCM's ForexClear ~~Non-NDF~~Non-Deliverable Contribution shall be calculated by multiplying the ForexClear ~~Non-NDF~~Non-Deliverable Sub-Fund Amount by the FXCCM's ForexClear ~~Non-NDF~~Non-Deliverable Margin Weight, and shall be no less than the Minimum ForexClear Contribution; and
- (f) subject to a suspension pursuant to paragraph (a) above, the Clearing House may recalculate the ForexClear Fund Amount on any business day if the Combined Loss Value differs by more than 25 per cent. from the figure on which the previous ForexClear Contribution determination was based.

F3. For the purposes of the calculations under Rule F2:

- (a) references to "ForexClear Clearing Members" or "FXCCMs" do not include references to Defaulting FXCCMs (apart from any Defaulting FXCCM in respect of which the Clearing House permits the application of Rule F2) or persons which were formerly FXCCMs but are not FXCCMs at the ForexClear Determination Date at which the relevant determination is made;
- (b) contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand US dollars;
- (c) no account shall be taken, in calculating initial margin or ForexClear Margin Weight under Rule F2 of any offsets applied in calculating initial margin obligations imposed on an FXCCM in respect of ForexClear Contracts, which may otherwise be permissible under the Procedures or other arrangements applicable;
- (d) provided that the FXCCM is not a Defaulter, the amount of its ForexClear Contribution shall be calculated in accordance with and subject to Rule F2. The provisions of Rule F1, Rule F2, this Rule F3 and Rule F5 do not apply to a Defaulting FXCCM, unless the Clearing House so permits in any particular case; and

F9. **ForexClear Loss Distribution Process**

Where, after a Default, the Clearing House determines that the ForexClear Excess Loss resulting from the Default will exceed the amounts to be applied to it under Rules 15(a) to 15(h) of the Default Rules, the Clearing House may implement the process (the "**ForexClear Loss Distribution Process**") described in this Rule F9.

- (a) For the purposes of this Rule F9 and Rule F11, the following definitions will apply:

"Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment" means, in respect of each Cash Payment and any business day, the sum of the Pre Haircut Base Currency Gains, Losses and Realised Cash Flows by Cash Payment and any Cash Gainer Base Currency Adjustment to Cash Payment or Cash Loser Base Currency Adjustment to Cash Payment.

"Auction Portfolio" has the meaning assigned to it in the ForexClear DMP Annex.

"Available Resources" means, in respect of any Loss Distribution Period, the amounts available to the Clearing House for application in meeting any loss suffered or incurred by the Clearing House in accordance with Rules 15(a) to 15(h) of the Default Rules as at the relevant Last Call Prior to Default.

"Cash Gain" means, in respect of any Cash Gainer and any Loss Distribution Day, the amount of positive Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows in respect of such Cash Gainer in respect of such Loss Distribution Day.

"Cash Gainer" means, in respect of any Loss Distribution Day, each Margin Account in respect of which the value of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows on such Loss Distribution Day is greater than zero.

"Cash Gainer Payment Currency Adjustment to Cash Payment" has the meaning set out in paragraph (b)(i) of this Rule F9.

"Cash Loser" means, in respect of any Loss Distribution Day, each Margin Account in respect of which the value of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows on such Loss Distribution Day is equal to or less than zero.

"Cash Loser Base Currency Adjustment to Cash Payment" has the meaning set out in paragraph (b)(ii) of this Rule F9.

"Cash Loser Payment Currency Adjustment to Cash Payment" has the meaning set out in paragraph (b)(ii) of this Rule F9.

"Cash Payment" means, in respect of any business day, the aggregated amount which would be paid by the Clearing House to a Non-Defaulting FXCCM (expressed as a positive number) or by such FXCCM to the Clearing

House (expressed as a negative number) in respect of a Cash Payment Type in a Cash Payment Currency on such business day.

"Cash Payment Currency" means each of the currencies in which payments made between the Clearing House and an FXCCM may be denominated.

"Cash Payment Type" means each of the Price Alignment Interest (as defined in the ForexClear Procedures), Price Alignment Amount, consideration (fee) payments, Variation Settlement and cash Collateral in respect of the variation margin obligations payable in respect of a Margin Account of a Non-Defaulting FXCCM, and any payment under Section 4.1 (or, in the case of ForexClear ~~NDF~~[Non-Deliverable](#) STM Contracts, Section 10.1) of the ForexClear STM Terms.

"Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows" means in respect of each Margin Account of each Non-Defaulting FXCCM and any business day, the sum of the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payments payable on such Margin Account.

"Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment" means, in respect of each Cash Payment and any business day, the aggregate amount, if any, paid by the Clearing House to a Non-Defaulting FXCCM (expressed as a positive number) or by such FXCCM to the Clearing House (expressed as a negative number) in respect of Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment from but excluding the relevant Last Call Prior to Default to and including such business day.

"Cumulative LCH Transfer Cost" means, on any business day during any Loss Distribution Period, the sum of any LCH Transfer Cost for each day from but excluding the relevant Last Call Prior to Default to and including such business day.

"Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows" means, in respect of each Margin Account of each Non-Defaulting FXCCM and any business day, the sum of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payments payable on such Margin Account.

"Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment" means, in respect of each Cash Payment and any business day, the sum of the Pre Haircut Base Currency Gains, Losses and Realised Cash Flows by Cash Payment for such Cash Payment for each day from but excluding the relevant Last Call Prior to Default to and including such business day.

Appendix III
Product Specific Contract Terms and Eligibility Criteria Manual



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

PART L FOREXCLEAR NDO CONTRACT TERMS; FOREXCLEAR CONTRACTS ARISING FROM FOREXCLEAR NDO TRANSACTIONS

Where a ForexClear NDO Contract arises between the Clearing House and a ForexClear Clearing Member pursuant to the Regulations and the terms of any agreement entered into between them, the terms of such registered ForexClear NDO Contract shall include these ForexClear NDO Contract Terms, which shall comprise:

- (1) Interpretation;
- (2) Economic Terms;
- (3) Standard Terms; and
- (4) if the ForexClear NDO Contract is a ForexClear NDO STM Contract, the ForexClear NDO STM Terms.

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail. In the event of any inconsistency between the ForexClear NDO STM Terms (where applicable) and either or both of the Economic Terms and the Standard Terms, the ForexClear NDO STM Terms will prevail.

Subject to the Regulations and the Procedures, the Clearing House will use the ForexClear NDO Contract Terms applicable to a ForexClear NDO Contract to calculate the amounts due under the ForexClear NDO Contract to, or from, the Clearing House in accordance with the Procedures.

1. Interpretation ("Interpretation")

- 1.1 "ISDA Definitions" means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by ISDA, EMTA and FXC and, as applicable, are incorporated by reference herein.
- 1.2 "FXC" means the Foreign Exchange Committee or any successor entity.
- 1.3 "ISDA" means the International Swaps and Derivatives Association, Inc. or any successor entity.
- 1.4 Words and expressions used in these ForexClear NDO Contract Terms that are not defined herein shall have the meaning given to them in the Regulations or the Procedures, unless expressly provided otherwise. Words and expressions used in these ForexClear NDO Contract Terms that are not defined in the Regulations and the Procedures, but which are defined in the ISDA Definitions, EMTA Templates or LCH G10 NDO Contract Templates, shall have the meanings given to them in the ISDA Definitions, EMTA Templates or LCH G10 NDO Contract Templates, unless expressly provided otherwise.
- 1.5 In the event of an inconsistency or conflict, the Regulations and Procedures will prevail over the ISDA Definitions.
- 1.6 References in the ISDA Definitions to a "Currency Option Transaction" shall be deemed to be references to a "ForexClear NDO Transaction" for the purposes of these ForexClear NDO Contract Terms.

- 1.7 Except where expressly stated otherwise, all reference to "Sections" means Sections in the ISDA Definitions.
- 1.8 In relation to any amendment to the ISDA Definitions published from time to time by ISDA, EMTA and FXC, the Clearing House may from time to time, by notice delivered to the ForexClear Clearing Members, give directions as to whether such amendment shall apply to ForexClear NDO Contracts and, if so, with immediate effect or with such deferred effect as the Clearing House shall determine (provided that in any event any such amendment shall only apply in relation to ForexClear NDO Contracts that have a Trade Date that falls on or after the effective date of such amendment).
- 1.9 Any such notice may provide that despite the application of any such amendment to the ISDA Definitions to ForexClear NDO Contracts going forward, these ForexClear NDO Contracts shall continue, for the purpose of margining, valuation, set-off or otherwise, to be regarded as fully fungible with ForexClear NDO Contracts registered in a ForexClear Clearing Member's name prior to the time such amendment comes into effect.
- 1.10 The omission to give notice under this provision to, or the non-receipt of notice under paragraphs 1.8 or 1.9 above by, any ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

2. Economic Terms

- 2.1 The Economic Terms of a ForexClear NDO Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding ForexClear NDO Transaction.
- 2.2 The particulars of a ForexClear NDO Transaction presented to the Clearing House must include matched information in respect of the following Economic Terms that are not predetermined in the relevant EMTA Template or LCH G10 NDO Contract Template, where applicable:
- (a) Trade Date (Section 1.25)
 - (b) Buyer (Section 3.1(a))
 - (c) Seller (Section 3.1(f))
 - (d) Call Currency (Section 3.1(b))
 - (e) Call Currency Amount (Section 3.1(c))
 - (f) Put Currency (Section 3.1(d))
 - (g) Put Currency Amount (Section 3.1(e))
 - (h) Strike Price (Section 3.1(g))
 - (i) Settlement Date (Section 1.24)
 - (j) Valuation Date (Section 1.16(f))
 - (k) Premium; Price (Section 3.4(a))

(l) Premium Payment Date (Section 3.4(b))

2.3 However, as set out more particularly in Regulation 16, where the ForexClear NDO Transaction specifies a ForexClear Clearing Member as the Seller, with the other ForexClear Member as the Buyer, the Clearing House, in respect of each ForexClear NDO Contract to which it is party pursuant to the corresponding ForexClear NDO Transaction, shall be (i) the Buyer; and (ii) the Seller under such ForexClear NDO Contract, respectively.

3. **Standard Terms ("Standard Terms")**

The following terms are the Standard Terms of a registered ForexClear NDO Contract:

3.1 **Non-Deliverable Transaction**

The ForexClear NDO Transaction evidenced by these ForexClear NDO Contract Terms shall be a Non-Deliverable Currency Option Transaction.

3.2 **Currency Option Style (Section 3.2)**

European

3.3 **Currency Option Type (Section 3.3)**

Put / Call

3.4 **Date of Annex A (Section 4.2)**

Annex A to the ISDA Definitions is incorporated, as amended as at the Trade Date.

3.5 **Calculation Agent (Section 1.3)**

The Clearing House is the Calculation Agent.

3.6 **Exercise (Section 3.6(a)) and Effectiveness of Notice of Exercise (Section 3.6(b))**

The Procedures shall govern the method by which the parties to a ForexClear NDO Contract shall be able to exercise the rights granted pursuant to the related ForexClear NDO Transaction and the effectiveness of such exercise. Accordingly, Section 3.6(a) and Section 3.6(b) of the ISDA Definitions shall each be disapplied in their entirety.

3.7 **Automatic Exercise (Section 3.6(c))**

- (a) Subject to (b) below, Automatic Exercise shall be applicable to a ForexClear NDO Transaction and the related ForexClear NDO Contract.
- (b) The manner in which Automatic Exercise shall apply to a ForexClear NDO Transaction and the related ForexClear NDO Contract shall not be as set forth in Section 3.6(c) of the ISDA Definitions, but in accordance with, and subject to, the Procedures.

3.8 **Terms Relating to Settlement (Section 3.7(b))**

The Procedures shall govern the settlement of a ForexClear NDO Transaction and the related ForexClear NDO Contract and, accordingly, Section 3.7(b) of the ISDA Definitions

shall be disappplied in its entirety (as applicable).

3.9 Business Days

For the purposes of determining the Settlement Date, Valuation Date and Expiration Date, in addition to the Business Days for the Principal Financial Centers for the Currency Pair specified in the relevant Economic Terms, the Business Days specified in the Swaps Monitor Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the Procedures) from time to time, will apply to a ForexClear NDO Contract, except where the Clearing House notifies FXCCMs otherwise in accordance with the Procedures.

3.10 Withholding Tax Provisions

- (a) All payments due under a ForexClear NDO Contract shall be made by the ForexClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the ForexClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.
- (b) All payments due under a ForexClear NDO Contract shall be made by the Clearing House free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing House, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the ForexClear Clearing Member receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

3.11 Payment of Stamp Tax

Each ForexClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any ForexClear NDO Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located ("**Stamp Tax Jurisdiction**") or by any other jurisdiction, and will indemnify the Clearing House against any Stamp Tax or duty levied or imposed upon the Clearing House by any such Stamp Tax Jurisdiction or by any other jurisdiction in respect of any ForexClear NDO Contract registered by the Clearing House and to which that ForexClear Clearing Member is a party.

3.12 Payments under a ForexClear NDO Contract

Payments under, and in respect of, a ForexClear NDO Contract shall be calculated by the Clearing House and shall be made by, or to, the ForexClear Clearing Member in accordance with the provisions of the Procedures.

3.13 Regulations

A ForexClear NDO Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these ForexClear NDO Contract Terms and the Regulations or the Procedures, the Regulations and the Procedures will prevail.

3.14 Governing Law

Each ForexClear NDO Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

3.15 Third Party Rights

A person who is not a party to this ForexClear NDO Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this ForexClear NDO Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

3.16 Valuation Postponement for Price Source Disruption

“Valuation Postponement” means, for purposes of obtaining a Settlement Rate, that the Settlement Rate will be determined on the Business Day first succeeding the day on which the Price Source Disruption ceases to exist, unless the Price Source Disruption continues to exist (measured from the date, that, but for the occurrence of the Price Source Disruption, would have been the Valuation Date) for a consecutive number of calendar days equal to the Maximum Days of Postponement. In such event, the Settlement Rate will be determined on the next Business Day after the Maximum Days of Postponement as being the applicable Fallback Reference Price.

“Fallback Reference Price” means the Clearing House calculated end of day spot price for the applicable Currency Pair from the previous end of day margin run.

3.17 WM/Reuters Closing Spot Rate

The following shall only apply to a ForexClear NDO Contract where EUR, GBP, AUD, CHF or JPY is the Reference Currency:

“WM/Reuters Closing Spot Rate” means, for the relevant Currency Pair, the exchange rate at the relevant time at which such rate is to determined for foreign exchange transactions for value on the relevant Settlement Date, as calculated and

published by the WM Company and Thomson Reuters, which appears on the respective Thomson Reuters screen, as follows:

- (a) Reference Currency: AUD; Settlement Currency: USD; Thomson Reuters Screen: USDAUDFIXM=WM;
- (b) Reference Currency: GBP; Settlement Currency: USD; Thomson Reuters Screen: USDGBPFIXM=WM;
- (c) Reference Currency: EUR; Settlement Currency: USD; Thomson Reuters Screen: USDEURFIXM=WM;
- (d) Reference Currency: CHF; Settlement Currency: USD; Thomson Reuters Screen: USDCHFFIXM=WM; or
- (e) Reference Currency: JPY; Settlement Currency: USD; Thomson Reuters USDJPYFIXM=WM.

4. **ForexClear NDO STM Terms**

The following terms the ForexClear NDO STM Terms of a ForexClear NDO STM Contract:

4.1 **Net Present Value**

- (a) The Clearing House shall, at least once per Business Day, determine the net present value of this ForexClear NDO STM Contract in such manner and at such times as may be provided in the Procedures.
- (b) Immediately upon the Clearing House making such a determination of the net present value of this ForexClear NDO STM Contract:
 - (i) an amount (determined in accordance with Regulation 106A) of cash may become due and payable by the ForexClear Clearing Member or the Clearing House (as applicable, and as determined in accordance with Regulation 106A) under these ForexClear NDO STM Terms; and
 - (ii) the net present value of this ForexClear NDO STM Contract shall for all purposes be reset to zero.
- (c) The amount (if any) referred to in (b)(i) above shall immediately become due and payable by the relevant party under the ForexClear NDO STM Terms applicable to this ForexClear NDO STM Contract and shall be paid in such manner and at such times as may be provided in the Procedures.

4.2 **Price Alignment Amount**

- (a) The Clearing House shall, at least once per Business Day, determine the Price Alignment Amount in respect of this ForexClear NDO STM Contract in such manner and at such times as may be provided in the Procedures.
- (b) Immediately upon the Clearing House making such a determination of the Price Alignment Amount in respect of this ForexClear NDO STM Contract an

amount (determined in accordance with Regulation 106A) of cash may become due and payable by the ForexClear Clearing Member or the Clearing House (as applicable, and as determined in accordance with Regulation 106A) under these ForexClear NDO STM Terms.

(c) The amount (if any) referred to in (b) above shall immediately become due and payable by the relevant party under the ForexClear NDO STM Terms applicable to this ForexClear NDO STM Contract and shall be made in such manner and at such times as may be provided in the Procedures.

5. If the terms of an EMTA Template or LCH G10 NDO Contract Template conflict with these ForexClear NDO Contract Terms, these ForexClear NDO Contract Terms shall prevail. If the terms of an EMTA Template conflict with the ISDA Definitions, the terms of the EMTA Template shall prevail.

PART M
REGISTRATION OF A FOREXCLEAR NDO CONTRACT - PRODUCT
ELIGIBILITY CRITERIA

1. Registration of a ForexClear NDO Contract

Without prejudice to the Regulations and the Procedures, the Clearing House will only register a ForexClear NDO Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the Product Eligibility Criteria set out in paragraph 2 below, as applicable, for a ForexClear NDO Transaction;
- (b) each party to the transaction is either (i) a ForexClear Dealer or (ii) a ForexClear Clearing Member who has not been declared a defaulter by the Clearing House; and
- (c) the ForexClear Clearing Member in whose name the ForexClear NDO Contract is to be registered has not been declared a defaulter by the Clearing House.

and the requirements of paragraphs 1(a), (b) and (c) above continue to be satisfied at the Registration Time.

2. Product Eligibility Criteria for a ForexClear NDO Contract

<u>Instrument</u>	<u>Non-Deliverable Currency Option Transaction</u>
<u>Economic Terms</u>	<u>The transaction particulars submitted to the Clearing House specify all the Economic Terms.</u>
<u>Currency Pair</u>	<u>One of</u>
	<u>USD/BRL,</u>
	<u>USD/KRW,</u>
	<u>USD/INR,</u>
	<u>USD/TWD,</u>
	<u>AUD/USD,</u>
	<u>EUR/USD,</u>
	<u>GBP/USD,</u>
	<u>CHF/USD, or</u>
	<u>JPY/USD</u>
<u>Valuation Date</u>	<u>A date with respect to the Currency Pair to which the ForexClear NDO Transaction relates and is (i) a valid Business Day, (ii) no earlier than the business day (as</u>

	<u>defined in the Regulations) immediately following the Submission Date and (iii) determined as set forth in the Procedures, relevant EMTA Template or relevant LCH G10 NDO Contract Template, as applicable, for the Currency Pair.</u>
<u>Settlement Date</u>	<u>A date with respect to the Currency Pair to which the ForexClear NDO Transaction relates and is:</u>
	<u>no earlier than the date immediately following the Valuation Date; and</u>
	<u>(A) with respect to ForexClear NDO Contracts where BRL is the Reference Currency, no later than the date falling five (5) calendar years plus two Business Days immediately following the Submission Date and (B) for all other ForexClear NDO Contracts, no later than the date falling two (2) calendar years plus two Business Days immediately following the Submission Date, provided that in each case such date shall be: (i) a valid Business Day and (ii) determined as set forth in the Procedures, relevant EMTA Template or relevant LCH G10 NDF Contract Template, as applicable, for the Currency Pair.</u>
<u>Settlement Type</u>	<u>Non-Deliverable</u>
<u>Settlement Currency</u>	<u>USD</u>
<u>Settlement Rate Option</u>	<u>As set forth in the relevant EMTA Template or LCH G10 Contract Template</u>
<u>Calculation Agent</u>	<u>The Clearing House</u>

PART N LCH G10 NDO CONTRACT TEMPLATES**i. EUR/USD Non-Deliverable Currency Option Transactions**

<u>Reference Currency:</u>	<u>EUR</u>
<u>Settlement Currency:</u>	<u>USD</u>
<u>Settlement Date:</u>	<p><u>Will be valid if a business day pursuant to the New York public holiday calendar (NYB), as published by Swaps Monitor Publications, Inc., and is a day on which the Clearing House is open for business.</u></p> <p><u>Will be subject to adjustment in accordance with the Following Business Day Convention if the Valuation Date is adjusted to a date equal to or after the Settlement Date. In such cases, the Settlement Date should be adjusted to the next Business Day (which also meets the foregoing requirements) after the Valuation Date.</u></p>
<u>Settlement:</u>	<u>Non-Deliverable</u>
<u>Settlement Rate (Option):</u>	<u>WM/Reuters Closing Spot Rate</u>
<u>Expiration Date:</u>	<u>Valuation Date</u>
<u>Expiration Time:</u>	<u>The time at which the Spot Rate is determined</u>
<u>Price Source Disruption:</u>	<u>Applicable</u>
<u>Maximum Days of Postponement:</u>	<u>1 day</u>
<u>Holiday Type Determination for Valuation Date:</u>	<p><u>A ‘scheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time greater than 48 hours prior to 9:00 London time on the Valuation Date.</u></p> <p><u>An ‘unscheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time less than or equal to 48 hours prior to 9:00 London time on the Valuation Date.</u></p>
<u>Business Day Convention for a Holiday Type Determination Date for Valuation Date:</u>	<p><u>Business Day Convention for a Holiday Type Determination Date for Valuation Date:</u></p> <p><u>A ‘scheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust</u></p>

	<p><u>the Valuation Date in accordance with the Preceding Business Day Convention.</u></p> <p><u>An ‘unscheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Following Business Day Convention.</u></p>
<u>Relevant Calendar for Valuation Date:</u>	<u>WMR Calendar</u>

ii. GBP/USD Non-Deliverable Currency Option Transactions

<u>Reference Currency:</u>	<u>GBP</u>
<u>Settlement Currency:</u>	<u>USD</u>
<u>Settlement Date:</u>	<p><u>Will be valid if a business day pursuant to the New York public holiday calendar (NYB), as published by Swaps Monitor Publications, Inc., and is a day on which the Clearing House is open for business.</u></p> <p><u>Will be subject to adjustment in accordance with the Following Business Day Convention if the Valuation Date is adjusted to a date equal to or after the Settlement Date. In such cases, the Settlement Date should be adjusted to the next Business Day (which also meets the foregoing requirements) after the Valuation Date.</u></p>
<u>Settlement:</u>	<u>Non-Deliverable</u>
<u>Settlement Rate (Option):</u>	<u>WM/Reuters Closing Spot Rate</u>
<u>Expiration Date:</u>	<u>Valuation Date</u>
<u>Expiration Time:</u>	<u>The time at which the Spot Rate is determined</u>
<u>Price Source Disruption:</u>	<u>Applicable</u>
<u>Maximum Days of Postponement:</u>	<u>1 day</u>
<u>Holiday Type Determination for Valuation Date:</u>	<u>A ‘scheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time greater than 48 hours prior to 9:00 London time on the Valuation Date.</u>

	<u>An ‘unscheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time less than or equal to 48 hours prior to 9:00 London time on the Valuation Date.</u>
<u>Convention for a Holiday Type Determination Date for Valuation Date:</u>	<p><u>Business Day Convention for a Holiday Type Determination Date for Valuation Date:</u></p> <p><u>A ‘scheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Preceding Business Day Convention.</u></p> <p><u>An ‘unscheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Following Business Day Convention.</u></p>
<u>Relevant Calendar for Valuation Date:</u>	<u>WMR Calendar</u>

iii. AUD/USD Non-Deliverable Currency Option Transactions

<u>Reference Currency:</u>	<u>AUD</u>
<u>Settlement Currency:</u>	<u>USD</u>
<u>Settlement Date:</u>	<p><u>Will be valid if a business day pursuant to the New York public holiday calendar (NYB), as published by Swaps Monitor Publications, Inc., and is a day on which the Clearing House is open for business.</u></p> <p><u>Will be subject to adjustment in accordance with the Following Business Day Convention if the Valuation Date is adjusted to a date equal to or after the Settlement Date. In such cases, the Settlement Date should be adjusted to the next Business Day (which also meets the foregoing requirements) after the Valuation Date.</u></p>
<u>Settlement:</u>	<u>Non-Deliverable</u>
<u>Settlement Rate (Option):</u>	<u>WM/Reuters Closing Spot Rate</u>
<u>Expiration Date:</u>	<u>Valuation Date</u>
<u>Expiration Time:</u>	<u>The time at which the Spot Rate is determined</u>

<u>Price Source Disruption:</u>	<u>Applicable</u>
<u>Maximum Days of Postponement:</u>	<u>1 day</u>
<u>Holiday Type Determination for Valuation Date:</u>	<p><u>A ‘scheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time greater than 48 hours prior to 9:00 London time on the Valuation Date.</u></p> <p><u>An ‘unscheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time less than or equal to 48 hours prior to 9:00 London time on the Valuation Date.</u></p>
<u>Convention for a Holiday Type Determination Date for Valuation Date:</u>	<p><u>Business Day Convention for a Holiday Type Determination Date for Valuation Date:</u></p> <p><u>A ‘scheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Preceding Business Day Convention.</u></p> <p><u>An ‘unscheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Following Business Day Convention.</u></p>
<u>Relevant Calendar for Valuation Date:</u>	<u>WMR Calendar</u>

iv. CHF/USD Non-Deliverable Currency Option Transactions

<u>Reference Currency:</u>	<u>CHF</u>
<u>Settlement Currency:</u>	<u>USD</u>
<u>Settlement Date:</u>	<p><u>Will be valid if a business day pursuant to the New York public holiday calendar (NYB), as published by Swaps Monitor Publications, Inc., and is a day on which the Clearing House is open for business.</u></p> <p><u>Will be subject to adjustment in accordance with the Following Business Day Convention if the Valuation Date is adjusted to a date equal to or after the Settlement Date. In such cases, the Settlement Date should be adjusted to the next Business Day</u></p>

	<u>(which also meets the foregoing requirements) after the Valuation Date.</u>
<u>Settlement:</u>	<u>Non-Deliverable</u>
<u>Settlement Rate (Option):</u>	<u>WM/Reuters Closing Spot Rate</u>
<u>Expiration Date:</u>	<u>Valuation Date</u>
<u>Expiration Time:</u>	<u>The time at which the Spot Rate is determined</u>
<u>Price Source Disruption:</u>	<u>Applicable</u>
<u>Maximum Days of Postponement:</u>	<u>1 day</u>
<u>Holiday Type Determination for Valuation Date:</u>	<p><u>A ‘scheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time greater than 48 hours prior to 9:00 London time on the Valuation Date.</u></p> <p><u>An ‘unscheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time less than or equal to 48 hours prior to 9:00 London time on the Valuation Date.</u></p>
<u>Convention for a Holiday Type Determination Date for Valuation Date:</u>	<p><u>Business Day Convention for a Holiday Type Determination Date for Valuation Date:</u></p> <p><u>A ‘scheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Preceding Business Day Convention.</u></p> <p><u>An ‘unscheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Following Business Day Convention.</u></p>
<u>Relevant Calendar for Valuation Date:</u>	<u>WMR Calendar</u>

v. JPY/USD Non-Deliverable Currency Option Transactions

<u>Reference Currency:</u>	<u>JPY</u>
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<u>Settlement Currency:</u>	<u>USD</u>
<u>Settlement Date:</u>	<p><u>Will be valid if a business day pursuant to the New York public holiday calendar (NYB), as published by Swaps Monitor Publications, Inc., and is a day on which the Clearing House is open for business.</u></p> <p><u>Will be subject to adjustment in accordance with the Following Business Day Convention if the Valuation Date is adjusted to a date equal to or after the Settlement Date. In such cases, the Settlement Date should be adjusted to the next Business Day (which also meets the foregoing requirements) after the Valuation Date.</u></p>
<u>Settlement:</u>	<u>Non-Deliverable</u>
<u>Settlement Rate (Option):</u>	<u>WM/Reuters Closing Spot Rate</u>
<u>Expiration Date:</u>	<u>Valuation Date</u>
<u>Expiration Time:</u>	<u>The time at which the Spot Rate is determined</u>
<u>Price Source Disruption:</u>	<u>Applicable</u>
<u>Maximum Days of Postponement:</u>	<u>1 day</u>
<u>Holiday Type Determination for Valuation Date:</u>	<p><u>A ‘scheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time greater than 48 hours prior to 9:00 London time on the Valuation Date.</u></p> <p><u>An ‘unscheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time less than or equal to 48 hours prior to 9:00 London time on the Valuation Date.</u></p>
<u>Convention for a Holiday Type Determination Date for Valuation Date:</u>	<p><u>Business Day Convention for a Holiday Type Determination Date for Valuation Date:</u></p> <p><u>A ‘scheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Preceding Business Day Convention.</u></p> <p><u>An ‘unscheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation</u></p>

	<u>Date will adjust the Valuation Date in accordance with the Following Business Day Convention.</u>
<u>Relevant Calendar for Valuation Date:</u>	<u>WMR Calendar</u>

Appendix IV
FCM Product Specific Contract Terms and Eligibility Criteria Manual



FCM PRODUCT SPECIFIC CONTRACT TERMS AND ELIGIBILITY CRITERIA
MANUAL

**SCHEDULE 3
FCM FOREXCLEAR**

**PART A
FCM FOREXCLEAR NDF CONTRACT TERMS**

The terms of a registered FCM ForexClear NDF Contract shall include these FCM ForexClear NDF Contract Terms which shall comprise:

Interpretation;

- (1) Economic Terms; and
- (2) Standard Terms, being both the:
 - A. Specific Standard Terms; and
 - B. General Standard Terms

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

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

1. Interpretation ("Interpretation")

- 1.1 "ISDA Definitions" means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by ISDA, EMTA and FXC, and the same are incorporated by reference herein.
- 1.2 "FXC" means the Foreign Exchange Committee or any successor entity
- 1.3 "ISDA" means International Swaps and Derivatives Association, Inc. or any successor entity.
- 1.4 Words and expressions used in these ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract NDF Terms which are not defined herein shall have the meanings given to them in the FCM Regulations and the FCM Procedures, unless expressly provided otherwise. Words and expressions used in these ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract NDF Terms which are not defined in the FCM Regulations and the FCM Procedures but which are defined in the ISDA Definitions shall have the meanings given to them in the ISDA Definitions, unless expressly provided otherwise.
- 1.5 In the event of an inconsistency, the FCM Regulations and the FCM Procedures will prevail over the ISDA Definitions.
- 1.6 References in the ISDA Definitions to an "FX Transaction" shall be deemed to be references to an "FCM ForexClear NDF Transaction" for the purposes of the FCM ForexClear Service.

- 1.7 Except where expressly stated otherwise, all reference to "**Sections**" means Sections in the ISDA Definitions.
- 1.8 In relation to any amendment to the ISDA Definitions published from time to time by ISDA, EMTA and FXC, the Clearing House may from time to time, by notice delivered to the FCM ForexClear Clearing Members, give directions as to whether such amendment shall apply to FCM ForexClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine (**provided that** in any event any such amendment shall only apply in relation to FCM ForexClear Contracts that have a Trade Date that falls on or after the effective date of such amendment).
- 1.9 Any such notice may provide that despite the application of any such amendment to the ISDA Definitions to FCM ForexClear Contracts going forward, these FCM ForexClear Contracts shall continue, for the purpose of margining, valuation, set-off or otherwise, to be regarded as fully fungible with FCM ForexClear Contracts registered in an FCM ForexClear Clearing Member's name prior to the time such amendment comes into effect.
- 1.10 The accidental omission to give notice under this provision to, or the non-receipt of notice under paragraphs 1.8 or 1.9 above by, any FCM ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

2. **Economic Terms**

- 2.1 The Economic Terms of an ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM ForexClear Transaction.
- 2.2 The particulars of an FCM ForexClear Transaction presented to the Clearing House must include matched information in respect of the following Economic Terms which are not predetermined in the EMTA Templates or LCH G10 NDF Contract Templates, where applicable:
- (1) Trade Date (Section 1.25)
 - (2) Forward Rate (Section 2.1(a))
 - (3) Reference Currency Notional Amount (Section 1.21) or Notional Amount (Section 1.17(b)) in USD
 - (4) Reference Currency Buyer (Section 1.20)
 - (5) Reference Currency Seller (Section 1.22)
 - (6) scheduled Settlement Date (Section 1.24) (where applicable, without prejudice to the adjustments set out in the relevant EMTA Template or LCH G10 NDF Contract Template)
 - (7) scheduled Valuation Date (Section 1.16(f)) (where applicable, without prejudice to the adjustments set out in the relevant EMTA Template or LCH G10 NDF Contract Template).

- 2.3 However, as set out more particularly in FCM Regulation 38, where the FCM ForexClear Transaction specifies an FCM ForexClear Clearing Member as the Reference Currency Seller, with the other FCM ForexClear Member as the Reference Currency Buyer, the Clearing House, in respect of each ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract to which it is party pursuant to the corresponding FCM ForexClear Transaction, shall be (i) the Reference Currency Buyer; and (ii) the Reference Currency Seller under such FCM ForexClear Contract, respectively.

3. **Specific Standard Terms ("Specific Standard Terms")**

The following terms are designated as Specific Standard Terms of a registered FCM ForexClear Contract:

- 3.1 The EMTA Template or LCH G10 NDF Contract Template appropriate to the particular Currency Pair is incorporated by reference into these ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract Terms, as amended herein, and governs the terms of an ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract relating to a given Currency Pair together with, and subject to, the Economic Terms set out in Clause 2 above, and the Specific Standard Terms and the General Standard Terms set out in this Clause 3 and the General Standard Terms set out in Clause 4 or Clause 5 below, as applicable. For the avoidance of doubt, each EMTA Template shall be deemed to exclude the EMTA Template Terms for Non-Deliverable Cross-Currency FX Transactions published by EMTA on 31 May 2011.

- 3.2 In the format "Reference Currency – Settlement Currency", the Currency Pairs are

- (1) BRL-USD
- (2) CLP-USD
- (3) CNY-USD
- (4) INR-USD
- (5) KRW-USD
- (6) RUB-USD
- (7) COP-USD
- (8) IDR-USD
- (9) MYR-USD
- (10) PHP-USD
- (11) TWD-USD
- (12) PEN-USD
- (13) EUR-USD

- (14) GBP-USD
- (15) AUD-USD
- (16) CHF-USD
- (17) JPY-USD

3.3 Where applicable, certain Specific Standard Terms of each ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract are not provided in the EMTA Templates, but the parties to the corresponding FCM ForexClear Transaction will be required to accept the Specific Standard Terms set out below in each FCM ForexClear Contract:

- (1) Date of Annex A (Section 4.2):

Annex A to the ISDA Definitions is incorporated as amended as at the Trade Date.

- (2) Reference Currency (Section 1.19):

To be determined by using the EMTA Template or LCH G10 NDF Contract Template appropriate to the particular Currency Pair.

Calculation Agent (Section 1.3):

- (3) The Clearing House is the Calculation Agent.

3.4 If the terms of an EMTA Template conflict with these ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract Terms, these ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract Terms shall prevail. If the terms of an EMTA Template conflict with the ISDA Definitions, the terms of the EMTA Template shall prevail.

4. **General Standard Terms ("General Standard Terms")**

The following terms are designated as General Standard Terms of a registered FCM ForexClear Contract:

4.1 ***Business Days***

For the purposes of determining the Settlement Date and the Valuation Date only, in addition to the Business Days for the Principal Financial Centers for the Currency Pair specified in the relevant Economic Terms, the Business Days specified in the Swaps Monitor Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the FCM Procedures) from time to time, will apply to an FCM ForexClear Contract, except where the Clearing House notifies FXCCMs otherwise in accordance with section 2.2.8(k) (*Reference Data*) of the FCM Procedures.

4.2 ***Withholding Tax Provisions***

4.2.1 All payments due under an ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract shall be made by the FCM ForexClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments

in respect of which such deduction or withholding is required to be made, by the FCM ForexClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

- 4.2.2 All payments due under an ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract shall be made by the Clearing House free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing House, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the FCM ForexClear Clearing Member receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

4.3 *Payment of Stamp Tax*

Each FCM ForexClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract to which it is a party by a jurisdiction in which it is incorporated, organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction, and will indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract registered by the Clearing House and to which that FCM ForexClear Clearing Member is a party.

4.4 *Discontinuation of a Settlement Rate Option*

- (a) If:
- (i) the administrator of a benchmark that is a Settlement Rate Option has publicly announced that it will discontinue publication of the benchmark ("**Discontinued Rate**"); and
 - (ii) ISDA has published a "Multilateral Amendment Agreement" to amend certain transactions to use an alternative benchmark ("**Substitute Rate**") in the lieu of the Discontinued Rate on and from a specified date ("**Effective Date**"),

then, in respect of an ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract in respect of which a settlement rate has not been determined as at the Effective Date and which references the Discontinued Rate ("**Affected FCM ForexClear Contract**"), the Clearing House may, by written notice to all FCM ForexClear Clearing Members, amend the Settlement Rate Option of each Affected ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract to reference the Substitute Rate with effect on and from the Effective Date and specify such incidental

amendments to the Affected ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract as may be required.

The terms "ISDA", "Settlement Rate Option" and "Valuation Date" have the meanings given to them by the ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract Terms.

- (b) The accidental omission to give notice under this provision to, or the non-receipt of notice by, any FCM ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

4.5 ***Payments under an FCM ForexClear Contract***

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

4.6 ***FCM Regulations***

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

4.7 ***Governing Law***

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

4.8 ***Third Party Rights***

A person who is not a party to this ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract shall have no rights under or in respect of it. Rights of third parties to enforce

any terms of this ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract are expressly excluded.

5. General Standard Terms – G10 Currencies ("General Standard Terms – G10 Currencies")

The following terms are designated as General Standard Terms – G10 Currencies of a registered ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract – G10 Currencies:

5.1 Valuation Postponement for Price Source Disruption

“**Valuation Postponement**” means, for purposes of obtaining a Settlement Rate, that the Settlement Rate will be determined on the business day first succeeding the day on which the Price Source Disruption ceases to exist, unless the Price Source Disruption continues to exist (measured from the date, that, but for the occurrence of the Price Source Disruption, would have been the Valuation Date) for a consecutive number of calendar days equal to the Maximum Days of Postponement. In such event, the Settlement Rate will be determined on the next business day after the Maximum Days of Postponement as being the applicable Fallback Reference Price.

5.2 Fallback Reference Price

“**Fallback Reference Price**” means the Clearing House calculated end of day spot price for the applicable Currency Pair from the previous end of day margin run.

5.3 WM/Reuters Closing Spot Rate

“**WM/Reuters Closing Spot Rate**” means, for the relevant Currency Pair, the exchange rate at the relevant time at which such rate is to determined for foreign exchange transactions for value on the relevant Settlement Date, as calculated and published by the WM Company and Thomson Reuters, which appears on the respective Thomson Reuters screen, as follows:

- (a) Reference Currency: AUD; Settlement Currency: USD; Thomson Reuters Screen: USDAUDFIXM=WM
- (b) Reference Currency: GBP; Settlement Currency: USD; Thomson Reuters Screen: USDGBPFIXM=WM
- (c) Reference Currency: EUR; Settlement Currency: USD; Thomson Reuters Screen: USDEURFIXM=WM
- (d) Reference Currency: CHF; Settlement Currency: USD; Thomson Reuters Screen: USDCHFFIXM=WM
- (e) Reference Currency: JPY; Settlement Currency: USD; Thomson Reuters USDJPYFIXM=WM

PART B

REGISTRATION OF AN ~~FCM FOREXCLEAR CONTRACT~~ FCM FOREXCLEAR NDF CONTRACT - PRODUCT ELIGIBILITY CRITERIA

1. Registration of an FCM ForexClear Contract

Without prejudice to the FCM Regulations and the FCM Procedures, the Clearing House will only register an ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the Product Eligibility Criteria set out in paragraphs 2 or 3 below, as applicable, for an FCM ForexClear Transaction;
- (b) each party to the transaction is an Executing Party; and
- (c) the FCM ForexClear Clearing Member in whose name the ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract is to be registered has not been declared a defaulter by the Clearing House.

and the requirements of paragraph 1(a), (b) and (c) above continue to be satisfied at the Registration Time.

2. FCM ForexClear Product Eligibility Criteria for an ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract – Emerging Currencies

Instrument Non-Deliverable FX Transaction

Economic Terms The transaction particulars submitted to the Clearing House specify all the Economic Terms.

Reference Currency One of:

1. BRL – Brazilian Real,
2. RUB – Russian Rouble,
3. INR – Indian Rupee,
4. CLP – Chilean Peso,
5. CNY – Chinese Yuan,
6. KRW – South Korean Won,
7. COP – Colombian Peso,
8. IDR – Indonesian Rupiah,
9. MYR – Malaysian Ringgit,
10. PHP – Philippine Peso, or

11. TWD – Taiwan Dollar.

12. PEN – Peruvian Sol

Valuation Date

A date with respect to the Currency Pair to which the FCM ForexClear NDF Transaction relates and is (i) a valid Business Day, (ii) no earlier than the Business Day (as defined in the FCM Regulations) immediately following the Submission Date and (iii) determined as set forth in the FCM Procedures and/or relevant EMTA Template for the Currency Pair.

Settlement Date

A date with respect to the Currency Pair to which the FCM ForexClear NDF Transaction relates and is:

- A. no earlier than the date immediately following the Valuation Date; and
- B. no later than the date falling two calendar years plus two Business Days immediately following the Submission Date, **provided that** in each case such date shall be: (i) a valid Business Day and (ii) determined as set out in the FCM Procedures and/or relevant EMTA Template.

Settlement Type Non-Deliverable

Settlement Currency USD

Calculation Agent The Clearing House

3. **FCM ForexClear Product Eligibility Criteria for an ~~FCM ForexClear Contract~~ FCM ForexClear NDF Contract – G10 Currencies**

Instrument Non-Deliverable FX Transaction – G10 Currencies

Economic Terms The transaction particulars submitted to the Clearing House specify all the Economic Terms.

Reference Currency One of:

- 1. EUR – Euro,
- 2. GBP – British Pound,
- 3. AUD – Australian Dollar,
- 4. CHF – Swiss Franc, or
- 5. JPY – Japanese Yen.

PART B
REGISTRATION OF AN FCM FOREXCLEAR NDO CONTRACT - PRODUCT
ELIGIBILITY CRITERIA

1. Registration of an FCM ForexClear NDO Contract

Without prejudice to the FCM Regulations and the FCM Procedures, the Clearing House will only register an FCM ForexClear NDO Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the FCM Product Eligibility Criteria set out in paragraph 2 or 3 below, as applicable, for an FCM ForexClear NDO Transaction;
- (b) each party to the transaction is an Executing Party; and
- (c) the FCM ForexClear Clearing Member in whose name the FCM ForexClear NDO Contract is to be registered has not been declared a defaulter by the Clearing House.

and the requirements of paragraphs 1(a), (b) and (c) above continue to be satisfied at the Registration Time.

2. Product Eligibility Criteria for an FCM ForexClear NDO Contract

<u>Instrument</u>	<u>Non-Deliverable Currency Option Transaction</u>
<u>Economic Terms</u>	<u>The transaction particulars submitted to the Clearing House specify all the Economic Terms.</u>
<u>Currency Pair</u>	<u>One of</u>
	<u>USD/BRL,</u>
	<u>USD/KRW,</u>
	<u>USD/INR,</u>
	<u>USD/TWD,</u>
	<u>AUD/USD,</u>
	<u>EUR/USD,</u>
	<u>GBP/USD,</u>
	<u>CHF/USD, or</u>
	<u>JPY/USD</u>
<u>Valuation Date</u>	<u>A date with respect to the Currency Pair to which the FCM ForexClear NDO Transaction relates and is (i) a valid Business Day, (ii) no earlier than the Business Day</u>

	<u>immediately following the Submission Date and (iii) determined as set forth in the FCM Procedures, relevant EMTA Template or relevant LCH G10 NDO Contract Template, as applicable, for the Currency Pair.</u>
<u>Settlement Date</u>	<u>A date with respect to the Currency Pair to which the FCM ForexClear NDO Transaction relates and is:</u>
	<u>no earlier than the date immediately following the Valuation Date; and</u>
	<u>(A) with respect to FCM ForexClear NDO Contracts where BRL is the Reference Currency, no later than the date falling five (5) calendar years plus two Business Days immediately following the Submission Date and (B) for all other FCM ForexClear NDO Contracts, no later than the date falling two (2) calendar years plus two Business Days immediately following the Submission Date, provided that in each case such date shall be: (i) a valid Business Day and (ii) determined as set forth in the FCM Procedures, relevant EMTA Template or relevant LCH G10 NDF Contract Template, as applicable, for the Currency Pair.</u>
<u>Settlement Type</u>	<u>Non-Deliverable</u>
<u>Settlement Currency</u>	<u>USD</u>
<u>Settlement Rate Option</u>	<u>As set forth in the relevant EMTA Template or LCH G10 Contract Template</u>
<u>Calculation Agent</u>	<u>The Clearing House</u>

PART C LCH G10 NDO CONTRACT TEMPLATES**i. EUR/USD Non-Deliverable Currency Option Transactions**

<u>Reference Currency:</u>	<u>EUR</u>
<u>Settlement Currency:</u>	<u>USD</u>
<u>Settlement Date:</u>	<p><u>Will be valid if a business day pursuant to the New York public holiday calendar (NYB), as published by Swaps Monitor Publications, Inc., and is a day on which the Clearing House is open for business.</u></p> <p><u>Will be subject to adjustment in accordance with the Following Business Day Convention if the Valuation Date is adjusted to a date equal to or after the Settlement Date. In such cases, the Settlement Date should be adjusted to the next Business Day (which also meets the foregoing requirements) after the Valuation Date.</u></p>
<u>Settlement:</u>	<u>Non-Deliverable</u>
<u>Settlement Rate (Option):</u>	<u>WM/Reuters Closing Spot Rate</u>
<u>Expiration Date:</u>	<u>Valuation Date</u>
<u>Expiration Time:</u>	<u>The time at which the Spot Rate is determined</u>
<u>Price Source Disruption:</u>	<u>Applicable</u>
<u>Maximum Days of Postponement:</u>	<u>1 day</u>
<u>Holiday Type Determination for Valuation Date:</u>	<p><u>A ‘scheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time greater than 48 hours prior to 9:00 London time on the Valuation Date.</u></p> <p><u>An ‘unscheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time less than or equal to 48 hours prior to 9:00 London time on the Valuation Date.</u></p>
<u>Business Day Convention for a Holiday Type Determination Date for Valuation Date:</u>	<p><u>Business Day Convention for a Holiday Type Determination Date for Valuation Date:</u></p> <p><u>A ‘scheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust</u></p>

	<p><u>the Valuation Date in accordance with the Preceding Business Day Convention.</u></p> <p><u>An ‘unscheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Following Business Day Convention.</u></p>
<u>Relevant Calendar for Valuation Date:</u>	<u>WMR Calendar</u>

ii. GBP/USD Non-Deliverable Currency Option Transactions

<u>Reference Currency:</u>	<u>GBP</u>
<u>Settlement Currency:</u>	<u>USD</u>
<u>Settlement Date:</u>	<p><u>Will be valid if a business day pursuant to the New York public holiday calendar (NYB), as published by Swaps Monitor Publications, Inc., and is a day on which the Clearing House is open for business.</u></p> <p><u>Will be subject to adjustment in accordance with the Following Business Day Convention if the Valuation Date is adjusted to a date equal to or after the Settlement Date. In such cases, the Settlement Date should be adjusted to the next Business Day (which also meets the foregoing requirements) after the Valuation Date.</u></p>
<u>Settlement:</u>	<u>Non-Deliverable</u>
<u>Settlement Rate (Option):</u>	<u>WM/Reuters Closing Spot Rate</u>
<u>Expiration Date:</u>	<u>Valuation Date</u>
<u>Expiration Time:</u>	<u>The time at which the Spot Rate is determined</u>
<u>Price Source Disruption:</u>	<u>Applicable</u>
<u>Maximum Days of Postponement:</u>	<u>1 day</u>
<u>Holiday Type Determination for Valuation Date:</u>	<u>A ‘scheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time greater than 48 hours prior to 9:00 London time on the Valuation Date.</u>

	<u>An ‘unscheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time less than or equal to 48 hours prior to 9:00 London time on the Valuation Date.</u>
<u>Convention for a Holiday Type Determination Date for Valuation Date:</u>	<p><u>Business Day Convention for a Holiday Type Determination Date for Valuation Date:</u></p> <p><u>A ‘scheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Preceding Business Day Convention.</u></p> <p><u>An ‘unscheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Following Business Day Convention.</u></p>
<u>Relevant Calendar for Valuation Date:</u>	<u>WMR Calendar</u>

iii. AUD/USD Non-Deliverable Currency Option Transactions

<u>Reference Currency:</u>	<u>AUD</u>
<u>Settlement Currency:</u>	<u>USD</u>
<u>Settlement Date:</u>	<p><u>Will be valid if a business day pursuant to the New York public holiday calendar (NYB), as published by Swaps Monitor Publications, Inc., and is a day on which the Clearing House is open for business.</u></p> <p><u>Will be subject to adjustment in accordance with the Following Business Day Convention if the Valuation Date is adjusted to a date equal to or after the Settlement Date. In such cases, the Settlement Date should be adjusted to the next Business Day (which also meets the foregoing requirements) after the Valuation Date.</u></p>
<u>Settlement:</u>	<u>Non-Deliverable</u>
<u>Settlement Rate (Option):</u>	<u>WM/Reuters Closing Spot Rate</u>
<u>Expiration Date:</u>	<u>Valuation Date</u>
<u>Expiration Time:</u>	<u>The time at which the Spot Rate is determined</u>

<u>Price Source Disruption:</u>	<u>Applicable</u>
<u>Maximum Days of Postponement:</u>	<u>1 day</u>
<u>Holiday Type Determination for Valuation Date:</u>	<p><u>A ‘scheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time greater than 48 hours prior to 9:00 London time on the Valuation Date.</u></p> <p><u>An ‘unscheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time less than or equal to 48 hours prior to 9:00 London time on the Valuation Date.</u></p>
<u>Convention for a Holiday Type Determination Date for Valuation Date:</u>	<p><u>Business Day Convention for a Holiday Type Determination Date for Valuation Date:</u></p> <p><u>A ‘scheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Preceding Business Day Convention.</u></p> <p><u>An ‘unscheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Following Business Day Convention.</u></p>
<u>Relevant Calendar for Valuation Date:</u>	<u>WMR Calendar</u>

iv. CHF/USD Non-Deliverable Currency Option Transactions

<u>Reference Currency:</u>	<u>CHF</u>
<u>Settlement Currency:</u>	<u>USD</u>
<u>Settlement Date:</u>	<p><u>Will be valid if a business day pursuant to the New York public holiday calendar (NYB), as published by Swaps Monitor Publications, Inc., and is a day on which the Clearing House is open for business.</u></p> <p><u>Will be subject to adjustment in accordance with the Following Business Day Convention if the Valuation Date is adjusted to a date equal to or after the Settlement Date. In such cases, the</u></p>

	<u>Settlement Date should be adjusted to the next Business Day (which also meets the foregoing requirements) after the Valuation Date.</u>
<u>Settlement:</u>	<u>Non-Deliverable</u>
<u>Settlement Rate (Option):</u>	<u>WM/Reuters Closing Spot Rate</u>
<u>Expiration Date:</u>	<u>Valuation Date</u>
<u>Expiration Time:</u>	<u>The time at which the Spot Rate is determined</u>
<u>Price Source Disruption:</u>	<u>Applicable</u>
<u>Maximum Days of Postponement:</u>	<u>1 day</u>
<u>Holiday Type Determination for Valuation Date:</u>	<p><u>A ‘scheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time greater than 48 hours prior to 9:00 London time on the Valuation Date.</u></p> <p><u>An ‘unscheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time less than or equal to 48 hours prior to 9:00 London time on the Valuation Date.</u></p>
<u>Convention for a Holiday Type Determination Date for Valuation Date:</u>	<p><u>Business Day Convention for a Holiday Type Determination Date for Valuation Date:</u></p> <p><u>A ‘scheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Preceding Business Day Convention.</u></p> <p><u>An ‘unscheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Following Business Day Convention.</u></p>
<u>Relevant Calendar for Valuation Date:</u>	<u>WMR Calendar</u>

v. JPY/USD Non-Deliverable Currency Option Transactions

<u>Reference Currency:</u>	<u>JPY</u>
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<u>Settlement Currency:</u>	<u>USD</u>
<u>Settlement Date:</u>	<p><u>Will be valid if a business day pursuant to the New York public holiday calendar (NYB), as published by Swaps Monitor Publications, Inc., and is a day on which the Clearing House is open for business.</u></p> <p><u>Will be subject to adjustment in accordance with the Following Business Day Convention if the Valuation Date is adjusted to a date equal to or after the Settlement Date. In such cases, the Settlement Date should be adjusted to the next Business Day (which also meets the foregoing requirements) after the Valuation Date.</u></p>
<u>Settlement:</u>	<u>Non-Deliverable</u>
<u>Settlement Rate (Option):</u>	<u>WM/Reuters Closing Spot Rate</u>
<u>Expiration Date:</u>	<u>Valuation Date</u>
<u>Expiration Time:</u>	<u>The time at which the Spot Rate is determined</u>
<u>Price Source Disruption:</u>	<u>Applicable</u>
<u>Maximum Days of Postponement:</u>	<u>1 day</u>
<u>Holiday Type Determination for Valuation Date:</u>	<p><u>A ‘scheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time greater than 48 hours prior to 9:00 London time on the Valuation Date.</u></p> <p><u>An ‘unscheduled holiday’ is deemed to be such when it (i) falls on the Valuation Date and (ii) is published in the SwapsMonitor Financial Calendar (with respect to the Relevant Calendar for Valuation Date) at a time less than or equal to 48 hours prior to 9:00 London time on the Valuation Date.</u></p>
<u>Convention for a Holiday Type Determination Date for Valuation Date:</u>	<p><u>Business Day Convention for a Holiday Type Determination Date for Valuation Date:</u></p> <p><u>A ‘scheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation Date will adjust the Valuation Date in accordance with the Preceding Business Day Convention.</u></p> <p><u>An ‘unscheduled holiday’ pursuant to Holiday Type Determination for Valuation Date with respect to the Valuation</u></p>

	<u>Date will adjust the Valuation Date in accordance with the Following Business Day Convention.</u>
<u>Relevant Calendar for Valuation Date:</u>	<u>WMR Calendar</u>

PART D
FCM FOREXCLEAR NDO CONTRACT TERMS; FCM FOREXCLEAR CONTRACTS
ARISING FROM FCM FOREXCLEAR NDO TRANSACTIONS

Where an FCM ForexClear NDO Contract arises between the Clearing House and an FCM ForexClear Clearing Member pursuant to the FCM Regulations and the terms of any agreement entered into between them, the terms of such registered FCM ForexClear NDO Contract shall include these FCM ForexClear NDO Contract Terms, which shall comprise:

- (1) Interpretation;
- (2) Economic Terms; and
- (3) Standard Terms.

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

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

1. Interpretation ("Interpretation")

- 1.1 "ISDA Definitions" means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by ISDA, EMTA and FXC and, as applicable, are incorporated by reference herein.
- 1.2 "FXC" means the Foreign Exchange Committee or any successor entity.
- 1.3 "ISDA" means the International Swaps and Derivatives Association, Inc. or any successor entity.
- 1.4 Words and expressions used in these FCM ForexClear NDO Contract Terms that are not defined herein shall have the meaning given to them in the FCM Regulations or the FCM Procedures, unless expressly provided otherwise. Words and expressions used in these FCM ForexClear NDO Contract Terms that are not defined in the FCM Regulations and the FCM Procedures, but which are defined in the ISDA Definitions, EMTA Templates or LCH G10 NDO Contract Templates, shall have the meanings given to them in the ISDA Definitions, EMTA Templates or LCH G10 NDO Contract Templates, unless expressly provided otherwise.
- 1.5 In the event of an inconsistency or conflict, the FCM Regulations and FCM Procedures will prevail over the ISDA Definitions.
- 1.6 References in the ISDA Definitions to a "Currency Option Transaction" shall be deemed to be references to an "FCM ForexClear NDO Transaction" for the purposes of these FCM ForexClear NDO Contract Terms.
- 1.7 Except where expressly stated otherwise, all reference to "Sections" means Sections in the ISDA Definitions.

- 1.8 In relation to any amendment to the ISDA Definitions published from time to time by ISDA, EMTA and FXC, the Clearing House may from time to time, by notice delivered to the FCM ForexClear Clearing Members, give directions as to whether such amendment shall apply to FCM ForexClear NDO Contracts and, if so, with immediate effect or with such deferred effect as the Clearing House shall determine (provided that in any event any such amendment shall only apply in relation to FCM ForexClear NDO Contracts that have a Trade Date that falls on or after the effective date of such amendment).
- 1.9 Any such notice may provide that despite the application of any such amendment to the ISDA Definitions to FCM ForexClear NDO Contracts going forward, these FCM ForexClear NDO Contracts shall continue, for the purpose of margining, valuation, set-off or otherwise, to be regarded as fully fungible with FCM ForexClear NDO Contracts registered in a FCM ForexClear Clearing Member's name prior to the time such amendment comes into effect.
- 1.10 The omission to give notice under this provision to, or the non-receipt of notice under paragraphs 1.8 or 1.9 above by, any FCM ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

2. Economic Terms

- 2.1 The Economic Terms of an FCM ForexClear NDO Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM ForexClear NDO Transaction.
- 2.2 The particulars of an FCM ForexClear NDO Transaction presented to the Clearing House must include matched information in respect of the following Economic Terms that are not predetermined in the relevant EMTA Template or LCH G10 NDO Contract Template, where applicable:
- (a) Trade Date (Section 1.25)
 - (b) Buyer (Section 3.1(a))
 - (c) Seller (Section 3.1(f))
 - (d) Call Currency (Section 3.1(b))
 - (e) Call Currency Amount (Section 3.1(c))
 - (f) Put Currency (Section 3.1(d))
 - (g) Put Currency Amount (Section 3.1(e))
 - (h) Strike Price (Section 3.1(g))
 - (i) Settlement Date (Section 1.24)
 - (j) Valuation Date (Section 1.16(f))
 - (k) Premium; Price (Section 3.4(a))
 - (l) Premium Payment Date (Section 3.4(b))

2.3 However, as set out more particularly in FCM Regulation 38, where the FCM ForexClear NDO Transaction specifies an FCM ForexClear Clearing Member as the Seller, with the other FCM ForexClear Member as the Buyer, the Clearing House, in respect of each FCM ForexClear NDO Contract to which it is party pursuant to the corresponding FCM ForexClear NDO Transaction, shall be (i) the Buyer; and (ii) the Seller under such FCM ForexClear NDO Contract, respectively.

3. **Standard Terms ("Standard Terms")**

The following terms are the Standard Terms of a registered FCM ForexClear NDO Contract:

3.1 **Non-Deliverable Transaction**

The FCM ForexClear NDO Transaction evidenced by these FCM ForexClear NDO Contract Terms shall be a Non-Deliverable Currency Option Transaction.

3.2 **Currency Option Style (Section 3.2)**

European

3.3 **Currency Option Type (Section 3.3)**

Put / Call

3.4 **Date of Annex A (Section 4.2)**

Annex A to the ISDA Definitions is incorporated, as amended as at the Trade Date.

3.5 **Calculation Agent (Section 1.3)**

The Clearing House is the Calculation Agent.

3.6 **Exercise (Section 3.6(a)) and Effectiveness of Notice of Exercise (Section 3.6(b))**

The FCM Procedures shall govern the method by which the parties to an FCM ForexClear NDO Contract shall be able to exercise the rights granted pursuant to the related FCM ForexClear NDO Transaction and the effectiveness of such exercise. Accordingly, Section 3.6(a) and Section 3.6(b) of the ISDA Definitions shall each be disapplied in their entirety.

3.7 **Automatic Exercise (Section 3.6(c))**

(a) Subject to (b) below, Automatic Exercise shall be applicable to an FCM ForexClear NDO Transaction and the related FCM ForexClear NDO Contract.

(b) The manner in which Automatic Exercise shall apply to an FCM ForexClear NDO Transaction and the related FCM ForexClear NDO Contract shall not be as set forth in Section 3.6(c) of the ISDA Definitions, but in accordance with, and subject to, the FCM Procedures.

3.8 **Terms Relating to Settlement (Section 3.7(b))**

The FCM Procedures shall govern the settlement of an FCM ForexClear NDO Transaction and the related FCM ForexClear NDO Contract and, accordingly, Section 3.7(b) of the ISDA Definitions shall be disappplied in its entirety (as applicable).

3.9 Business Days

For the purposes of determining the Settlement Date, Valuation Date and Expiration Date, in addition to the Business Days for the Principal Financial Centers for the Currency Pair specified in the relevant Economic Terms, the Business Days specified in the Swaps Monitor Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the FCM Procedures) from time to time, will apply to an FCM ForexClear NDO Contract, except where the Clearing House notifies FCM ForexClear Clearing Members otherwise in accordance with the Procedures.

3.10 Withholding Tax Provisions

- (a) All payments due under an FCM ForexClear NDO Contract shall be made by the FCM ForexClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the FCM ForexClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.
- (b) All payments due under an FCM ForexClear NDO Contract shall be made by the Clearing House free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing House, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the FCM ForexClear Clearing Member receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

3.11 Payment of Stamp Tax

Each FCM ForexClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any FCM ForexClear NDO Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located ("**Stamp Tax Jurisdiction**") or by any other jurisdiction, and will indemnify the Clearing House against any Stamp Tax or duty levied or imposed upon the Clearing House by any such Stamp Tax Jurisdiction or by any other jurisdiction in respect of any FCM ForexClear NDO Contract registered by the Clearing House and to which that FCM ForexClear Clearing Member is a party.

3.12 **Payments under an FCM ForexClear NDO Contract**

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

3.13 **Regulations**

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

3.14 **Governing Law**

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

3.15 **Third Party Rights**

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

3.16 **Valuation Postponement for Price Source Disruption**

“**Valuation Postponement**” means, for purposes of obtaining a Settlement Rate, that the Settlement Rate will be determined on the Business Day first succeeding the day on which the Price Source Disruption ceases to exist, unless the Price Source Disruption continues to exist (measured from the date, that, but for the occurrence of the Price Source Disruption, would have been the Valuation Date) for a consecutive number of calendar days equal to the Maximum Days of Postponement. In such event, the Settlement Rate will be determined on the next Business Day after the Maximum Days of Postponement as being the applicable Fallback Reference Price.

“**Fallback Reference Price**” means the Clearing House calculated end of day spot price for the applicable Currency Pair from the previous end of day margin run.

3.17 WM/Reuters Closing Spot Rate

The following shall only apply to an FCM ForexClear NDO Contract where EUR, GBP, AUD, CHF or JPY is the Reference Currency:

“WM/Reuters Closing Spot Rate” means, for the relevant Currency Pair, the exchange rate at the relevant time at which such rate is to determined for foreign exchange transactions for value on the relevant Settlement Date, as calculated and published by the WM Company and Thomson Reuters, which appears on the respective Thomson Reuters screen, as follows:

- (a) Reference Currency: AUD; Settlement Currency: USD; Thomson Reuters Screen: USDAUDFIXM=WM;
- (b) Reference Currency: GBP; Settlement Currency: USD; Thomson Reuters Screen: USDGBPFIXM=WM;
- (c) Reference Currency: EUR; Settlement Currency: USD; Thomson Reuters Screen: USDEURFIXM=WM;
- (d) Reference Currency: CHF; Settlement Currency: USD; Thomson Reuters Screen: USDCHFFIXM=WM; or
- (e) Reference Currency: JPY; Settlement Currency: USD; Thomson Reuters USDJPYFIXM=WM.

4. If the terms of an EMTA Template or LCH G10 NDO Contract Template conflict with these FCM ForexClear NDO Contract Terms, these FCM ForexClear NDO Contract Terms shall prevail. If the terms of an EMTA Template conflict with the ISDA Definitions, the terms of the EMTA Template shall prevail.

Appendix V
Procedures Section 2I (ForexClear Clearing Service)



LCH LIMITED

PROCEDURES SECTION 2I

FOREXCLEAR CLEARING SERVICE

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1. INTRODUCTION AND INTERPRETATION

These Procedures govern the ForexClear Service, form part of the Rulebook and must be read in conjunction with the other parts of the Rulebook.

Capitalised terms used in these Procedures not otherwise defined herein have the meanings ascribed to them in the Rulebook.

References to "**Sections**" shall mean sections in these Procedures.

References to "**Business Day**", "**Calculation Agent**", "**Disruption Fallback**", "**Notional Amount**", "**Reference Currency**", "**Settlement Currency**", "**Settlement Currency Amount**", "**Settlement Date**", "**Settlement Rate**", "**Settlement Rate Option**", "**Trade Date**", "**Valuation Date**", and "**Valuation Postponement**" shall carry the meanings given to them in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time with respect to the relevant Currency Pair.

References to "**business day**" shall carry the meaning given to it in the Rulebook.

References to "**Currency Pair**" are to the relevant currency pairs specified in the Schedule to the ForexClear Regulations.

"**EMTA**" means EMTA Inc., the trade association for the emerging markets that was formerly known as the Emerging Markets Traders Association, or any successor entity.

"**EMTA Template**" means, where applicable, the template terms for a Non-Deliverable FX Transaction or Non-Deliverable Currency Option Transaction for a particular Currency Pair that are in effect and published by EMTA on its website on the relevant Trade Date.

"**ForexClear Margin or Settlement Currency**" means

- (a) in the case of a ForexClear Non-Deliverable~~NDF~~ Contract, USD; or
- (b) in the case of ~~all other~~a ForexClear Deliverable Contract~~Contracts~~, the ForexClear Currency or ForexClear Currencies elected as such by the FXCCM party to such ForexClear ~~STM~~ Contract at registration of such ForexClear ~~STM~~ Contract, provided that the Clearing House has permitted such currency or currencies to be chosen for such purpose.

"**LCH G10 ~~NDF~~ Contract Template**" means, where applicable, the template terms for a ForexClear Non-Deliverable FX Transaction for a particular Currency Pair that are set forth in the LCH G10 NDF~~ForexClear~~ Contract Terms or LCH G10 NDO Contract Terms.

"**NPV Payment**" means, in respect of a business day and a ForexClear STM Contract that is settled-to-market daily in accordance with Regulation 106A, the amount or amounts paid by either the relevant FXCCM or the Clearing House to the other on such business day in respect of the change in the net present value of that ForexClear STM Contract (or the obligations thereunder) in accordance with the ForexClear STM Terms applicable to that ForexClear STM Contract.

“**Relevant EMTA Template**” means, for a particular ForexClear Contract, the EMTA Template that is incorporated by reference into the ForexClear Contract Terms applicable to such Contract, together with any amendments thereto as set out in the ForexClear Contract Terms.

“**Submission Date**” means the date on which a given trade is submitted to the Clearing House for registration.

Unless otherwise specified, all times are in local London time.

The liability of the Clearing House is as set out in Regulation 52 (*Exclusion of Liability*), which applies to these Procedures in its entirety unless provided otherwise.

1.1 Users of the ForexClear Service

The ForexClear Service is an interface that processes and stores all ForexClear Transactions. FXCCMs are [Clearing Members](#) ~~clearing members~~ who have applied and have been accepted by the Clearing House to clear in the ForexClear Service. FXDs are not FXCCMs, but have met the criteria for registration as a FXD and have entered into a ForexClear Dealer Clearing Agreement with an FXCCM and the Clearing House. FXCCMs, FXDs, ForexClear Clearing Clients and, in respect of hedging ForexClear Transactions executed for the purpose of Risk Neutralisation, the Clearing House are collectively known as ForexClear Participants (“FXPs”). For membership procedures, please see Section 1 (*Clearing Member and Dealer Status*) of the Procedures.

For identification purposes, each FXCCM is assigned a unique three-character mnemonic.

- 1.1.1 *Termination of FXCCM Status:* Clearing Members should contact the Clearing House Onboarding Department (+44 (0)207 426 7891/7627/7063; onboarding@lch.com) for details of how to resign from the ForexClear Service.
- 1.1.2 *Termination of FXD Status:* The ForexClear Dealer Agreement and Regulation 8 (*Dealer Status*) set out how the FXD relationship may be terminated.

1.2 Service Scope

1.2.1 Eligibility: ForexClear Transactions may be submitted for clearing through the ForexClear Service. To be eligible to be registered as a ForexClear Contract, a trade must meet the applicable ForexClear Eligibility Criteria (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).

1.2.2 Service Operating Hours

- (a) *Opening Days*: The ForexClear Service will be open each day, except weekends, Christmas Day and New Year's Day.
- (b) *Opening Hours*: The ForexClear Service will be open between 20:00 local London time Sunday night and 01:00 local London time Saturday morning ("**Opening Hours**"). The ForexClear Service will not accept ForexClear Transactions outside of these hours.

1.2.3 Accounts

(a) *Proprietary Accounts and Client Accounts*

(i) Proprietary Accounts

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

- (A) one or more position accounts; and
- (B) one or more collateral accounts.

(ii) Client Accounts

(A) Types of Client Account

Subject to Regulation 11 (*Client Clearing Business*) and Section 1.12 (~~*ForexClear Client Clearing*~~~~*ForexClear Client Clearing*~~) below, an FXCCM may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

- (1) Individual Segregated Accounts;
- (2) Indirect Gross Accounts;
- (3) Non-Identified Client Omnibus Net Segregated Accounts;
- (4) Identified Client Omnibus Net Segregated Accounts;

- (5) Affiliated Client Omnibus Net Segregated Accounts;
 - (6) Omnibus Gross Segregated Accounts; and/or
 - (7) Indirect Net Accounts.
 - (iii) Each Client Account will map to two or more sub-accounts:
 - (A) one or more position accounts; and
 - (B) one or more collateral accounts.
- (b) *Position-Keeping Accounts*
 - (i) Each FXCCM's position and financial information are identified by position-keeping accounts corresponding to a single character code: H for the FXCCM's house business; C for ForexClear Client Clearing Business; and, as applicable, Q for ForexClear Liquidity Fund Contributions.
 - (ii) Sub-accounts within the FXCCM's "H" house position-keeping account may be set up (e.g. for branches or FXDs). Each such sub-account will carry the unique Bank Identifier Code ("**BIC**") of the relevant branch/ FXD.
- (c) *Other Accounts*
 - (i) *Operational Accounts*

The Clearing House will open operational accounts, in respect of an FXCCM, which are used to record cash and securities balances and its ForexClear Contributions. The Clearing House may open and close such operational accounts, in its sole discretion, upon notice to the relevant FXCCM. ForexClear Operations will provide details of such accounts to an FXCCM upon request.
 - (ii) *ForexClear Client Clearing*

If an FXCCM engages in ForexClear Client Clearing Business, the Clearing House will maintain a client "C" position-keeping account and a client "C" collateral account for such FXCCM, which may have any number of segregated sub-accounts. Each Individual Segregated Account of the FXCCM will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account, each Indirect Gross Account of the FXCCM will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account, and each Omnibus Segregated Account will map onto one such segregated

sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account.

In the case of Omnibus Gross Segregated Accounts, the relevant segregated sub-accounts of the "C" position-keeping account and the client "C" collateral account will be further segregated into sub-accounts for each Omnibus Gross Segregated Clearing Client or, where applicable, a group of Combined Omnibus Gross Segregated Clearing Clients together.

In the case of Indirect Gross Accounts, the relevant segregated sub-accounts of the client "C" position-keeping account will be further segregated into position-keeping sub-accounts for each Indirect Gross Sub-Account (relating to each Indirect Clearing Client).

1.2.4 Branches

- (a) Submission of a static data form to LCH's Onboarding department by an FXCCM will also allow an FXCCM to be provided with one or more sub-accounts for any branch of that FXCCM (for position-keeping purposes) within that FXCCM's "H" position-keeping account.
- (b) Because the single account reflects the consolidated balances and liabilities of the FXCCM, the balances and liabilities associated with ForexClear Transactions submitted by FXDs and/or per branch will be provided as an estimate (if applicable).
- (c) Where a ForexClear Transaction is presented for clearing by a branch of an FXCCM, it is deemed to have been presented by, and in the name of, the relevant FXCCM.

1.2.5 Novation and Registration

- (a) A ForexClear Transaction must satisfy the applicable ForexClear Eligibility Criteria (set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time) at the Registration Time. Upon a ForexClear Transaction being submitted to the Clearing House for registration, the Clearing House will determine whether to accept or reject the ForexClear Transaction within the required timeframe under ~~all~~ Applicable Law. Where the Clearing House determines to accept the ForexClear Transaction, registration shall occur immediately and the ForexClear Transaction shall be automatically replaced with two separate ForexClear Contracts.
- (b) Prior to and as a condition to the registration of a ForexClear Contract, an FXCCM must transfer to the Clearing House all required Collateral in respect of its Liabilities or estimated Liabilities (as applicable, and taking into account MER Buffer and/or ForexClear Tolerance, if any).

- (c) If any FXCCM has not transferred sufficient Collateral in respect of its Liabilities or estimated Liabilities to the Clearing House (taking into account MER Buffer and/or ForexClear Tolerance, if any) at the time of the relevant Incremental Risk Check (as defined herein), then, subject to Section 1.3.3(b)(ii), such ForexClear Transaction will be rejected.
- (d) Notwithstanding paragraph (c) above, if (i) the Clearing House registers a ForexClear Contract resulting from a ForexClear Transaction where one or both of the relevant FXCCMs has not provided sufficient Collateral with respect to its Liabilities or estimated Liabilities prior to registration, the FXCCMs shall be bound by the terms of the relevant ForexClear Contract(s) and (ii) if the Clearing House rejects a ForexClear Transaction for reasons of insufficient Collateral, the Clearing House shall not be liable to any FXCCM or any other person in connection with the rejection of such ForexClear Transaction.
- (e) Once a ForexClear Transaction has passed the Validation Checks (as defined in Section 1.3.3(a)) and the Clearing House has determined to accept the ForexClear Transaction for registration, the Clearing House will send a message confirming the registration of the ForexClear Transaction as two ForexClear Contracts, including a timestamp of the relevant registration time, in accordance with Section 1.3.3(a)(iii). For the purpose of the ForexClear Regulations, the time of dispatch of such message shall be the "**Registration Time**" of such ForexClear Contracts.
- (f) The definitive report of a registered ForexClear Contract will be shown on the "**All Open Contracts**" report issued by ForexClear Reporting.
- (g) If an FXCCM is declared a Defaulter, the Clearing House will not register any ForexClear Contract in the name of such Defaulter (except pursuant to the Default Rules). ForexClear Transactions in respect of Non-Defaulting FXCCMs will continue to be registered in accordance with, and subject to, the Rulebook.

1.3 Trade Management; Trade Registration Facilitation

- 1.3.1 *Trade Capture*: After the execution of a ForexClear Transaction (a "**trade**"), each FXP who is a party to the trade will submit individual instructions to the ForexClear Approved Trade Source System for matching and clearing of the trade. FXPs are not required to submit a confirmation of any trade presented to the Clearing House for registration. Presentation of the matched trade terms through the ForexClear Approved Trade Source System will ensure that the agreed terms of the trade are recorded.

Once the ForexClear Approved Trade Source System receives the trade instructions from the FXPs who are parties to the trade, the ForexClear Approved Trade Source System matches both instructions. The ForexClear Approved Trade Source System validates the trade using the applicable ForexClear Eligibility Criteria and will, if appropriate, present a single message containing the names of the FXPs who are parties to the trade and the terms of

the trade to the Clearing House for registration and clearing (such matched trade, a "**ForexClear Transaction**").

The Clearing House will determine whether to accept or reject the ForexClear Transaction within the required timeframe under Applicable Law. In respect of a ForexClear Transaction which is:

- (a) a Trading Venue Transaction, the Clearing House will notify the ForexClear Clearing Members, Trading Venue and, if the originating ForexClear Approved Trade Source System is different to the Trading Venue, the originating ForexClear Approved Trade Source System of registration or rejection of the ForexClear Transaction; or
- (b) not a Trading Venue Transaction, the Clearing House will notify the ForexClear Clearing Members (via the originating ForexClear Approved Trade Source System or ClearLink API) of registration or rejection of the ForexClear Transaction,

in each case within the required timeframe under Applicable Law.

1.3.2 *The ForexClear Approved Trade Source Systems*

FXCCMs must not submit instructions to the Clearing House for trades which will not meet the ForexClear Eligibility Criteria. The Clearing House will register a ForexClear Transaction on the basis of the data provided to it by the ForexClear Approved Trade Source System and has no obligation to verify that the details received from the ForexClear Approved Trade Source System in respect of a ForexClear Transaction properly reflect the trade entered into by the relevant FXPs.

Application for ForexClear Approved Trade Source System status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of ForexClear Approved Trade Source Systems currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves any additional ForexClear Approved Trade Source System, it will notify FXCCMs via a member circular.

The Clearing House is not able to, and will not, verify the authorisation of the source of any details of any ForexClear Transaction reported to it for registration by the ForexClear Approved Trade Source System. The Clearing House shall have no liability in the event that any FXCCM suffers any loss through the unauthorised input of details into a system of a ForexClear Approved Trade Source System.

Notwithstanding the designation by the Clearing House of a system as a ForexClear Approved Trade Source System, 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 ForexClear Approved Trade Source System or the timeliness or otherwise of the delivery of any ForexClear Transaction details by that ForexClear Approved Trade Source System to the Clearing House. Such matters form part of the relationship

between the FXCCM and the ForexClear Approved Trade Source System and the terms of such relationship may entitle the ForexClear Approved Trade Source System to suspend the ability of an FXCCM to make submissions from time to time.

The Clearing House accepts no liability for any error within or corruption of any data sent by the ForexClear Approved Trade Source System to the Clearing House or to an FXCCM or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any ForexClear Contract(s) on the basis of incorrect or corrupted data sent to it by a ForexClear Approved Trade Source System, the FXCCM(s) concerned shall be bound by the terms of such ForexClear Contract(s), unless the ForexClear Contract is subsequently cancelled in accordance with Regulation 92 (*Cancellation of ForexClear Contracts*).

1.3.3 Trade Validation and Registration

(a) Process Flow Description

- (i) The Clearing House performs a validation check on each trade submitted by FXPs to ensure that each such trade meets the applicable ForexClear Eligibility Criteria and the Counterparty Technical Validation Check (as defined below), Incremental Risk Checks (as defined below) required for ForexClear Transactions and, with respect to each ForexClear ~~Option Transaction, ForexClear Spot Transaction, ForexClear Swap Transaction and ForexClear Deliverable Forward~~Deliverable Transaction, a Settlement Exposure Limit Check (as described herein) (collectively, the "**Validation Checks**").
- (ii) The Clearing House will create two trade records for a ForexClear Transaction which passes the Validation Checks and is accepted for clearing by the Clearing House: one for the ForexClear Contract between the Clearing House and the relevant FXCCM and the other for the ForexClear Contract between the Clearing House and the same or another relevant FXCCM.
- (iii) In respect of a ForexClear Transaction which is:
 - (A) a Trading Venue Transaction, the Clearing House will notify the ForexClear Clearing Members, Trading Venue and, if the originating ForexClear Approved Trade Source System is different to the Trading Venue, the originating ForexClear Approved Trade Source System of registration or rejection of the ForexClear Transaction (as applicable); or
 - (B) not a Trading Venue Transaction, the Clearing House will notify the ForexClear Clearing Members (via the originating ForexClear Approved Trade Source System

or ClearLink API) of registration or rejection of the ForexClear Transaction,

in each case within the required timeframe under all Applicable Law.

- (iv) As provided in paragraph 1.2.5(d) (*Novation and Registration*), in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that ForexClear Contract.
 - (v) The internal sub-account (i.e. FXCCM, branch, or FXD) into which each trade record is booked is derived from the BIC code within the message from the ForexClear Approved Trade Source System. The BIC links to the FXCCM reference data.
 - (vi) Both new trade records arising out of the ForexClear Transaction have the same unique ForexClear ID (the "**ForexClear ID**"). Any further events or actions are applied on the basis of this ForexClear ID, to ensure consistency.
- (b) "**Counterparty Technical Validation Check**" The counterparties to each trade must be (a) the parties submitted in trade particulars FXPs, (b) are each a Non-Defaulting FXCCM and (c) approved by the Clearing House to clear the relevant trade type.
- (i) Valuation Date and Settlement Date: in respect of a ForexClear ~~NDF~~ Non-Deliverable Transaction, (A) the Valuation Date and Settlement Date for the ForexClear Transaction must fall on a valid Business Day for the Currency Pair to which the ForexClear Transaction relates; and (B) the Settlement Date must fall on a Business Day after the Valuation Date. FXCCMs should refer to the Relevant EMTA Template or LCH G10 ~~NDF~~ Contract Template for further details of the relevant Business Days for determining the Valuation Date and the Settlement Date:¹

Risk and Settlement Limit Checks

- (ii) The Clearing House will apply an "**Incremental Risk Check**" to each ForexClear Transaction which is not a Sub-Block Trading Venue Transaction. The Incremental Risk Check uses a suitable approximation methodology to estimate an FXCCM's Liabilities (including the new ForexClear Transaction) against available Collateral (taking into account ForexClear Tolerance and/or MER Buffer made available by the Clearing House, if any). However, any ForexClear Transaction submitted by an FXCCM that is risk reducing (i.e. results in a reduction of that FXCCM's Liabilities) will always pass the Incremental Risk

¹ As amended from time to time as per relevant EMTA Template.

Check, even if the FXCCM has not transferred sufficient Collateral in respect of its Liabilities to the Clearing House. The Clearing House will apply a “**Settlement Exposure Limit Check**” on a per currency basis to each ForexClear ~~Spot Transaction, ForexClear Deliverable Forward Transaction, ForexClear Option Transaction and ForexClear SwaDeliverable~~ Transaction, ~~as the case may be~~. The Settlement Exposure Limit Check uses an approximation methodology to assess an FXCCM’s Settlement Exposure Amount for each Settlement Exposure Date against a pre-determined Settlement Exposure Limit.

- (iii) In the case of a ForexClear Settlement Event, the Clearing House will apply additional checks to each ForexClear Spot Transaction by reference to its impact on the Settlement Position Amount of the Impacted ForexClear Option Clearing Member.
 - (iv) Both FXCCMs to the ForexClear Transaction must pass the Incremental Risk Check and Settlement Exposure Limit Check in order for the Clearing House to register two ForexClear Contracts in those FXCCM's names.
 - (v) If either (or both) FXCCM(s) to a ForexClear Transaction fail(s) the Incremental Risk Check(s) and/or Settlement Exposure Limit Check(s), then the ForexClear Transaction will be rejected immediately and a notification sent in accordance with Section 1.3.3(a)(iii).
- (c) *Necessary Consent*
- (i) In the case of an FXCCM which has been nominated to register a ForexClear Transaction on behalf of a third party Executing Party other than an FXD, the Clearing House will (only where such ForexClear Transaction is not a Trading Venue Transaction) provide notification to such FXCCM of the relevant ForexClear Transaction and that it has been so nominated, via member reports, the ClearLink API or otherwise ("**Notification**"). Where an FXCCM is nominated to clear both ForexClear Contracts arising from the registration of a ForexClear Transaction in the capacities described in this paragraph, such FXCCM will receive two separate Notifications from the Clearing House in relation to such ForexClear Transaction. All Notifications shall be provided within the required timeframe under all Applicable Law. In all other cases, no Notification will be provided to any FXCCM.
 - (ii) In respect of a ForexClear Transaction that is not a Trading Venue Transaction, following receipt of a Notification, an FXCCM may choose to grant or refuse consent to register the ForexClear Transaction. It is a condition for registration of such a ForexClear Transaction that an FXCCM grants a separate

consent (each, a "**Necessary Consent**") in respect of each Notification received by it in relation to the registration of such ForexClear Transaction. The Clearing House has an automated system which it operates on each business day for the purposes of rejecting ForexClear Transactions which have been presented for clearing but in respect of which any Necessary Consent has not been notified to the Clearing House prior to the LCH Cut-off Time. The "LCH Cut-off Time" in respect of a ForexClear Transaction will be the expiry of the timeframe determined by the Clearing House. If an FXCCM has not notified the Clearing House of a Necessary Consent by the LCH Cut-off Time, it will be deemed to have rejected the relevant ForexClear Transaction. Any Necessary Consent of a ForexClear Transaction notified by an FXCCM to the Clearing House prior to the LCH Cut-off Time is irrevocable. Any Necessary Consent notified by an FXCCM to the Clearing House after the LCH Cut-off Time shall be invalid.

- (iii) In circumstances where the registration of a ForexClear Transaction is conditional upon one or more Necessary Consent(s) being notified by the applicable FXCCM(s), the relevant ForexClear Transaction shall be deemed to have been "submitted" to the Clearing House by each such FXCCM at the time when it notifies the Clearing House of its Necessary Consent. In all other circumstances, a ForexClear Transaction shall be "submitted" to the Clearing House by the applicable FXCCM upon being presented to the Clearing House for clearing by or on behalf of such FXCCM or by or on behalf of a ForexClear Dealer (acting in such capacity with respect to the relevant ForexClear Transaction) approved to clear ForexClear Transactions through the relevant FXCCM.
- (iv) Where, in the context of a Default, the Clearing House executes a hedging ForexClear Transaction, which is:
 - (A) not a Trading Venue Transaction, with a Hedging ForexClear Service Clearing Member for the purpose of Risk Neutralisation, and such ForexClear Transaction is presented for clearing to the Clearing House, the Defaulting FXCCM shall be deemed to have received a Notification, in respect of such ForexClear Transaction, and to have notified a Necessary Consent, in respect of such ForexClear Transaction, to the Clearing House before the relevant LCH Cut-off Time; and
 - (B) a Trading Venue Transaction, with a Hedging ForexClear Service Clearing Member for the purpose of Risk Neutralisation, and such ForexClear Transaction is presented for clearing to the Clearing House, the Trading Venue on which such ForexClear Transaction was executed shall be deemed to be an Eligible Trading

Venue, in respect of the Defaulting FXCCM, at the time of execution of such ForexClear Transaction and such ForexClear Transaction shall be deemed to be an Eligible Trading Venue Transaction, in respect of the Defaulting FXCCM.

- (v) The Clearing House will (where applicable) apply a “**Consent Validation Check**” in respect of a ForexClear Transaction presented for clearing that is not a Trading Venue Transaction in order to ensure that the Clearing House has received all required Necessary Consents, in accordance with Section 1.3.3(c)(ii).
- (d) *Registration*
 - (i) Once it is confirmed that a ForexClear Transaction has passed the Validation Checks, and the Clearing House has determined to accept the ForexClear Transaction for registration, the Clearing House registers the ForexClear Transaction as two ForexClear Contracts and changes the status for each ForexClear Transaction to "NOVATED".
 - (ii) The Clearing House acknowledges the ForexClear Contract status and sends a message to the entities specified in Section 1.3.3(a)(iii) that the ForexClear Transaction is registered and "NOVATED".
 - (iii) Where, in the context of a Default, the Clearing House executes a hedging ForexClear Transaction with a Hedging ForexClear Service Clearing Member for the purpose of Risk Neutralisation, and such ForexClear Transaction is presented for clearing to the Clearing House, the Clearing House may determine (in its sole discretion) that any Validation Check(s) in respect of such ForexClear Transaction are deemed to have been passed.

1.3.4 *Trade Rejection*

Trades presented for registration that do not meet the ForexClear Eligibility Criteria or any other requirement for registration under the Rulebook, including a trade (a) presented by or on behalf of an FXCCM in respect of a third party Executing Party other than an FXD where such trade was executed on a Trading Venue that was not at the time of execution of such trade an Eligible Trading Venue in respect of such FXCCM, (b) presented by or on behalf of an FXCCM that was executed on a trading venue or facility that had not at the time of the execution of such trade been approved by the Clearing House as a Trading Venue, (c) which contains invalid or incomplete message data, or (d) that is not a Sub-Block Trading Venue Transaction and with respect to which the Clearing House has not received sufficient Collateral (taking into account ForexClear Tolerance and/or MER Buffer, if any) will, in each case, be rejected.

If a trade is presented to the Clearing House for registration and rejected, it may be re-presented for registration in the form of a new trade but with the same

economic terms in accordance with, and subject to, the Rulebook and all Applicable Law, and such trade will, for the purposes of the Rulebook and upon such re-presentation, constitute a new trade.

1.3.5 *Package Transactions*

Subject to Clearing House availability, a ForexClear Clearing Member may, via an Approved Trade Source System, present to the Clearing House, in a single submission, a group of two or more ForexClear Transactions for simultaneous registration (such group of ForexClear Transactions being a “**Package Transaction**”). A Package Transaction must be identified to the Clearing House at the time of its presentation in the format prescribed by the Clearing House. Where the Package Transaction is not presented in the prescribed format, each constituent ForexClear Transaction within the Package Transaction will be rejected.

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

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

In respect of a Package Transaction submitted in a ForexClear Clearing Member’s name, such ForexClear Clearing member’s margin requirement will be assessed based on the net margin call for all of the constituent ForexClear Transactions of such Package Transaction.

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

1.3.6 *Manual Trade Rejection, Novation and Cancellation (Exceptional Event)*

- (a) From time to time, as an exceptional event, it may be necessary for the Clearing House to: (i) reject a trade ~~presented~~submitted for registration; (ii) register a ForexClear Transaction; or (iii) accept or reject a

cancellation request for a ForexClear Contract or a ForexClear Transaction, in each case, manually prior to a Margin and Settlement Run (e.g. in the case of a Default, when a ForexClear Transaction needs to be registered immediately to expedite the hedging and auction process or to reject a ForexClear Transaction received from an FXCCM which is a Defaulter).

- (b) The Clearing House acknowledges the action:
 - (i) in respect of trades being manually rejected or manually registered, by notifying the relevant entities specified in Section 1.3.3(a)(iii) of such rejection or registration (as applicable); and
 - ~~(e)~~(ii) in respect of a ForexClear Contract or a ForexClear Transaction being manually cancelled, by sending a message to the ForexClear Approved Trade Source System that it is "CANCELLED".

1.3.7 Trade Cancellation

- (a) The Clearing House accepts cancellation messages from FXPs against both non-novated trades (ForexClear Transactions) and novated trades (ForexClear Contracts).
- (b) Cancellation messages may be submitted via the ForexClear Approved Trade Source System (i), with respect to any ForexClear Non-Deliverable NDF Contract, until such ForexClear Contract is "fixed" – i.e. when its Settlement Rate has been determined on the relevant Valuation Date, (ii) with respect to any ForexClear Option Contract, until the end of day on the Business Day preceding the relevant Expiration Date and (iii) with respect to any ForexClear Spot Contract, ForexClear Swap Contract or ForexClear Deliverable Forward Contract, until the end of day two Business Days immediately preceding the Settlement Date.
- (c) A successful cancellation message results in a "CANCELLED" status message if the ForexClear Transaction or the ForexClear Contract (as the case may be) is cancelled during the Opening Hours. The status messages are sent from the Clearing House to the FXCCM via the ForexClear Approved Trade Source System.
- (d) There is no ForexClear Contract or ForexClear Transaction amendment functionality.
- (e) *Process Flow Description*
 - (i) The Clearing House accepts trade cancellation instructions from the ForexClear Approved Trade Source System for ForexClear Transactions or ForexClear Contracts (as the case may be) that have previously been submitted to the ForexClear Service. Cancellation instructions must include the ForexClear ID.

- (ii) The Clearing House checks that the cancellation instruction contains a valid ForexClear ID which relates to: (a) a ForexClear Transaction or ForexClear Contract (as the case may be) that has not been previously cancelled; and (b) in the case of a ForexClear Non-Deliverable NDF-Contract only, a ForexClear Contract with respect to which the relevant Valuation Date has not yet occurred.
- (iii) Where a trade has already been rejected (e.g. as a result of having failed a Counterparty Technical Validation Check), the ForexClear Service sends a "CANCEL REJECTED" message to the ForexClear Approved Trade Source System for the relevant FXPs.
- (iv) All trade cancellation instructions must pass the Incremental Risk Check and Settlement Exposure Limit Check, where applicable. If any FXCCM has not transferred sufficient Collateral in respect of its Liabilities or estimated Liabilities to the Clearing House (taking into account ForexClear Tolerance and/or MER Buffer, if any) at the time of the relevant Incremental Risk Check or Settlement Exposure Limit Check, as applicable, then any ForexClear trade cancellation instruction to which it is a party will be rejected immediately. However, any ForexClear trade cancellation instruction that is risk reducing (i.e. results in a reduction of that FXCCM's Liabilities) will always pass the Incremental Risk Check, even if the FXCCM has not transferred sufficient Collateral in respect of its Liabilities to the Clearing House.

1.3.8 *Valuation Date Event Management:* The Clearing House is the Calculation Agent and will store and apply the Settlement Rate Option and the Valuation Date for each ForexClear Non-Deliverable NDF-Contract.

On the Valuation Date with respect to each ForexClear Non-Deliverable NDF Contract, the Settlement Rate will be retrieved as set forth in paragraph (a) below. The Market Data provider for Settlement Rates is Reuters.

ForexClear applies the relevant Settlement Rate to ForexClear Non-Deliverable NDF-Contracts using the following criteria:

- (a) Settlement Rate Option source; and
- (b) Valuation Date.

The Clearing House applies the Settlement Rate to all relevant ForexClear Non-Deliverable NDF-Contracts at a predefined time following its publication.

The Clearing House calculates the Settlement Currency Amount in the Settlement Currency per ForexClear Non-Deliverable NDF-Contract. FXCCMs can retrieve the Settlement Rate and Settlement Currency Amount in the Settlement Currency via ForexClear Reporting (as defined in Section 1.7

(ForexClear Reporting)) on the ForexClear Service Portal and on MemWeb, which are internet services onto which information is loaded and can be accessed by FXCCMs.

(c) *Process Flow Description*

- (i) After the Registration Time for a ForexClear Non-Deliverable NDF Contract, the ForexClear Service links a Settlement Rate Option to it in accordance with the Relevant EMTA Template or given LCH G10 NDF Contract Template, as applicable.
- (ii) On the Valuation Date, the Clearing House uses the Settlement Rate for the Currency Pair for the ForexClear Non-Deliverable NDF Contract when it is published by Reuters, and calculates the Settlement Currency Amount for each ForexClear Non-Deliverable NDF Contract in the Settlement Currency by applying the relevant Settlement Rate Option as referenced in the Relevant EMTA Template or given LCH G10 NDF Contract Template, as applicable.

1.3.9 If the Settlement Rate Option set out in the Relevant EMTA Template or given LCH G10 NDF Contract Template, as applicable, is unavailable at the relevant time, Disruption Fallback alternatives for the determination of the Settlement Rate will apply as set out in the Relevant EMTA Template or given LCH G10 NDF Contract Template, as applicable. Notwithstanding the foregoing, in the event the Clearing House determines (in its sole discretion) that a Settlement Rate Option is unavailable, the Clearing House will determine an alternative Settlement Rate Option.

1.3.10 *Settlement:* With respect to each ForexClear Non-Deliverable NDF Contract, the Settlement Currency Amount is calculated by the application of the Settlement Rate to the Notional Amount in accordance with the relevant ForexClear NDF Contract Terms.

From (and including) the Registration Time to (and including) the business day immediately preceding the Settlement Date, changes in the daily value of open ForexClear NDF-Non-Deliverable Contracts will have resulted in variation margin credits and debits or NPV Payments between the parties (as set out at Section 1.5.2 (*Variation Margin and NPV Payments*)). With respect to each ForexClear Non-Deliverable NDF Contract, on the business day immediately preceding the Settlement Date, the Clearing House nets the Settlement Currency Amount against the aggregate net variation margin or aggregate NPV Payments (as applicable) which have been paid/received through the term of the ForexClear Non-Deliverable NDF Contract, the result of which is a Net Settlement Amount ("NSA"), which will be reflected in the FXCCMs' cash accounts with the Clearing House on the Settlement Date. As such, with respect to each ForexClear Non-Deliverable NDF Contract, the transfer to the Clearing House of either (i) all the Collateral in respect of the variation margin in respect that ForexClear Non-Deliverable NDF Contract, or (ii) all the NPV Payments required pursuant to the relevant ForexClear NDF-STM Terms of that ForexClear Non-Deliverable NDF Contract shall satisfy the relevant party's

obligation to pay the Settlement Currency Amount on the Settlement Date of such ForexClear Non-Deliverable NDF Contract. For the purpose of providing Nostro reconciliations, to the relevant parties, the Clearing House will provide Reporting (as defined in Section 1.7 (*ForexClear Reporting*)) which will reflect an entry for the "**Settlement Currency Amount**" and a separate entry for the reversal of the aggregate net variation margin or NPV Payments which have been paid/received through the term of the ForexClear Non-Deliverable NDF Contract. This paragraph applies even if the Settlement Date has been adjusted in accordance with the relevant ForexClear NDF Contract Terms.

- 1.3.11 **Portfolio Transfers (BAU).** The Clearing House permits the transfer of one or more Transferring ForexClear Contracts between the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee, including, where relevant, the transfer of an Associated Collateral Balance. For the avoidance of doubt, and subject to the requirements of FCM Regulation 49(r), an FXCCM acting for its own account or for the account of an FCM Client, may be an Eligible Transferor or an Eligible Transferee.

For transfers other than Permitted Transfers (as defined below), please contact the Clearing House's Risk Management Department.

Permitted Transfers

Any transfer that meets the criteria in any of (a) through (g) below shall be a "**Permitted Transfer**" for purposes of Regulation 95 and this Section 1.3.11. In certain circumstances, a Permitted Transfer may be effected for all or part of the notional amount associated with the Transferring ForexClear Contracts. Notwithstanding the foregoing, but subject to Applicable Law, the Clearing House may reject any Permitted Transfers in its sole discretion.

- (a) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities;
- (b) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity;
- (c) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Proprietary Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities;
- (d) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Proprietary Account; (B) the Transfer Account of the Eligible Transferee is a Client Account;

- and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities;
- (e) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Proprietary Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity;
 - (f) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Proprietary Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity; and
 - (g) any transfer that the Clearing House otherwise approves in its sole discretion.

Transfer Requests

Each transfer request (“**Transfer Request**”) pursuant to Regulation 95, this Section 1.3.11 and (where applicable) any relevant Collateral Management Agreement may only be made in respect of a Permitted Transfer and must be prepared and submitted in the form and manner prescribed by the Clearing House from time to time. Following receipt of a Transfer Request, the Clearing House shall notify the Carrying Clearing Member that it received a Transfer Request to transfer Transferring ForexClear Contracts.

In respect of any Permitted Transfer that involves the transfer of all (and not some) of the ForexClear Contracts from the Transfer Account of an Eligible Transferor (with or without the transfer of an Associated Collateral Balance), once the Carrying Clearing Member receives notice that a Transfer Request has been received, the Carrying Clearing Member shall not be permitted to submit additional ForexClear Contracts in the Transfer Account of the Eligible Transferor whose ForexClear Contracts are to be subject to transfer until the time at which the relevant transfer (including the transfer of any relevant Associated Collateral Balance, if applicable) is effected, fails or is rejected in accordance with Regulation 95, these Procedures and (where applicable) any relevant Collateral Management Agreement.

Transfer Notice Period

The timing for Transfer Requests will be as prescribed by the Clearing House by way of a member circular.

Conditions Precedent to Permitted Transfer

It is a condition precedent to any transfer pursuant to Regulation 95 and this Section 1.3.11 that:

- (h) the transfer is a Permitted Transfer;
- (i) the Receiving Clearing Member has provided the Clearing House with:
 - (i) a Transfer Request in the form and manner prescribed by the Clearing House, which may be submitted by a Clearing Client (including an FCM Client) on its behalf; and
 - (ii) such evidence of the authorisation of the Permitted Transfer by the Eligible Transferor, Eligible Transferee and the ForexClear Clearing Client, as applicable, as the Clearing House may require in its sole discretion;
- (j) neither the Eligible Transferor, the Eligible Transferee nor the ForexClear Clearing Client, as applicable, has become insolvent (each Eligible Transferor, Eligible Transferee and ForexClear Clearing Client, as the case may be, will be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner reasonably determined by the Clearing House);
- (k) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulter;
- (l) such transfer would not violate or result in the violation of Applicable Law, including:
 - (i) the authorisation, registration or other regulatory requirements, if any, that may apply to the Receiving Clearing Member as a consequence of the transfer; and
 - (ii) where the transfer leads to a change in beneficial ownership, the requirements, if any, that may apply to the method of execution by which the Eligible Transferor has sold the Transferring ForexClear Contracts to the Eligible Transferee;
- (m) the Eligible Transferor, Eligible Transferee, the Receiving Clearing Member, the Carrying Clearing Member and ForexClear Clearing Client, as applicable, have each executed all documents necessary or required by the Clearing House in order to effect such transfer (including, where applicable, a Security Deed, Deed of Charge, Client Charge, Collateral

Management Agreement, Clearing Membership Agreement and/or a Clearing Agreement);

- (n) the Receiving Clearing Member has consented to the transfer of the Transferring ForexClear Contracts and, where relevant, the Associated Collateral Balance;
- (o) the Receiving Clearing Member has transferred (or has made available) sufficient Collateral to the Clearing House in respect of its current ForexClear Contracts and the Transferring ForexClear Contracts;
- (p) the Carrying Clearing Member has not rejected such transfer in accordance with this Section 1.3.11 (it being presumed that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in accordance with this Section 1.3.11 or as otherwise reasonably determined by the Clearing House);
- (q) in the event that the transfer will lead to a requirement for the Carrying Clearing Member to transfer (or make available) additional Collateral or any other payment to the Clearing House, the Carrying Clearing Member transfers sufficient Collateral or makes such payment to the Clearing House; and
- (r) in relation to a Custodial Segregated Account, any additional conditions that have been agreed between the Clearing House, the Carrying Clearing Member, the Receiving Clearing Member and/or any Custodial Segregated Client have been satisfied.

In the event that any of the conditions set forth above are not satisfied, including where the Carrying Clearing Member notifies the Clearing House that certain conditions have not been satisfied in a manner reasonably acceptable to the Clearing House, the Clearing House shall not proceed with the transfer of the Transferring ForexClear Contracts or, if applicable, the transfer of any Associated Collateral Balance, and shall promptly notify the Receiving Clearing Member of such outcome. If the Receiving Clearing Member wishes to proceed with such transfer or any other transfer of Transferring ForexClear Contracts of the Eligible Transferor(s), it shall be required to submit a new Transfer Request in accordance with these Procedures.

By requesting a transfer of the Transferring ForexClear Contracts from the Transfer Account of an Eligible Transferor and, if applicable, the associated Collateral pursuant to Regulation 95, this Section 1.3.11 and (where applicable) any relevant Collateral Management Agreement, including a request submitted by a Clearing Client (including an FCM Client) on its behalf, the Receiving Clearing Member shall be deemed to have represented to the Clearing House that all of the conditions to such transfer set forth herein have been satisfied.

Rejection of Transfer Request

The Carrying Clearing Member may be entitled to reject a particular Transfer Request by notifying the Clearing House (in either electronic or written form as prescribed by the Clearing House) only if:

- (s) the Eligible Transferor has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and/or its Affiliates, including any requirement for additional collateral that may result from the proposed transfer, where, with the respect to obligations owed to Affiliates of the Carrying Clearing Member by an Eligible Transferor, “obligations” shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the Transferring ForexClear Contracts of that Eligible Transferor that are being transferred or that Eligible Transferor’s related collateral;
- (t) the transfer of the Transferring ForexClear Contracts of that Eligible Transferor would result in the Eligible Transferor breaching exposure limits with, and/or other risk parameters set by, the Carrying Clearing Member and/or its Affiliates; or
- (u) such rejection is in accordance with terms agreed as between the Carrying Clearing Member and the relevant Eligible Transferor.

Right to Call Collateral

Permitted Transfers will only be effected once adequate Collateral is available (which may be as a consequence of margin forbearance or the transfer of Associated Collateral Balance) in respect of both Transfer Accounts affected by the transfer. In connection with any Permitted Transfer, the Clearing House may call for Collateral in respect of initial and/or variation margin to be deposited in such amounts and at such times as the Clearing House, in its sole discretion, requires. Any Collateral so called and deposited shall be reserved and made available solely in connection with the Permitted Transfer.

Transfer of Associated Collateral Balance

Where a Receiving Clearing Member notifies the Clearing House of a proposal to transfer an Associated Collateral Balance in connection with a Permitted Transfer, the Clearing House shall notify the Carrying Clearing Member of such request. Following such notification and upon request from the Clearing House, the Carrying Clearing Member shall confirm to the Clearing House the specific collateral that should comprise such Associated Collateral Balance(s). In the event that the Carrying Clearing Member fails to notify the Clearing House of the specific collateral that should comprise the Associated Collateral Balance(s), the Clearing House shall identify and select the Collateral it deems appropriate to comprise the Associated Collateral Balance(s) attributable to the Transferring ForexClear Contracts, in its sole discretion. Any Collateral so identified shall be reserved and made available solely in connection with the Permitted Transfer. Once the relevant Associated Collateral Balance(s) of the transfer have been notified by the Clearing House to the Receiving Clearing Member, the

Receiving Clearing Member may elect to reject the transfer of some or all of such Associated Collateral Balance(s).

Any such election will not, of itself, prevent the transfer of the Transferring ForexClear Contracts of the Eligible Transferor and any Associated Collateral Balance that has been accepted by the Receiving Clearing Member, provided that the conditions set out above are satisfied in relation to such transfer. The Clearing House shall transfer the Associated Collateral Balance that has been identified and consented to by the Receiving Clearing Member. In the event that, for whatever reason, the Clearing House is unable to transfer such Associated Collateral Balance, the Clearing House will not proceed with the transfer of the Transferring ForexClear Contracts. In such circumstances, the Clearing House will notify the Receiving Clearing Member that the Associated Collateral Balance will not be transferred and, in order to proceed with the transfer of the associated Transferring ForexClear Contracts, the Receiving Clearing Member will have to furnish to the Clearing House sufficient collateral in respect of the Transferring ForexClear Contracts.

In the case where a transfer of Transferring ForexClear Contracts pursuant to this Section 1.3.11 will include the transfer of Associated Collateral Balance(s) to the Transfer Account of the Eligible Transferee:

- (v) in respect of Associated Collateral Balance that is subject to a Deed of Charge entered into between the Carrying Clearing Member and the Clearing House, such transfer shall be effected as follows:
 - (i) the Carrying Clearing Member shall relinquish all rights to such Associated Collateral Balance (including, for the avoidance of doubt, any beneficial interest and/or equity of redemption in respect thereof);
 - (ii) such Associated Collateral Balance shall immediately upon such relinquishment be held by the Clearing House on behalf of the Receiving Clearing Member;
 - (iii) where the Receiving Clearing Member is not an FCM Clearing Member, its rights to such Associated Collateral Balance arising as described in 1.3.11(v)(ii) above shall become, in respect of the Transferring ForexClear Contracts, subject to the relevant Deed of Charge entered into between the Receiving Clearing Member and the Clearing House (such rights thereby becoming Charged Property within the meaning of that Deed of Charge); and
 - (iv) where the Receiving Clearing Member is an FCM Clearing Member, the Associated Collateral Balance shall be deemed to have been delivered by the Receiving Clearing Member to the Clearing House by way of a first-priority security interest granted by the Receiving Clearing Member to the Clearing House under the FCM Regulations and the FCM Clearing Membership Agreement between the Receiving Clearing Member and the Clearing House;

- (w) in respect of any part of an Associated Collateral Balance that is not subject to a Client Charge or the Deed of Charge entered into between the Carrying Clearing Member and the Clearing House, such transfer shall be by novation of the Carrying Clearing Member's rights and obligations in respect of such part of the Associated Collateral Balance to the Receiving Clearing Member;
- (x) in respect of any part of an Associated Collateral Balance that is subject to the Client Charge entered into between a Custodial Segregated Client, the Clearing House and the Carrying Clearing Member, such transfer shall be effected as set out in and in accordance with: (i) the relevant Collateral Management Agreement entered into between such Custodial Segregated Client, the Clearing House and the Carrying Clearing Member, and (ii) the relevant Collateral Management Agreement entered into between such Custodial Segregated Client, the Clearing House and the Receiving Clearing Member;
- (y) for the avoidance of doubt, the Carrying Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the transferred Associated Collateral Balance;
- (z) the transfer of the Transferring ForexClear Contracts and Associated Collateral Balance shall be deemed to occur simultaneously, and the transfer of the Transferring ForexClear Contracts shall be conditioned on the transfer of the Associated Collateral Balance, and vice versa;
- (aa) if the transfer of the Transferring ForexClear Contracts and Associated Collateral Balance is not completed for any reason, then any actual transfer of any part of the Associated Collateral Balance or Transferring ForexClear Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of any part of the Associated Collateral Balance or Transferring ForexClear Contracts that has occurred shall be immediately unwound;
- (bb) that portion (if any) of:
 - (i) the Clearing House Current Collateral Balance in respect of the Carrying Clearing Member which is attributable to the Transferring ForexClear Contracts (the "**Relevant Portion**") shall be reduced to zero; and
 - (ii) the Clearing House Current Collateral Balance in respect of the Receiving Clearing Member shall be increased by an amount equal to the value of the Relevant Portion immediately prior to the reduction referred to in (i) immediately above.

Verification and Reliance

Subject to the following paragraph, but otherwise notwithstanding anything to the contrary in the Regulations or these Procedures, in making any Transfer Request in accordance with Regulation 95 and this Section 1.3.11 and (where

applicable) any relevant Collateral Management Agreement, the Clearing House shall be authorised and entitled to rely conclusively on the instructions of, and information provided by, the Receiving Clearing Member and the Carrying Clearing Member, which shall be solely responsible for all such instructions and information.

The Clearing House shall verify that the Transferring ForexClear Contracts identified to it by a Receiving Clearing Member as being the subject of such Transfer Request correspond to ForexClear Contracts that, according to its records, are registered in the Transfer Account of the Carrying Clearing Member on behalf of the Eligible Transferor. In the event that the Clearing House identifies a discrepancy, it will notify the Receiving Clearing Member and the Carrying Clearing Member and no transfer will occur until such time as the Transferring ForexClear Contracts identified to the Clearing House can be verified to the Clearing House.

Intra-Clearing Member Transfers

In connection with any Permitted Transfer of Transferring ForexClear Contracts where the Transfer Account of the Eligible Transferor and the Transfer Account of the Eligible Transferee are held by the same FXCCM (i.e., where the same FXCCM serves as both the Carrying Clearing Member and the Receiving Clearing Member), such FXCCM shall be deemed to make the following agreements, acknowledgements and representations:

- (cc) the contractual terms of the Transferring ForexClear Contracts will not change solely as a result of the Clearing House effecting the Permitted Transfer;
- (dd) the FXCCM will remain liable to the Clearing House for all obligations under the Transferring ForexClear Contracts prior to, during and after the Permitted Transfer;
- (ee) the Clearing House may require that certain changes be made to the books and records of one or more Approved Trade Source Systems in order to reflect the Permitted Transfer;
- (ff) the Clearing House is acting solely upon the FXCCM's instructions as detailed to the Clearing House in writing and in reliance on the FXCCM's agreements and representations (including as set out in this Section 1.3.11) in connection therewith;
- (gg) the Permitted Transfer is permissible under Applicable Law and is not in violation of Applicable Law, and the FXCCM 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
- (hh) 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.

Fees

Any Permitted Transfer effected pursuant to Regulation 95 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 FXCCMs via a member circular.

The portfolio transfer capability allows the transfer of:

- (ii) A single ForexClear Contract.
- (jj) Part of an FXCCM's portfolio (which includes the ability to transfer ForexClear Contracts to various other FXCCMs, e.g. Bank A to Bank B for USD/RUB, Bank A to Bank C for USD/KRW and Bank A to Bank D for USD/BRL).
- (kk) Portfolio transfer (i.e. the transfer of all or just one of the portfolios belonging to an FXCCM).
- (ll) Multiple portfolio transfers (i.e. the transfer of several portfolios of an FXCCM).

The Clearing House will carry out the portfolio transfer. For transfers under (jj), (kk) and (ll), this can be on either (i) a ForexClear Contract by ForexClear Contract basis, or (ii) in respect of ForexClear Non-Deliverable NDF Contracts, on a Currency Pair basis.

Before the completion of a portfolio transfer, the Clearing House will perform a margin impact analysis of the transfer to the source and destination portfolios. The Clearing House will advise the relevant FXCCM regarding any additional Collateral that may be required in order to complete the portfolio transfer.

- (mm) *Legal Documentation:* The transfer of ForexClear Contracts will be documented in accordance with the standard legal documentation for the transfer of ForexClear Contracts provided by the Clearing House to FXPs. Any such transfer must be authorised by all relevant parties and executed by individuals with appropriate signing authority.

1.3.12 *Reference Data*

- (a) *Holiday Event Calendar:*

The ForexClear Service uses the SwapsMonitor Financial Calendar (as published by Swaps Monitor Publications, INC.) ("**SwapsMonitor**

Financial Calendar”) in order to determine holidays. This requires all ForexClear Participants to be licensees of the SwapsMonitor Financial Calendar.

If a change is declared that affects the SwapsMonitor Financial Calendar then, subject to paragraph (b) below, a corresponding calendar adjustment will be made in the ForexClear system, unless the Clearing House notifies FXCCMs otherwise that the relevant change will not apply to ForexClear Contracts. The Clearing House may temporarily close the ForexClear Service to process a calendar adjustment in its clearing system. FXCCMs will be notified in advance of the date, time and expected duration of such closure.

(b) *Date Adjustment:*

As a result of the calendar adjustment process, (i) the Valuation Date and/or the Settlement Date of any affected ForexClear Non-Deliverable NDF Contracts will automatically be date adjusted in accordance with the provisions of the Relevant EMTA Template or given LCH G10 ~~NDF~~ Contract Template, as applicable and (ii) the Settlement Date of any affected ForexClear ~~Spot Contract, ForexClear Swap Contract, ForexClear Deliverable Forward Contract, or ForexClear Option Contract and the Premium Payment Date of any affected ForexClear Option-Deliverable~~ Contract will automatically be date adjusted in accordance with the Following Business Day Convention, as detailed in the Relevant EMTA Template.

Without limiting the foregoing, the Clearing House reserves the right to amend the Valuation Date and/or Settlement Date of a ForexClear Contract to reflect or account for a public holiday (or anticipated public holiday), in its sole discretion.

The Clearing House will notify the FXCCMs of any date adjustments made to any ForexClear Contract.

1.3.13 *ForexClear Tolerance*

In order to facilitate the registration of ForexClear Contracts by FXCCMs, the Clearing House may, in its sole discretion, provide FXCCMs with temporary “tolerance” in the form of initial margin forbearance (“**ForexClear Tolerance**”). In the event an FXCCMs wishes to utilise ForexClear Tolerance, it must provide notice to the Clearing House (the form and manner of such notice shall be prescribed by the Clearing House from time to time). FXCCMs who are approved to utilise ForexClear Tolerance may choose not to utilize MER Buffer in connection with the registration of ForexClear Contracts (for the avoidance of doubt, the utilization of MER Buffer is compulsory for FXCCMs that do not opt-in to ForexClear Tolerance).

The Clearing House may apply ForexClear Tolerance between Margin and Settlement Runs in an amount equal to the value of the Collateral that would have been required to be transferred by the FXCCM to the Clearing House to cover the relevant Liabilities (or estimated Liabilities) to facilitate the registration of ForexClear Contracts. For the avoidance of doubt, ForexClear Tolerance is provided in the form of temporary initial margin forbearance and an FXCCM's utilisation of ForexClear Tolerance does not give rise to any payment or transfer of Collateral by the Clearing House or result in any use of default fund resources (except following a Default).

The Clearing House will determine, in its sole discretion, the maximum value of the ForexClear Tolerance (which may be zero) that it will make available to an FXCCM from time to time ("**ForexClear Tolerance Limit**"). The Clearing House will notify each FXCCM of its ForexClear Tolerance Limit and will, as soon as reasonably practicable, notify an FXCCM following any adjustment to the amount of its ForexClear Tolerance Limit. Except where the Clearing House exercises its right to reduce an FXCCM's ForexClear Tolerance Limit in accordance with the foregoing, each FXCCM utilising ForexClear Tolerance shall have an equal ForexClear Tolerance Limit.

The Clearing House may require an FXCCM to transfer Collateral to the Clearing House in respect of any utilisation of ForexClear Tolerance at any time and without prior notice to the FXCCM. Without limiting the foregoing, the Clearing House will call for Collateral to replenish the ForexClear Tolerance utilised by an FXCCM at (i) the last ITD/Ad-hoc Day Margin and Settlement Run and EOD Margin and Settlement Run of each business day and (ii) in the event an FXCCM utilises at least 75% of its ForexClear Tolerance during a business day, at the next relevant ITD/Ad-hoc Day Margin and Settlement Run. Any failure of an FXCCM to satisfy a call for Collateral relating to ForexClear Tolerance may give rise to a Default by such FXCCM.

The Clearing House will not apply ForexClear Tolerance for ForexClear Contracts with a Trade Date earlier than the previous business day.

1.3.14 *Minimum Excess Requirement Buffer*

To facilitate the intraday registration of ForexClear Contracts, at each EOD Margin and Settlement Run, the Clearing House will call from each FXCCM an amount of Collateral in respect of its initial margin obligations in respect of that FXCCM's potential intraday Liabilities for the following day ("**MER Buffer**"), provided that the Clearing House shall not call MER Buffer from an FXCCM that (i) opted-in to ForexClear Tolerance in accordance with Section 1.3.13 and (ii) opted-out of MER Buffer (the form and manner of such "opt-out" notice shall be prescribed by the Clearing House from time to time).

The required amount of MER Buffer for an FXCCM is expressed as a percentage of the FXCCM's start-of-day portfolio initial margin, and is

calibrated daily based on recent (or prospective) member activity such that higher levels of intraday trade volumes lead to a proportionally higher MER Buffer requirement and vice versa. The MER Buffer percentage is calculated as a given percentile of intraday peak relative initial margin changes over a given number of historical business day.

The parameters of MER Buffer are: MER percentile, MER lookback period, relative MER cap and absolute MER floor. The values of these parameters are calibrated based on the quantitative analysis of the FXCCMs' initial margin history across the ForexClear Service.

As ForexClear Contracts are registered in an FXCCM's name, the Clearing House will, in accordance with the Margin or Settlement Run process, calculate an FXCCM's intraday Liabilities (or, in the case of an Incremental Risk Check, the FXCCM's estimated Liabilities), taking into account any MER Buffer.

At each EOD Margin and Settlement Run, the Clearing House will recalculate and call the FXCCM's MER Buffer for the following day.

- 1.3.15 *Completion Margin.* The Clearing House shall calculate and call each FXCCM for “**completion margin.**” Completion margin is a component of each FXCCM’s initial margin obligation, and represents potential increases in an FXCCM’s initial margin obligations due to position changes resulting from next-day fixing, with respect to ForexClear ~~Non-Deliverable NDF~~ Contracts, or next-day settlement, with respect to ForexClear ~~Option-Deliverable~~ Contracts. Completion margin is calculated as the incremental difference between an FXCCM’s aggregate initial margin obligations on its ForexClear Contracts and its initial margin obligations in relation to ForexClear Contracts due to fix or settle the next business day, as applicable.

1.4 Market Data

- 1.4.1 *Sources used by ForexClear Service:* With respect to each ForexClear Contract, the ForexClear Service collates instrument quotes for the following from multiple market sources (as detailed in Section 1.4.2 (*Market Data Sources and Frequencies*)) in relation to each Currency Pair or ForexClear Currency Pair:

- (a) FX spot rates (“**FX Spot Rates**”);
- (b) FX swap points (“**FX Swap Points**”);
- (c) FX implied volatility points (“**FX Volatility Points**”);
- (d) FX ~~NDF~~-Settlement Rate Option;
- (e) Interest rate swap curves and Overnight index swap curves (“**Interest Rate Curves**”);
- (f) PAI rates (“**PAI Rates**”) or PAA rates (“**PAA Rates**”), as applicable;

- (g) Country credit spreads ("**Country Credit Spreads**"); and
 - (h) FX spot reference prices ("**FX Spot Reference Prices**"),
- together, "**Market Data**".

FX Spot Rates, FX Swap Points and FX Volatility are received by the Clearing House via a live link from all eligible FXCCMs during the Opening Hours (as defined in paragraph (b) of Section 1.2.2 (*Service Operating Hours*)).

1.4.2 *Market Data Sources and Frequencies*: The Clearing House receives the following updated raw prices:

- (a) FX Spot Rates:
 - (i) Source – contributing FXCCMs.
 - (ii) Frequency - every time updated by contributing FXCCMs up to a maximum rate of once every five minutes.
- (b) FX Swap Points:
 - (i) Source - all contributing FXCCMs.
 - (ii) Frequency - every time updated by contributing FXCCMs up to a maximum rate of once every five minutes.
 - (iii) ~~FX NDF tenors~~ Tenors – as shown in the table below.

Tenor
O/N
T/N
S/N
1 week
1 month
2 months
3 months
6 months
<u>9 months</u>
12 months
24 months
<u>36 months</u>
<u>48 months</u>
<u>60 months</u>

~~(iv) FX Deliverable tenors – as shown in the table below:~~

Tenor
O/N

Tenor
T/N
S/N
1-week
2-weeks
1-month
2-months
3-months
6-months
9-months
12-months
18-months
24-months

(c) FX Volatility Points:

- (i) Source – all contributing FXCCMs.
- (ii) Frequency – every time updated by contributing FXCCMs up to a maximum rate of once every five minutes.
- (iii) Deltas and Tenors – as shown in the tables below. All delta points should be contributed for each tenor.

Tenor
O/N
1 week
2 weeks
1 month
2 months
3 months
6 months
9 months
12 months
18 months
24 months

Deltas
ATM
25-RR
25-Fly
10-RR
10-Fly

(d) FX Non-Deliverable ~~NDF~~ Settlement Rates:

- (i) Source - Reuters.

- (ii) Frequency - when published (as referenced in the Relevant EMTA Template or given LCH G10 ~~NDF~~ Contract Template, as applicable).
 - (e) Interest Rate Curves:
 - (i) Source - internal Clearing House.
 - (ii) Frequency - at each SwapClear Margin or Settlement Run.
 - (f) PAI Rates and PAA Rates:
 - (i) Source - LCH Treasury.
 - (ii) Frequency - daily.
 - (g) Country Credit Spreads:
 - (i) Source – Bloomberg.
 - (ii) Frequency – when published.
 - (h) FX Spot Reference Prices:
 - (i) Source – the source published on the ForexClear website from time to time.
 - (ii) Frequency – at each expiration time.
- 1.4.3 *Market Data Provision to FXCCMs:* Market Data used in a Margin or Settlement Run is made available to FXCCMs via ForexClear Reporting (as defined in Section 1.7 (*ForexClear Reporting*)).
- 1.4.4 *Curve Building in ForexClear*
- (a) *FX Curve (Zero Coupon/Market Rate Curve):* The Clearing House builds for each Currency Pair an FX curve (zero coupon/market rate curve) using the FX Spot Rates, FX Swap Points and the USD LIBOR Curve. The currency zero coupon curves are implied from the FX curve and the USD LIBOR Curve; the FX curve is used for capitalisation of forward cash flows. Cross rates spot and forward curves will be triangulated from the non cross currency pairs (i.e., the currency pairs where USD is one of the currencies). Linear interpolation is applied on zero coupon curves.
 - (b) *Implied Volatility Surface:* The Clearing House builds for each Currency Pair or ForexClear Currency Pair an FX Implied Volatility Surface using the FX Volatility Points. Implied volatility interpolation is performed along both the delta and tenor axes. Interpolation is firstly applied on the delta axis of the two neighbouring implied volatility smiles, and then tenor axis interpolation is applied. To prevent arbitrages on the input volatility surfaces impacting on margining calculations, a de-arbitraging

methodology is applied where an arbitrage exists on any reference volatility surfaces.

- (c) *Interest Rate Curve*: The Clearing House applies standard bootstrap method to build the Interest Rate Curve. Linear interpolation is applied on zero coupon curves.
- (d) *Curve Use*: End of day is defined as 22.00 local London time ("**EOD**"). The following EOD data is used in the calculation of risk analytics for an EOD Margin and Settlement Run (as defined in paragraph (b) of Section 1.6.1 (*Types of Margin or Settlement Runs*)):
 - (i) FX Spot Rates;
 - (ii) FX Swap Points; and
 - (iii) FX Volatility Points.

1.4.5 *Country Credit Spreads*: The Clearing House takes country credit spreads (in relation to Brazil, Russia, India, China, Chile, South Korea, Colombia, Indonesia, Malaysia, Philippines and Taiwan) from Bloomberg for use in risk multiplier calculations.

1.5 Initial Margin; Variation Margin and NPV Payments

1.5.1 Product Valuation

- (a) *ForexClear Non-Deliverable NDF Contract*: From (and including) the Registration Time to the EOD Margin and Settlement Run on the business day preceding the Valuation Date, each ForexClear Non-Deliverable NDF Contract is valued in USD using the current market rates and discounted from the future Settlement Date to its present value (being valued using the data submitted by FXCCMs, in accordance with Section 1.4.2 (*Market Data Sources and Frequencies*)).

At EOD on the Valuation Date, the Settlement Rate is used to value the ForexClear Non-Deliverable NDF Contract.

If Valuation Postponement applies, the ForexClear Non-Deliverable NDF Contract is valued using the current forward price (based on the data submitted by FXCCMs, in accordance with Section 1.4.2 (*Market Data Sources and Frequencies*)) to (and including) the date on which the Settlement Rate is determined in accordance with the relevant ForexClear NDF Contract Terms.

In the event a Settlement Rate or market rate is unavailable, as determined by the Clearing House in its sole discretion, the Clearing House will determine an alternative Settlement Rate or market rate.

- (b) *ForexClear Spot Contracts, ForexClear Deliverable Forward Contracts and ForexClear Swap Contracts*: From (and including) the

Registration Time to the EOD Margin and Settlement Run on the business day preceding the Settlement Date, each ForexClear Spot Contract, ForexClear Deliverable Forward Contract and ForexClear Swap Contract is valued in either USD or EUR using the current market rates and discounted from the future Settlement Date to its present value (using the data submitted by FXCCMs, in accordance with Section 1.5.2 (*Market Data Sources and Frequencies*)).

- (c) *ForexClear Option Contracts*: From (and including) the Registration Time to the Expiration Date, each ForexClear Option Contract is valued in USD or EUR using the Garman-Kohlhagen option pricing model (using the data submitted by FXCCMs, in accordance with Section 1.5.2 (*Market Data Sources and Frequencies*)).

- 1.5.2 *Variation Margin and NPV Payments*: A single separate calculation in respect of the variation margin or NPV Payment owed by or to the relevant FXCCM is performed for that FXCCM's Proprietary Account, each Client Account (other than an Indirect Gross Account) and each Indirect Gross Sub-Account within an Indirect Gross Account. No offset between the Proprietary Accounts and Client Accounts accounts is allowed (except pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule) and no offset between any Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

The (i) variation margin requirement in respect of each ForexClear CTM Contract and (ii) the NPV Payments in respect of each ForexClear STM Contract are calculated at EOD as the change from the preceding business day in its net present value. The net sum of the variation margin requirements or NPV Payments (as applicable) with respect to all of the open ForexClear Contracts is credited or debited (separately for the Proprietary Account and each Client Account of the relevant FXCCM) once a day, following the EOD Margin and Settlement Run.

Collateral in respect of variation margin (adjusted by PAI, as set out below) will be transferred each business day by or to each FXCCM in respect of all of its open ForexClear CTM Contracts. The variation margin will be calculated in, and must be paid in the ForexClear Margin or Settlement Currency applicable to that ForexClear CTM Contract. For the avoidance of doubt, in the case of a ForexClear CTM Contract, any transfers of cash Collateral by an FXCCM to the Clearing House in respect of the FXCCM's variation margin obligations or by the Clearing House to an FXCCM in respect of the Clearing House's variation margin obligations shall be for the purposes of collateralisation and not settlement of obligations under the relevant contracts.

The NPV Payment (adjusted by PAA, as set out below), will be transferred each business day by or to each FXCCM in respect of all of its open ForexClear STM Contracts denominated in a given currency. Each NPV Payment in respect of a given ForexClear STM Contract will be calculated in, and must be paid in the ForexClear Margin or Settlement Currency applicable to that ForexClear STM Contract.

With respect to each ForexClear Contract, the variation margin requirement or NPV Payment (as applicable) is calculated every business day from (and including) the Registration Time to (and including) the EOD on the business day immediately preceding the Settlement Date.

For the avoidance of doubt, “variation margin” and “NPV Payment” as used herein shall include variation margin and NPV Payments in respect of both the and premium owed under a ForexClear ~~Option-Deliverable~~ Contract and all other obligations under the terms of that ForexClear ~~Option-Deliverable~~ Contract.

Any NPV Payment made by an FXCCM to the Clearing House under a ForexClear STM Contract, or by the Clearing House to an FXCCM under a ForexClear STM Contract, shall be for the purpose of settlement of the applicable party’s obligation to pay the required NPV Payment pursuant to the terms of that ForexClear STM Contract and not for the purpose of collateralising any obligations of either party under that ForexClear STM Contract.

- 1.5.3 *Reporting Breakdown:* ForexClear margin reports show the portfolio of open ForexClear ~~Non-Deliverable NDF~~ Contracts of each FXCCM and of each FXD by Currency Pairs and in the Settlement Currency (i.e., USD). ForexClear margin reports also show the portfolio of open ForexClear ~~Option-Deliverable Contracts, ForexClear Spot Contracts and ForexClear Deliverable Forward Contracts~~ of each FXCCM and of each FXD by ForexClear Currency Pair.
- 1.5.4 *Price Alignment Interest ("PAI"):* The effect of daily transfers of cash Collateral in respect of variation margin on ForexClear CTM Contracts results in the need for PAI. Without this adjustment, the pricing of ForexClear CTM Contracts would differ from identical uncleared trades, as cash earned from favourable daily price moves would be priced into the product.
- (a) *PAI Calculation Methodology:* PAI is calculated at EOD on each business day from (and including) the first business day after the Trade Date to (and including) the business day immediately preceding the Settlement Date, and the currency in which the PAI payment is denominated for a given ForexClear CTM Contract shall be the ForexClear Margin or Settlement Currency of that ForexClear CTM Contract.

In this Section 1.5.4 (*Price Alignment Interest*), "T" means any given business day; "T-1" means the business day immediately preceding T; "T+1" means the business day immediately following T; and "MTM" means the total value (expressed in the relevant currency) of an FXCCM's portfolio open of ForexClear CTM Contracts after valuation in accordance with Section 1.5.2 (*Variation Margin and NPV Payments*) at close of business on any business day. The Clearing House calculates PAI in USD once a day at EOD.

- (i) Principles:

- (A) MTM is calculated at EOD on T-1.
 - (B) Change in MTM (net variation margin obligations in respect of an FXCCM's portfolio of open ForexClear CTM Contracts) is paid/ received on the morning of T.
 - (C) PAI Rate for T to be applied is known at EOD T.
 - (D) PAI is calculated on the night of T, for MTM of T-1 for ForexClear CTM Contracts up to the business day before their Settlement Date.
 - (E) PAI is paid / received on morning of T+1 via PPS.
- (ii) Components:
- (A) PAI Rate (annualised interest applied to an FXCCM's MTM).
 - (B) MTM.
 - (C) Accrual Factor (factor used to convert the PAI Rate from an annual rate to a daily rate, on a basis of a year of 360 days).
- (iii) So:
- (A) $PAI T = PAIRate \times MTMT-1 \times Accrual \text{ Factor}$.

The Clearing House uses the PAI Rate from the relevant EOD overnight index swap curves, which is sourced from the Clearing House.

- (b) *Variation Margin/PAI Adjustment*: With respect to each FXCCM, the Clearing House makes the following adjustment to the EOD variation margin:
- (i) if, with respect to its portfolio of open ForexClear CTM Contracts, such FXCCM has (to but excluding the relevant EOD) paid an amount of Collateral in respect of variation margin greater than the amount of Collateral in respect of variation margin it has received, such FXCCM will receive PAI; and
 - (ii) if, with respect to its portfolio of open ForexClear CTM Contracts, such FXCCM has (to but excluding the relevant EOD) received an amount of Collateral in respect of variation margin greater than the amount of Collateral in respect of variation margin it has provided, such FXCCM will pay PAI.

1.5.5 *Price Alignment Amount ("PAA")*: The payment of NPV Payments by the applicable party on a daily basis would, without adjustment, distort the pricing for certain ForexClear STM Contracts cleared through the Clearing House. In order to minimise the impact of such NPV Payments, the Clearing House will,

for an FXCCM, either (i) charge a Price Alignment Amount if that FXCCM has, on a cumulative net basis, received NPV Payments from the Clearing House, or (ii) pay a Price Alignment Amount if that FXCCM has, on a cumulative net basis, paid NPV Payments to the Clearing House. In a negative interest rate environment where the applicable Price Alignment Amount is negative, the Clearing House will, for an FXCCM either (i) pay a Price Alignment Amount if that FXCCM has, on a cumulative net basis, received NPV Payments from the Clearing House, or (ii) charge a Price Alignment Amount if that FXCCM has, on a cumulative net basis, paid NPV Payments to the Clearing House.

- (a) *PAA Calculation Methodology*: PAA is calculated at EOD on each business day from (and including) the first business day after the Trade Date to (and including) the business day immediately preceding the Settlement Date, and the currency in which the PAA payment is denominated for a given ForexClear STM Contract shall be the ForexClear Margin or Settlement Currency of that ForexClear STM Contract.

In this Section 1.5.5 (*Price Alignment Amount*), "T" means any given business day; "T-1" means the business day immediately preceding T; "T+1" means the business day immediately following T; and "MTM" means the total value (expressed in the relevant currency) of an FXCCM's portfolio open of ForexClear STM Contracts after valuation in accordance with Section 1.5.2 (*Variation Margin and NPV Payments*) at close of business on any business day. The Clearing House calculates PAA once a day at EOD.

- (i) Principles:
- (A) MTM is calculated at EOD on T-1.
 - (B) Change in MTM (net NPV Payment obligations in respect of an FXCCM's portfolio of open ForexClear STM Contracts) is paid/ received on the morning of T.
 - (C) PAA Rate for T to be applied is known at EOD T.
 - (D) PAA is calculated on the night of T, for MTM of T-1 for ForexClear Contracts up to the business day before their Settlement Date.
 - (E) PAA is paid / received on morning of T+1 via PPS.
- (ii) Components:
- (A) PAA Rate (annualised interest applied to an FXCCM's MTM).
 - (B) MTM.

(C) Accrual Factor (factor used to convert the PAA Rate from an annual rate to a daily rate, on a basis of a year of 360 days).

(iii) So:

(A) $PAA\ T = PAAT\ Rate \times MTMT-1 \times Accrual\ Factor.$

The Clearing House uses the PAA Rate from the relevant EOD overnight index swap curves, which is sourced from the Clearing House.

1.5.6 *Initial Margin:* The Clearing House will require FXCCMs to transfer Collateral to the Clearing House in respect of initial margin. Each FXCCM's initial margin obligation will comprise the aggregate of the initial margin obligations separately calculated in relation to (i) the ForexClear Non-Deliverable NDF Service and (ii) the ForexClear Option-Deliverable Service.

(a) *Calculation of Initial Margin:* Separate initial margin calculations are performed for an FXCCM's Proprietary Account, each Client Account (other than an Indirect Gross Account) and each Indirect Gross Sub-Account within an Indirect Gross Account. No offset between the Proprietary Accounts and the Client Accounts is allowed (except pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule) and no offset between any Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

The initial margin obligation is calculated on a real-time (or near real-time) basis throughout each day. With respect to each FXCCM, it is calculated for the portfolio of open ForexClear Contracts and ForexClear Transactions using ForexClear's Portfolio Analysis and Risk ("FxPAR") margining model. FxPAR is based on a modified historical simulation expected shortfall methodology. All open ForexClear Contracts and ForexClear Transactions in each Currency Pair are re-valued under a series of FX rate and yield curve scenarios to estimate the potential portfolio profit and loss and therefore the initial margin requirement.

The adequacy of the initial margin calculation is reviewed daily. ForexClear Clearing Members will usually be notified by the Clearing House of alterations to margin model parameters no later than the day before calls are made based on the new parameters. Further details of this method are available upon request from the ForexClear Risk team.

FxPAR uses the market data submitted by FXCCMs pursuant to paragraph 1.5.1(a) (*Product Valuation*).

Initial Margin Add-ons: Credit risk, liquidity risk and sovereign risk margin add-ons are measured and applied to FXCCMs as part of the initial margin requirement calculation.

- (b) *Credit Risk Margin ("CRiM")*: CRiM reflects the additional risk related to the FXCCM's credit quality. The CRiM calculation considers the FXCCM's credit worthiness, initial margin obligation level and/or stress testing exposures in accordance with LCH.Clearnet Credit Risk Policy.
- (c) *Liquidity Risk Margin ("LRM")*: LRM reflects the additional risk due to the FXCCM having concentrated risk exposures above set thresholds in a particular Currency Pair or ForexClear Currency Pair or tenor of ForexClear Contracts. The LRM is calculated in accordance with parameters set by the ForexClear Default Management Group (the "FXDMG").
- (d) *Sovereign Risk Margin ("SRM")*: SRM reflects the additional risk related to a potential country default or a change in a country's currency regime, including risk relating to a country's external debt or level of foreign exchange reserves, which would impact ForexClear Contracts transacted in certain Reference Currencies. The SRM calculation considers the probability of sovereign default occurring and the depreciation or appreciation risk of the Reference Currencies. ~~The SRM sovereign default probability is calculated by assessing the three month probability of default for the different sovereign countries, based on the country's 5 year credit default swap (CDS) spread.~~
- (e) *Settlement Management Margin ("SMM")*: SMM reflects the additional risk associated with a potential settlement failure. The SMM calculation considers the FXCCM's future settlement obligations in each of the relevant currencies and the potential cost of utilising and replenishing liquidity provisions, where required, to fulfil those settlement obligations.
- (f) *Default Fund Additional Margin*: The Clearing House may from time to time require an FXCCM 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 FXCCM ("DFAM"). The methodology by which the Clearing House determines DFAM is available on the secure area of the Clearing House website. The Clearing House will record any Collateral an FXCCM has provided to meet its DFAM obligation to the FXCCM's Proprietary Account.
- (g) *Additional Margin*: The Clearing House may require an FXCCM to transfer additional Collateral to the Clearing House (in addition to amounts of Collateral already transferred to the Clearing House in respect of any initial margin and variation margin obligations) as security for the performance by an FXCCM of its obligations to the Clearing House in respect of ForexClear Contracts to which such FXCCM is a party in accordance with Regulation 20 (*Margin and Collateral*). This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in ForexClear Contracts to which such FXCCM is a party not adequately covered by the Collateral transferred in respect of the initial margin or any variation margin obligations. This may cover instances where stress testing losses

under various scenarios provided in the ForexClear Default Rules have increased.

- 1.5.7 *Initial Margin Management Events Service ("IMMES")*: IMMES aims to find risk and initial margin reducing ForexClear Contracts amongst participating FXCCMs. IMMES can be run on all Currency Pairs that are cleared through the ForexClear Service, although the primary focus will be on those Currency Pairs that contribute to the largest Collateral requirement.

FXCCMs who wish to obtain further information about, or to participate in, IMMES should contact ForexClear Risk on 0207 426 7527. To be eligible to participate in IMMES, an FXCCM must enter into an IMMES agreement with the Clearing House (the "**IMMES Agreement**").

1.6 General Margining Process

A "**Margin and Settlement Run**" is the process by which the Clearing House calculates an FXCCM's initial margin requirement (if any) and, during an EOD Margin and Settlement Run (i) in respect of each ForexClear CTM Contract, its variation margin requirement and PAI adjustment (if required) or (ii) in respect of each ForexClear STM Contract, its NPV Payment and PAA adjustment (if required) (together the "**Margin or Settlement Requirements**"), and in the case of (i) only, applies that FXCCM's Collateral to satisfy the Margin Requirements for that FXCCM in respect of the ForexClear Contracts within that FXCCM's portfolio.

- 1.6.1 *Types of Margin and Settlement Runs*: There are three types of Margin and Settlement Run:

(a) *ITD/Ad Hoc - Day Margin and Settlement Run*

- (i) ITD/Ad-hoc London daytime Margin and Settlement Runs are initiated as and when dictated by the schedule published by the Clearing House and notified to FXCCMs from time to time (the "**Schedule**") or as necessary, and are performed in the time period during which a PPS call can be made (the "**ITD/Ad-hoc Day Margin and Settlement Run**"). PPS times are published on the Clearing House's website at: <http://www.lch.com/en/risk-collateral-management/collateral-management/protected-payments-system/pps-concentration-activities>.
- (ii) ITD/Ad-hoc Margin Runs are calls in respect of the initial margin obligation only. The variation margin obligation, NPV Payment obligation, PAI and PAA are not included in ITD/Ad-hoc Margin Runs.

(b) *EOD Margin and Settlement Run*

- (i) The EOD Margin and Settlement Run is the final ITD/Ad-hoc Day Margin and Settlement Run that completes by 24:00 local London time on that business day (the "**EOD Margin and Settlement Run**").

- (ii) EOD Margin and Settlement Runs are calls in respect of initial margin as well as (i) in the case of ForexClear CTM Contracts, variation margin obligations and PAI; and (ii) in the case of ForexClear STM Contracts, NPV Payment obligations and PAA.
- (c) *ITD / Ad Hoc - Night Margin Run*
 - (i) ITD/Ad-hoc London overnight Margin Runs are initiated as and when dictated by the Schedule or as necessary, and are performed in the time period during which a PPS call cannot be made (the "**ITD/Ad-hoc Night Margin Run**").
 - (ii) ITD/Ad-hoc Night Margin Runs are calls in respect of the initial margin obligation only. The variation margin obligation, NPV Payment obligation, PAI and PAA are not included in ITD/Ad-hoc Night Margin Runs.

1.6.2 *Margin and Settlement Run Process*

- (a) Margin and Settlement Runs cover all registered ForexClear Contracts with the status "**NOVATED**".
- (b) Margin and Settlement Runs will be carried out for each ForexClear Contract and ForexClear Transaction (as the case maybe) until (and including) the later of:
 - (i) EOD Margin and Settlement Run on the Settlement Date; or
 - (ii) EOD Margin and Settlement Run after the Settlement Rate is published.
- (c) During every Margin and Settlement Run the Clearing House calculates the Collateral required in respect of the initial margin obligations and (i) in the case of an FXCCM who is party to ForexClear CTM Contracts, the Collateral required in respect of the variation margin obligations and PAI required to cover that FXCCM's relevant open ForexClear CTM Contracts; or (ii) in the case of an FXCCM who is party to ForexClear STM Contracts, the NPV Payments and the PAA required in respect of that FXCCM's relevant open ForexClear STM Contracts (each a "**Liability**" and together the "**Liabilities**"). For these purposes, liabilities in respect of the open ForexClear Contracts and ForexClear Transactions registered in an FXCCM's Proprietary Account, each of the FXCCM's Client Accounts (other than Indirect Gross Accounts) and each Indirect Gross Sub-Account within an Indirect Gross Account of such FXCCM will be calculated separately.
- (d) Each FXCCM's Liability:
 - (i) in respect of the open ForexClear Contracts registered in an FXCCM's Proprietary Account, is offset against that FXCCM's non-cash collateral account (being a sub-account of the FXCCM's "**H**" collateral account) (for Collateral in respect of

- initial margin only) or funds in that FXCCM's "H" house cash account (being a sub-account of the FXCCM's "H" collateral account) (for variation margin/PAI/initial margin); and
- (ii) in respect of the open ForexClear Contracts registered in a particular FXCCM's Client Account, is offset against the relevant non-cash collateral account (being a sub-account of the FXCCM's Client Account) (for Collateral in respect of initial margin only) or funds in the relevant "C" client cash account (being a sub-account of the FXCCM's Client Account) (for variation margin/PAI/initial margin).
- (e) FXCCMs are informed via email of their Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service portal (being a secure website made available to FXCCMs) (the "**ForexClear Service Portal**") which provides reports (at the times specified in Section 1.7.1 (*Margin and NPV Payment Liability Reports*)) informing FXCCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total Collateral posted with the Clearing House for the ForexClear Service; and (iii) Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)).
 - (f) If following a Margin and Settlement Run an FXCCM is required to provide additional Collateral, this is also indicated by email and via the ForexClear Service Portal. In the case of ITD/Ad-hoc Margin and Settlement Runs, where an FXCCM's Liabilities exceed its available Collateral, then the Clearing House will issue a margin call for the amount of the shortfall plus 50% of the FXCCM's MER Buffer.

1.7 **ForexClear Reporting**

For purposes of reporting obligations to the CFTC, FXCCMs may only report details of ForexClear Contracts, including terminations and modifications to a ForexClear Contract, to an Approved LCH SDR. A list of Approved LCH SDRs is available on the Clearing House's website. In the event an FXCCM wishes to report details of ForexClear Contracts to a swap data repository that is not an Approved LCH SDR, the FXCCM must provide the Clearing House with reasonable prior notice of the date on which it wishes to report to such swap data repository.

FXCCMs must inform their respective Clearing Clients of the list of Approved LCH SDRs, and inform such Clearing Clients that the Clearing House is only able to report details of a ForexClear Contract to an Approved LCH SDR.

In accordance with CFTC Part 45 requirements (where the FXCCM has a reporting obligation), FXCCMs must provide the Clearing House (i) the USI of the original swap that is submitted to the Clearing House for registration and (ii) the LEI of the original swap SDR (i.e., "OriginalSwapRepository" or equivalent field) to enable the Clearing House to accurately report the termination of the original swap to the appropriate SDR.

The Clearing House produces a suite of treasury reports for members across each of the Clearing House services. Some of these reports are cross-service reports and others are specific to the ForexClear Service, thus an FXCCM will receive reports in respect of ForexClear and may also receive cross-service reports where it is a member of another service. Follow this link to the information available from the LCH.Clearnet website: [Banking Reports](http://www.lch.com/members-clients/training-education) <http://www.lch.com/members-clients/training-education>

In respect of the ForexClear Service, on each business day the Clearing House will provide two sets of reports to FXCCMs: (1) Banking Reports; and (2) reports direct from the ForexClear Service (together "**ForexClear Reporting**"). These Procedures reference the ForexClear Service specific reports. Each day's report will remain available for download by FXCCMs from the ForexClear Service Portal for five days.

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to a trade repository or similar body the details of a ForexClear Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of Applicable Law.

- 1.7.1 *Margin and NPV Payment Liability Reports:* Reports detailing Liabilities are provided to FXCCMs following every scheduled Margin and Settlement Run in accordance with Section 1.6.2 (*Margin and Settlement Run Process*) and where additional Collateral has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level at 22.00 local London time. If the EOD Margin and Settlement Run has not completed by 22:00 local London time on a particular business day, the report generated at EOD will reflect that certain Liabilities of FXCCMs are not discharged at the relevant time. A report will also be provided detailing an FXCCM's Collateral utilisation level. If an FXCCM's Liabilities exceed its total available Collateral, ForexClear will alert the FXCCM.
- 1.7.2 *Market Data Reports:* Reports detailing Market Data are provided to FXCCMs following every scheduled Margin and Settlement Run. They include reports of Market Data and Settlement Rate used in the valuation of ForexClear Contracts and reports of Market Data shifts for each historic scenario used in the initial margin requirement calculations.
- 1.7.3 *Trade Reports:* Reports are provided that enable FXCCMs to monitor their firms' trading events and positions in respect of ForexClear. Reports on open ForexClear Contracts and on cancelled ForexClear Transactions and ForexClear Contracts are generated at EOD and reports on transferred ForexClear Contracts are made on an ad hoc basis.
- 1.7.4 *Trade Fixing and Settlement Reports:* Reports are published on each business day detailing the ForexClear Contracts to which the Settlement Rate has been applied on that business day (the "**FX Transaction Fixings**" report), ForexClear Contracts that have been settled during that current business day (the "**Settlements Today**" report) and ForexClear Contracts that will settle the next business day (the "**FX Transactions' Fixed with Settlement Tomorrow**" report).

- 1.7.5 *Fees Reports:* Reports on trading volumes on a daily and monthly basis are provided to FXCCMs. Monthly reports are provided on the last business day of each month. They include the full trading volumes on which the monthly transaction fees will be charged to those FXCCMs choosing to have tariffs levied per transaction.
- 1.7.6 *Banking Reports:* [Follow this link for a full list of banking reports.](#)²
- 1.7.7 *Real-time Reporting:* A near real-time view of member liabilities, collateral pledged, collateral and credit utilisation will be available from the ForexClear Service Portal (referred to in paragraph (e) of Section 1.6.2 (*Margin and Settlement Run Process*)).
- 1.7.8 *Settlement Limit Reports:* As further described in [Section 1.19](#) (*Settlement Limits for ForexClear ~~Option Contracts, ForexClear Deliverable Forward Contract and ForexClear Spot Deliverable~~ Contracts*).

1.8 Treasury Operations & Collateral Management

1.8.1 *Cover Distribution:* The Clearing House nets each FXCCM's Liabilities (i.e. margins and multipliers) and then the total of cash Collateral and non-cash Collateral are applied to offset those net Liabilities. This process is known as collateral distribution ("**Collateral Distribution**"). FXCCMs can choose whether cash or non-cash Collateral should be applied first. At the end of this process, if an FXCCM has a shortfall, a PPS (as defined in Section 1.8.2 (*Protected Payment System*) below) call for additional Collateral is made. Conversely, any excess cash remaining after the final overnight Margin and Settlement Run can, if requested before 09:30 local London time, be repaid to the FXCCM.

(a) *Cover Distribution Notification*

- (i) FXCCMs are informed via email of their: Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service Portal which provides reports (at the times specified in Section 1.7.1 (*Margin and Settlement Liability Reports*)) informing FXCCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total Collateral posted with the Clearing House for ForexClear; and (iii) Liabilities as a percentage of their current total Collateral (such percentage

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http://www.lch.com/documents/731485/762647/Banking_Reports_Reference_Guide_Ltd.pdf/662aec8d-2c06-48cb-b946-fe3b03e2dfa9 http://www.lch.com/membership/training_and_education/

being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)).

- (ii) The reports accessed via the ForexClear Service Portal will enable FXCCMs to log in and examine the underlying data.

- 1.8.2 *Protected Payment System:* The Clearing House operates the Protected Payments System ("**PPS**") for transferring funds to and from its FXCCMs to cover their obligations to transfer Margin, NPV Payments, PAA and PAI. This is similar to a direct debit arrangement where the PPS bank confirms that any Clearing House-specified call is met.

FXCCMs are obliged to hold an account with a London PPS bank in USD, as well as a USD account with a PPS bank in the USA.

Follow the link below for a list of PPS banks operating in the UK and US: <http://www.lch.com/risk-collateral-management/collateral-management/protected-payments-system>

- 1.8.3 *Acceptable Forms of Collateral Cover:* Follow the link below for a detailed description of acceptable collateral and processes applicable from time to time: <http://www.lch.com/risk-collateral-management/collateral-management/acceptable-collateral>

- 1.8.4 *Interest and Accommodation:* Interest is paid to FXCCMs on cash Collateral held by the Clearing House. The London Deposit Rate ("**LDR**") is applied.

A utilisation fee, known as an accommodation charge, is charged on securities lodged at the Clearing House to cover liabilities. For an overview of interest and accommodation charges, please contact the Clearing House's Treasury Operations or follow the link below:

<http://www.lch.com/members-clients/members/fees-ltd/custody-services>

1.9 **Payment of Stamp Tax**

Each FXCCM shall pay any Stamp Tax or duty levied or imposed upon it or in respect of its execution or performance of the Clearing Membership Agreement, the Regulations and the Procedures (including any registration of a ForexClear Contract) by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located ("**Stamp Tax Jurisdiction**") 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 Clearing Membership Agreement, the Regulations and the Procedures (including any registration of a ForexClear Contract) by any such Stamp Tax Jurisdiction or by any other jurisdiction.

1.10 Default Management

1.10.1 *Portfolio Splitting*: As part of the ForexClear Default Management Process, the Clearing House may divide an Auction Portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing House will, in consultation with the ForexClear Default Management Group, seek to create:

- (a) one or more individual Auction Portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Auction Portfolios from those which are more risk neutral; and
- (b) one or more individual Auction Portfolios which are more risk neutral.

1.10.2 *Acceptance of Bids*: In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion that accepting the bid may:

- (a) cause the Clearing House to Apply Applicable Law by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;
- (b) cause the Clearing House or its membership any reputational harm;
- (c) cause legal action or proceedings to be taken against the Clearing House; or
- (d) endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same ForexClear Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by a ForexClear Clearing Member for operational, technological or other similar reasons and as a result of which a bid does not reach the Clearing House, the Clearing House will be unable to accept a bid and shall not be liable for any failure to accept such bid.

1.10.3 *Affiliate Bidding*: ForexClear Clearing Members are entitled to bid for an Auction Portfolio on behalf of an affiliated ForexClear Clearing Member. Where a ForexClear Clearing Member makes a bid and that ForexClear Clearing Member has an affiliated ForexClear Clearing Member that does not make a bid, the Clearing House shall not (unless instructed otherwise in accordance with the paragraph below) assume that the bidding ForexClear Clearing Member has made the relevant bid on behalf of a non-bidding, affiliated ForexClear Clearing Member.

A ForexClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated ForexClear Clearing Member. Where it wishes to do so, the ForexClear Clearing Member should

contact the Clearing House's Client Services Team (membership@lch.com; +44 (0)207 426 7949).

- 1.10.4 *ForexClear Contributions*: ForexClear Contributions will be called via PPS on the fourth business day of each month or otherwise pursuant to a determination of a ForexClear Contribution under the Default Rules.

Excess ForexClear Contribution amounts due to ForexClear Clearing Members following a ForexClear Determination Date will (subject to the Default Rules) be repaid to ForexClear Clearing Members' PPS accounts on the fourth business day immediately following such ForexClear Determination Date.

If a Resignation Effective Date has occurred in respect of a Resigning Member and the ForexClear Service pursuant to Rule F3(e) of the ForexClear Default Fund Supplement, then the Clearing House will repay the ForexClear Contribution that it holds for such Clearing Member (to the extent it has not been applied under the Default Rules) to the Clearing Member's relevant PPS account on such Resignation Effective Date.

Interest on ForexClear Contributions will be paid to ForexClear Clearing Members' PPS accounts on the fifth business day of each month, in respect of the relevant "**interest accrual period**" occurring immediately prior to each such business day. Interest is calculated in respect of each "**interest accrual period**", which commences on (and includes) the fourth business day of each month (each, a "**ForexClear Reset Day**") and ends on (and includes) the calendar day immediately before the next ForexClear Reset Day. Notwithstanding the preceding paragraphs, if the rate of interest payable on ForexClear Contributions is negative, interest shall be payable by ForexClear Clearing Members to the Clearing House.

- 1.10.5 *Quantifying ForexClear Contributions*: For the purposes of calculating the ForexClear Margin Weight under Rule F2(d) of the ForexClear Default Fund Supplement, the uncovered stress loss of an FXCCM shall be determined by reference to the ForexClear Contracts entered into (1) on behalf of the relevant FXCCM and (2) with respect to the Clearing Clients and FCM Clients of such FXCCM.

- 1.10.6 *Outsourcing*: Pursuant to Section 1 (*Clearing Member and Dealer Status*) of the Procedures, an FXCCM may appoint a third party to fulfil one or both of the Clearing House's Membership requirements to: (i) participate in a ForexClear "**fire drill**" run by the Clearing House; and (ii) participate in the ForexClear Default Management Process operated by the Clearing House. Where an FXCCM chooses to outsource one or both of these functions it must appoint and maintain at least three LCH Approved Outsourcing Agents.

The following entities are eligible for appointment as an LCH Approved Outsourcing Agent:

- A ForexClear Clearing Member

- any other entity that the Clearing House deems appropriate in its sole discretion.

Where an FXCCM wishes to appoint a third party to carry out any obligation on its behalf, it should contact the Clearing House's Membership Department with the:

- (a) details of the third party entity that the FXCCM wishes to appoint as an LCH Approved Outsourcing Agent. Such information should include details of the applicant's regulatory status;
- (b) evidence of the existence of a legally binding agreement between the FXCCM Clearing Member and the third party; and
- (c) such other information that the Clearing House reasonably considers necessary for the purposes of determining whether an entity should be approved as an LCH Approved Outsourcing Agent.

Following the receipt of all of the information above, the Clearing House shall determine in its sole discretion, whether to approve the third party as an LCH Approved Outsourcing Agent. In making its determination, the Clearing House shall consider the third party's ability to demonstrate that it has the necessary operational infrastructure and appropriate asset class expertise.

Where an FXCCM successfully appoints an LCH Approved Outsourcing Agent, that FXCCM may be subject to increased margin requirements to cater for the additional time required to invoke an outsourcing process in the event of a default

FXCCMs should note that LCH Approved Outsourcing Agents may be subject to a more rigorous driving test and fire-drill than FXCCM (i.e. required to 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 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.

1.11 **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 4-2 of [Procedure 4 \(Margin and Collateral\)](#) ~~Section 4~~ of the [Clearing House](#) Procedures.

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>

1.12.2 *Transactions in Respect of ForexClear Clearing Client Default to FXCCM*

- (a) This Section describes certain transactions that, under certain conditions, can be carried out by an FXCCM in respect of one of its ForexClear Clearing Clients that has defaulted in its obligations to the FXCCM.
- (b) A request or instruction from an FXCCM to the Clearing House to carry out a transaction described in Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below shall in every case be deemed a representation by the FXCCM to the Clearing House that (i) the affected ForexClear Clearing Client is in default of its obligations to the FXCCM, (ii) the FXCCM has provided and will provide (as applicable) any required notices to the ForexClear Clearing Client of its default and the FXCCM's transactions effected under Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) and/or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below, and (iii) the FXCCM is permitted by its agreements with the ForexClear Clearing Client and Applicable Law, and has authority to effect the transactions specified in the FXCCM's requests and/or instructions to the Clearing House in respect of such ForexClear Clearing Client. FXCCMs are not permitted to effect or attempt to effect a transaction described in Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below where the preceding representations are not satisfied.
- (c) In any other circumstance not covered by Section 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*), Section 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on Behalf of Defaulted Clients*) or Section 1.14 (*Indirect Clearing*), an FXCCM may only instruct the Clearing House to transfer a ForexClear Contract from its Client Account to its Proprietary Account in circumstances where the Clearing House has received from the FXCCM:

- (i) evidence of the relevant ForexClear Clearing Client's consent to such transfer in a form suitable to the Clearing House; and
- (ii) an indemnity in a form suitable to the Clearing House.

The Clearing House will usually arrange a transfer of any ForexClear Contracts to be transferred pursuant to this paragraph (c) within 24 hours of receipt (to the extent applicable) of the documents listed in subparagraphs (i) and (ii) above, unless such transfer is contested by the relevant ForexClear Clearing Client.

1.12.3 *Transfers between Client Accounts and Proprietary Accounts*

- (a) If at any time an early termination date (howsoever described) occurs in respect of one or more of the transactions between an FXCCM and a ForexClear Clearing Client in respect of which such FXCCM is a party to Related ForexClear Contracts and, at the time of such early termination date, the relevant FXCCM is not a Defaulter, the FXCCM may, in connection with a defaulted ForexClear Clearing Client, transfer a ForexClear Contract from the applicable Client Account to its Proprietary Account, provided that the following conditions are met (in addition to any other generally applicable provisions of the Rulebook):
 - (i) the representations described above in paragraph (b) of Section 1.12.2 (*Transactions in Respect of ForexClear Clearing Client Default to FXCCM*) are not or would not be breached;
 - (ii) satisfactory evidence of the ForexClear Clearing Client's default in its obligations to the FXCCM is presented to the Clearing House, which evidence may be, to the extent permitted by the Clearing House in its sole discretion, nothing other than the FXCCM's instruction to effect the transfer (provided that the Clearing House shall be entitled to request additional evidence in its discretion);
 - (iii) a copy of a notice served by the FXCCM on the ForexClear Clearing Client alerting that ForexClear Clearing Client of the FXCCM's intention to transfer the relevant ForexClear Contract to the Clearing House;
 - (iv) at all times the FXCCM maintains sufficient Collateral in its Proprietary Account and the applicable Client Account; and
 - (v) on demand from the Clearing House, an indemnity from the FXCCM in a form suitable to the Clearing House is provided to the Clearing House.

For the purposes of this Section 1.12.3 a "**Related ForexClear Contract**" means, in respect of a transaction between an FXCCM and a ForexClear Clearing Client which has been terminated on an early termination date, the open position represented by the ForexClear

Contract entered into with the Clearing House by such FXCCM on behalf of the relevant ForexClear Clearing Client on equal and opposite terms to such transaction.

- (b) The Clearing House will typically (but shall not be required to) transfer the relevant ForexClear Contract within 24 hours of receipt of the above.

1.12.4 *ForexClear Contracts Entered into, or Cancelled, on Behalf of Defaulted Clients*

- (a) An FXCCM may register, in the name of a defaulted ForexClear Clearing Client but without the direction of such ForexClear Clearing Client, ForexClear Contracts (including hedging and/or compression transactions) to such Client Account, or cancel ForexClear Contracts without the direction of such ForexClear Clearing Client under the following conditions (in addition to any other generally applicable provisions of the Rulebook):
 - (i) the representations described above in paragraph 1.12.2(b) (*Transactions in respect of ForexClear Clearing Client Default to FXCCM*) are not or would not be breached;
 - (ii) satisfactory evidence of the ForexClear Clearing Client's default in its obligations to the FXCCM is presented to the Clearing House, which evidence may be, to the extent permitted by the Clearing House in its sole discretion, nothing other than the FXCCM's instruction to effect the transfer (provided that the Clearing House shall be entitled to request additional evidence in its discretion);
 - (iii) at all times the FXCCM maintains sufficient Collateral in the applicable Client Account;
 - (iv) a copy of a notice served by the FXCCM on the ForexClear Clearing Client alerting that ForexClear Clearing Client of the FXCCM's intention to register the relevant ForexClear Contract(s) is provided to the Clearing House; and
 - (v) on demand from the Clearing House, an indemnity from the FXCCM in a form suitable to the Clearing House is provided to the Clearing House.
- (b) Such a ForexClear Contract submitted for registration in the name of a defaulted ForexClear Clearing Client must reference the applicable ForexClear Clearing Client and Client Account as would ordinarily occur; however, the transaction may be submitted using either the ForexClear Clearing Client's ForexClear Approved Trade Source System identification number or an alternative ForexClear Approved Trade Source System identification number other than that of the ForexClear Clearing Client (e.g., the FXCCM's ForexClear Approved Trade Source System identification numbers), as applicable.

1.12.5 *Backup Clearing Members:*

A ForexClear Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the ForexClear Contracts entered into by a ForexClear Clearing Member on its behalf, in accordance with the Client Clearing Annex.

Where, following the Default of a ForexClear Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing Member in respect of a ForexClear Clearing Client, the Clearing House is entitled, in accordance with the Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that appointed Backup Clearing Member. The Clearing House shall not require consent from any person in advance of sending these details.

Note: The appointment by a ForexClear Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that ForexClear Contracts will always be transferred to that Backup Clearing Member. Porting of ForexClear Contracts, following a ForexClear Clearing Member's Default is always subject to the Clearing House's receipt of consent from the relevant Backup Clearing Member.

1.13 **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.

1.14 **Indirect Clearing**

1.14.1 In circumstances where an early termination date (howsoever described) occurs in respect of all of the transactions between a ForexClear Clearing Member and a ForexClear Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect Gross Account in respect of which such ForexClear Clearing Member (i) is a party to Related ForexClear Contracts and (ii) at the time of such early termination date, is not a Defaulter, that ForexClear Clearing Member may instruct the Clearing House to take one of the following steps in respect of each Indirect Clearing Client comprising the Indirect Gross Account:

- (a) in circumstances where the ForexClear Clearing Member notifies the Clearing House of a Backup Client in respect of the relevant Indirect Clearing Client, transfer all of the open Related ForexClear Contracts registered to the Indirect Gross Sub-Account referable to the Indirect Clearing Client to the relevant Indirect Gross Sub-Account referable to the Indirect Clearing Client of the new or existing Indirect Gross Account which the ForexClear Clearing Member(a) has opened in respect of such Backup Client (a "**Client to Client Porting**");
- (b) transfer all of the open Related ForexClear Contracts registered to the relevant Indirect Gross Sub-Account referable to the Indirect Clearing Client to:
- (c) a new Individual Segregated Account opened within the Clearing House by the ForexClear Clearing Member directly on behalf of such Indirect Clearing **Client** who shall, after such transfer, become a ForexClear Clearing **Client** in respect of such Client Account; or
 - (i) a new or existing Omnibus Segregated Account opened within the Clearing House by the ForexClear Clearing Member where such Indirect Clearing Client shall, after such transfer, become a ForexClear Clearing Client in respect of such Omnibus Segregated Account,
- (d) (each, a "**Direct Account Opening**"); or
- (e) transfer all of the open Related ForexClear Contracts registered to the relevant Indirect Gross Sub-Account referable to the Indirect Clearing Client to its Proprietary Account (an "**Initial Transfer**").

The Clearing House will determine, in respect of each Indirect Clearing Client comprising the Indirect Gross Account, whether a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) is possible within the period of time considered by the Clearing House (in its sole discretion) to be appropriate in the relevant circumstances. In the event of a determination by the Clearing House that the relevant step is impossible within such time period (an "**Impossibility Determination**"), the Clearing House will notify the ForexClear Clearing Member and will not undertake a Client to Client Porting, a Direct Account Opening or an Initial Transfer in respect of the relevant Indirect Clearing Client.

1.14.2 Each of the steps referred to in paragraphs 1.14.1 (a), (c)(i) and (e) above will be subject to the following:

- (a) the Clearing House receiving a copy of the notice from the ForexClear Clearing Member to the relevant ForexClear Clearing Client or from the relevant ForexClear Clearing Client to the ForexClear Clearing Member, copied to each Indirect Clearing Client comprising the Indirect Gross Account, designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;

- (b) the Clearing House receiving a copy of the notice from the ForexClear Clearing Member to the relevant ForexClear Clearing Client and the relevant Indirect Clearing Client confirming that the ForexClear Clearing Member will, in accordance with the instructions of the Indirect Clearing Client, request the Clearing House to arrange a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) in respect of the Related ForexClear Contracts referable to such Indirect Clearing Client;
- (c) the ForexClear Clearing Member having satisfied the Total Required Margin Amount in respect of the relevant account to which the Related ForexClear Contracts are being transferred;
- (d) the Clearing House receiving an indemnity from the ForexClear Clearing Member in a form suitable to the Clearing House; and
- (e) in respect of a Client to Client Porting, the Clearing House receiving written confirmation from the ForexClear Clearing Member that the Backup Client has agreed to act as the Backup Client in relation to such Client to Client Porting.

The Clearing House will usually arrange a transfer of the Related ForexClear Contracts referable to an Indirect Clearing Client within 24 hours of receipt of the documents listed in (a)(c)(i)(d) Section 1.14.21.14.2 (a) to (e).

For the purposes of this Section 1.14, a "Related ForexClear Contract" has the same meaning as ascribed to such term in Section 1.12.3 save that, in this Section 1.14 the ForexClear Clearing Client is acting on behalf of one or more 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 Subject to Clearing House availability, a~~A~~ ForexClear Clearing Member may compress Eligible ForexClear Compression 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 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 the compression of its Eligible ForexClear Compression Contracts. ForexClear Clearing Members should contact the Clearing House's

Membership Department to request such a compression of Eligible ForexClear Compression Contracts; or

- (b) a ForexClear Clearing Member may notify the Clearing House through the ClearLink API specifying the Eligible ForexClear Compression Contracts 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 of the Eligible ForexClear Compression Contracts to be compressed in order for such Eligible ForexClear Compression Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all Eligible ForexClear Compression Contracts notified to it prior to such cut-off time and shall notify the applicable ForexClear Clearing Member after the 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 Subject to Section 1.17.5, ~~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 a~~ ForexClear NDO Contract or 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:
- (a) ~~the number of basis points as published on~~ by the Clearing House's website from time to time as being applicable to the ForexClear Currency Pair referenced in that ForexClear NDO Contract or ForexClear Option Contract, as the case may be; and
- (b) the Call Currency Amount or the Put Currency Amount, as appropriate, in each case as calculated at or immediately prior to the Expiration Time on the Expiration Date of the given ForexClear Contract, such ForexClear NDO Contract or ForexClear Option Contract shall be deemed exercised as of such time, provided that, in the case of a ForexClear Option Contract, such ForexClear Option Contract had not been exercised by the relevant ForexClear Clearing Member or the Clearing House ~~Option Contract~~.
- 1.17.2 For the purposes of Section 1.17.1, the Clearing House may change the number of basis point applicable to any ForexClear Currency Pair by giving three Business Days' prior notice to affected FXCCMs ~~the ForexClear Option Clearing Members~~ (or such shorter notice period as determined by the Clearing House following consultation with the affected FXCCMs ~~ForexClear Option Clearing Members~~).
- 1.17.3 Subject to Section 1.17.5, the Clearing House receives an instruction from a ForexClear Clearing Member, including via any third party intent agent or middleware provider, before the applicable Expiration Time on the Expiration Date such instruction will in all circumstances be acted upon notwithstanding any administrative, systems or processing delays that may affect the Clearing

House immediately taking the action required upon receipt of such instruction. If the Clearing House receives an instruction from a ForexClear Option Clearing Member at or after the applicable Expiration Time on the Expiration Date then Section 1.17.1 shall in all circumstances apply and the Clearing House shall have no regard to such instruction.

- 1.17.4 The "~~In-the~~ **the-Money Amount**" in relation to a ForexClear [NDO Contract or ForexClear](#) Option Contract shall, in respect of the Exercise Date, be equal to:
- (a) in the case of a Call, the excess of the FX Spot Reference [Price](#) over the Strike Price, multiplied by the Call Currency Amount, where both the Strike Price and the Settlement Rate are quoted in terms of the amount of Put Currency to be paid per one unit of Call Currency; and
 - (b) ~~in~~ the case of a Put, the excess of the Strike Price over the FX Spot Reference [Price](#), multiplied by the Put Currency Amount, where both the Strike Price and the Settlement Rate are quoted in terms of the amount of Call Currency to be paid per one unit of Put Currency.
- 1.17.5 In order to facilitate the expiry of offsetting ForexClear Option Contracts, the Clearing House will automatically expire ForexClear Option Contracts that are "equal and offsetting". ForexClear Clearing Members may opt out of such automatic expiry of their ForexClear Option Contracts by providing notice to the Clearing House (the form and manner of such notice shall be prescribed by the Clearing House from time to time), and such opt out shall become effective at such time as notified by the Clearing House to the given ForexClear Clearing Member.
- 1.17.6 Two ForexClear Option Contracts shall be deemed "equal and offsetting" to each other where:
- (a) the Buyer of one ForexClear Option Contract and the Seller of the other ForexClear Option Contract is the same ForexClear Option Clearing Member; and
 - (b) the ForexClear Option Contracts have the equivalent or equal (1) Call Currency and Put Currency, (2) Call Currency Amount and Put Currency Amount, (3) Strike Price, (4) Expiration Date and (5) Settlement Date.
- 1.17.7 Except where a ForexClear Clearing Member has opted out of the automatic expiry of their ForexClear Option Contracts in accordance with Section 1.17.5, at the start of a given Expiration Date, the Clearing House shall automatically expire and therefore terminate all equal and offsetting pairs of ForexClear Option Contracts of each ForexClear Option Clearing Member.
- 1.17.8 In the event the Clearing House receives an instruction from a ForexClear Option Clearing Member, including via any third party exercise and expiry agent or middleware provider, with respect to any ForexClear Option Contract that is subject to automatic expiry on a given Expiration Date, the Clearing

House shall disregard such instruction and in all circumstances such ForexClear Option Contract shall be expired on the given Expiration Date.

- 1.17.9 Capitalised terms used in this Section 1.17 and not otherwise defined shall have the meanings specified for such terms in (i) the ForexClear Option Contract Terms applicable to that ForexClear Option Contract, and, if not defined therein, (ii) the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Trade Association and The Foreign Exchange Committee.

1.18 CLS Payment Procedures

- 1.18.1 In connection with ForexClear ~~Spot Contracts, ForexClear Deliverable Forward Contracts, ForexClear Option Contracts and ForexClear Swap Deliverable~~ Contracts, where applicable, FXCCMs are required to meet the following requirements with respect to CLS:

Time	Action or Requirement
00:00 CET	Clearing House to provide FXCCMs expected CLS funding requirements.
01:30 – 02:00 CET	Clearing House to provide FXCCMs final CLS funding requirements. FXCCMs required to make such payments by 09:00 CET (the “Daily CLS Cut-Off Time”).
06:00 – 09:00 CET	FXCCMs required to make payments to cover all short positions in all currencies.
08:00 CET	CLS to issue payments to FXCCMs per settlement instructions for each relevant FXCCM.
09:00 – 10:00 CET	Clearing House to initiate and complete liquidity provisions.

- 1.18.1 In connection with ForexClear ~~Spot Contracts, ForexClear Deliverable Forward Contracts, ForexClear Option Contracts and ForexClear Swap Deliverable~~ Contracts, where applicable, the following Relevant FX Liabilities are payable to CLS by FXCCMs in accordance with instructions from the Clearing House:

- (a) Initial Exchange Amounts, Final Exchange Amounts and amounts owed under the Economic Terms of ForexClear Spot Contracts and ForexClear Deliverable Forward Contracts; and
- (b) Premiums under ForexClear Option Contracts,

in each case net of any return of aggregate variation margin or NPV Payments denominated in the same currency and due on the same day.

- 1.18.2 Each relevant ForexClear ~~Option~~-Clearing Member warrants that the Relevant FX Liabilities that are paid to CLS pursuant to Section 1.18.2 are transferred free from any proprietary, equitable or other similar interest of any person.
- 1.18.3 Each relevant ForexClear ~~Option~~-Clearing Member shall at all times maintain complete and accurate written records of all Payment Transfer Orders given by it (or on its behalf) to its Member Settlement Bank(s) in respect of all amounts under all of the ForexClear Contracts (other than ForexClear Non-Deliverable NDF-Contracts) registered in its name from time to time. Upon demand by the Clearing House, a ForexClear ~~Option~~-Clearing Member shall immediately provide all such records to the Clearing House.

1.19 Settlement Limits for ForexClear ~~Option~~-Clearing Members

- 1.19.1 Subject to the Regulations and Section 1.19.2, the Clearing House shall from time to time determine the (i) Settlement Position Limit and (ii) Settlement Exposure Limit in respect of each ForexClear Currency and each relevant ForexClear ~~Option~~-Clearing Member.
- 1.19.2 A ForexClear ~~Option~~-Clearing Member may request, in such form and manner as the Clearing House prescribes from time to time, that the Clearing House set a Settlement Position Limit for a given ForexClear Currency below the limit determined pursuant to paragraph (a) above, provided that such requested limit meets the Clearing House's risk tolerance, as determined by the Clearing House in its sole discretion. Upon the Clearing House notifying the ForexClear ~~Option~~ Clearing Member that such requested limit is approved, including the time at which such limit shall take effect, such limit shall be considered the "Settlement Position Limit" for the given ForexClear Currency for the relevant ForexClear ~~Option~~-Clearing Member.
- 1.19.3 Notwithstanding the acceptance by the Clearing House of a revised Settlement Position Limit pursuant to Section 1.19.2, the Clearing House may increase or decrease such revised limit, in its sole discretion and upon reasonable notice to the given ForexClear ~~Option~~-Clearing Member, for risk, legal or regulatory considerations, provided that in no event shall an increased limit exceed the Settlement Position Limit determined by the Clearing House pursuant to Section 1.19.1 or the Regulations.
- 1.19.4 Subject to Section 1.19.2, the Clearing House shall notify ForexClear ~~Option~~ Clearing Members of Settlement Position Limits and Settlement Exposure Limits via the ForexClear Service Portal or member circular.

1.20 Mandatory ForexClear Swap Limit

- 1.20.1 Subject to the Regulations, the Clearing House shall, in its sole and absolute discretion, determine from time to time the Mandatory ForexClear Swap Limit in respect of each ForexClear Clearing Member and each ForexClear Currency. The Clearing House shall notify each ForexClear Clearing Member of the Mandatory ForexClear Swap Limits applicable to it via the ForexClear Service Portal.

1.21 ForexClear STM Contracts – Conversions

1.21.1 If a ForexClear Clearing Member wishes to make a conversion pursuant to Regulation 106A, it must complete and deliver to the Clearing House such documentation (if any) as the Clearing House determines, in its sole discretion, from time to time.

1.22 ForexClear Settlement Reduction Service

1.22.1 The Clearing House offers an optional “ForexClear Settlement Reduction Service” to ForexClear ~~Option~~ Clearing Members to facilitate the registration of ForexClear Transactions in connection with a ForexClear Settlement Event.

1.22.2 ForexClear ~~Option~~ Clearing Members who wish to opt-in to the ForexClear Settlement Reduction Service must provide notice to the Clearing House (the form and manner of such notice shall be prescribed by the Clearing House from time to time). The Clearing House may accept a request to join the ForexClear Settlement Reduction Service in its sole discretion.

1.22.3 From the occurrence of a ForexClear Settlement Event to (but excluding) 5:00PM Eastern Standard Time on the same day, the Clearing House may bind and conclude one or more Mandatory Settlement ForexClear Swap Contracts between the Impacted ForexClear Option Clearing Member or any other ForexClear Option Clearing Member who has opted-in to the ForexClear Settlement Reduction Service on the one hand, and the Clearing House on the other hand, in each case on such terms as the Clearing House shall in its sole and absolute discretion determine (but, subject in all cases to the requirements set forth in Regulations 100 and 105).

1.22.4 Following the conclusion of the given ForexClear Settlement Event, the Clearing House shall provide notice to each ForexClear Option Clearing Member specifying the Mandatory Settlement ForexClear Swap Contracts (if any) entered into on behalf of such ForexClear Option Clearing Member. The Clearing House shall prescribe the form and manner of such notice from time to time in its sole discretion.

1.22.5 The Clearing House does not guarantee the conclusion of the given ForexClear Settlement Event through the process set forth in paragraph 1.22.3 above.

1.23 ForexClear Spot Transactions and ForexClear Deliverable Forward Transactions – Reporting of Hedge Transactions

1.23.1 ForexClear ~~Option~~ Clearing Members shall, in a manner and at such time as prescribed by the Clearing House from time to time, provide to the Clearing House a report of the ForexClear Spot Transactions and ForexClear Deliverable Forward Transactions entered into by the given ForexClear ~~Option~~ Clearing Member that were not concluded for the purposes of (A) hedging some or all of such ForexClear ~~Option~~ Clearing Member’s foreign exchange exposure, (B) reducing its initial margin requirements or (C) reducing its settlement risk, in each case arising under, or in connection with, (i) one or more ForexClear ~~Option~~ Deliverable Transactions submitted by that ForexClear Clearing

Member or (ii) one or more ForexClear ~~Option-Deliverable~~ Contracts then registered in its name.

The foregoing shall not include any ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction resulting from the exercise of a ForexClear Option Contract.

SCHEDULE 1
CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN THE
FOREXCLEAR DEFAULT MANAGEMENT GROUP

1. Definitions

- 1.1 **"Confidential Material"** means data (including but not limited to portfolio data) and documents, which are not in the public domain and which are disclosed to the FXCCM, its associated companies and advisers, or to which the FXCCM, its associated companies and advisers obtains or otherwise has access as a result of participation in the ForexClear Default Management Process, (which, for the avoidance of doubt, does not include any information, data or documents provided to the Clearing House by the FXCCM).
- 1.2 **"FXDMG Member"** means an individual appointed by a Nominating FXCCM.
- 1.3 **"Nominating FXCCM"** means a ForexClear Member who, through their obligations under the ForexClear DMP Annex, makes available a representative to serve on the FXDMG.
- 1.4 **"Permitted Purpose"** means proper fulfilment by the FXCCM of its duties under the ForexClear DMP Annex and includes, after the completion of the Auction, the use by the FXCCM its associated companies and advisers (to be determined by it at its discretion) of any data or documents related to portfolios successfully won through the Auction, for the purposes of its own ongoing portfolio management and to enable it to comply with ongoing legal or regulatory requirements.
- 1.5 References denoting the masculine (including **"his"** and **"he"**) shall be construed as the feminine if the FXDMG Member is female.
- 1.6 All other terms have the meaning ascribed to them in the Default Rules (including the ForexClear DMP Annex).

Confidentiality and Non-Disclosure: General Obligations of the FXCCM

2. Confidentiality

- 2.1 The FXCCM agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of this Agreement in respect thereof and, subject to paragraph 2.3 below, will not disclose it to any person without the prior written permission of the Managing Director, Risk of the Clearing House or a Director of Risk Management of the Clearing House, providing always that the FXCCM shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if :
- (a) it comes into the public domain other than through a breach by the FXCCM of this Agreement; or
 - (b) b) the FXCCM is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in connection with any

inquiry or other request by a regulatory authority or self-regulatory authority asserting jurisdiction over the FXCCM.

- 2.2 The FXCCM further agrees that it will not use any Confidential Material for any purpose other than the Permitted Purpose. In this regard the FXCCM expressly acknowledges and agrees that the Confidential Material may contain commercially sensitive information which if used inappropriately or otherwise than in accordance with this Schedule 1 might result in the gaining of an unfair commercial advantage by the FXCCM over other members of the Clearing House ForexClear Service.
- 2.3 Subject to paragraph 2.4 below the FXCCM may disclose any Confidential Material to any of its employees, representatives, associated companies and advisers on a "**strictly need to know**" basis, in the event that any such person needs that Confidential Material for the Permitted Purpose (and to that extent only).
- 2.4 The FXCCM agrees to establish and adhere to adequate procedures (including, without limitation, the establishment of appropriate Chinese walls) to ensure that any employee or representative to whom any Confidential Material is disclosed shall not use any part or all of that Confidential Material for any proprietary purpose outside the scope of the Permitted Purpose.
- 2.5 This paragraph and the duties hereunder shall survive the termination of this Schedule 1 and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Material was first provided to the FXCCM.

3. **Secrecy**

- 3.1 Except in accordance with the terms of this Schedule 1, the FXCCM agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:
 - (a) Confidential Material;
 - (b) the fact that it has received any Confidential Material;
 - (c) the existence of any discussions or negotiations between the parties in this matter.
 - (d) details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the forgoing. Subject only to the FXCCM being relieved of such an obligation because of the circumstances covered in paragraphs 2.1(a) and 2.1(b).
- 3.2 The Clearing House undertakes to ensure that the FXCCM is fully apprised of information on the ForexClear Default Management Process that it makes public and which is accordingly of relevance to the FXCCM's obligations.

4. **Property**

The parties acknowledge that the property in the Confidential Material (or any part of it) shall not pass to the FXCCM or any FXCCM, and the property in the media on which it is conveyed to the receiving party shall not pass to the FXCCM or any FXCCM unless expressly so agreed by the Clearing House in writing.

5. **Return of Confidential Material**

Upon request by the Clearing House, and in any event upon fulfilment of the Permitted Purpose, the FXCCM shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in its possession or control or that of its employees or representatives, including all other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so provided that the FXCCM is permitted to retain copies of any Confidential Material which it requires as part of its portfolio management or otherwise for legal or regulatory reasons.

6. **No Representations or Warranties; No Conflict of Interest**

6.1 Subject to references made in Paragraph 7 (*Liability*), the Confidential Material is disclosed by the Clearing House without any representation or warranty whatsoever as to its accuracy or completeness or otherwise.

6.2 The Clearing House acknowledges and agrees that, subject to compliance with the terms of this Schedule 1 by the FXCCM and any of its employees or representatives to whom Confidential Material is provided in accordance with this Schedule 1, the FXCCM's participation in the ForexClear Default Management Process shall not prevent the FXCCM from carrying out any transaction, or otherwise providing investment services in respect of, investments that the FXCCM may subsequently learn are the subject of Confidential Material and, furthermore, the Clearing House agrees that it shall not be able to assert that the FXCCM has a conflict of interest in doing so nor shall the Clearing House have a claim or action in respect of the foregoing against the FXCCM or any of its directors, employees or other representatives.

7. **Liability**

7.1 Subject to Regulation 52 (*Exclusion of Liability*), the parties agree and acknowledge that neither the Clearing House nor any of its employees or representatives shall have any liability whatsoever to the FXCCM or any of its employees or representatives, for any loss or damage of whatsoever kind howsoever arising directly or indirectly out of or in connection with the disclosed Confidential Material or its use.

7.2 The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and any fraud or wilful default on the part of the Clearing House, for any actions that it may take on the basis of advice given to it by the FXDMG, and for the accuracy of the information (confidential material as defined in this Schedule 1) that it distributes to the FXCCM in connection with the ForexClear Default Management Process.

7.3 Under no circumstances shall the Clearing House have any liability to the FXCCM for (a) any consequential loss or other indirect loss of whatsoever kind or (b) loss of anticipated profit (whether direct or indirect).

8. Remedies

Without affecting any other rights or remedies that the Clearing House may have, the FXCCM acknowledges that the Clearing House may be irreparably harmed by any breach of the terms of this Schedule 1 and that damages alone may not necessarily be an adequate remedy. Accordingly, the Clearing House will be entitled to the remedies of injunction, specific performance and other equitable relief, or any combination of these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce this Agreement.

Confidentiality and Non-Disclosure and General Terms of Participation in ForexClear Default Management Group

9. Conflict of Interest

The FXCCM shall procure that, in the event that a FXDMG Member takes the view that a possible conflict of interest may arise with regard to any matter forming part of the business of the FXDMG, he shall promptly report his view to the Chairman of the FXDMG, who shall act accordingly, taking the advice of other FXDMG Members as appropriate.

10. Confidentiality

- 10.1 Subject to paragraph 10.3 below, the FXCCM shall procure that the FXDMG Member shall keep all Confidential Material strictly confidential to himself and will not disclose it to any person who is not a FXDMG Member (including, for the avoidance of doubt, the FXCCM who recommended his appointment to the FXDMG (the Nominating FXCCM) or his employer (if different) or any other employee, adviser, officer or fellow worker of that FXCCM or his employer) without the prior written permission of the Managing Director, Risk of the Clearing House or his properly authorised delegate, providing always that the FXDMG Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if it comes into the public domain in the circumstances covered in paragraphs 2.1(a) and 2.1(b) above.
- 10.2 Subject to paragraph 10.3 below, the FXCCM shall procure that the FXDMG Member shall not use any Confidential Material for any purpose other than the proper fulfilment of his duties as a FXDMG Member.
- 10.3 The parties acknowledge that, in the event that a Default Notice is issued by the Clearing House in respect of any ForexClear Clearing Member, the FXDMG Member may be required by the Nominating FXCCM and/or his employer (if different) to provide certain services to the Clearing House in the management of the default. In such event, and only in such event, the parties acknowledge that the FXDMG Member shall be entitled to disclose any part or parts of the Confidential Material as may be agreed by the Clearing House, in such manner and form and in accordance with such procedures as may be prescribed by the Clearing House and/or the FXDMG with regard to the management of that default.
- 10.4 Upon request by the Clearing House, and in any event upon termination of the membership of the FXDMG Member of the FXDMG, the FXCCM shall procure that the FXDMG Member shall promptly return to the Clearing House by a secure method

of transportation all or any part of the Confidential Material and all copies thereof in his possession or control, including all abstracts, notes, drawings and other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so, provided that the FXDMG Member is permitted to retain a copy thereof to comply with applicable legal or regulatory requirements.

11. **Warranty and Representation**

The FXCCM represents and warrants that it will procure that:

- (a) the Nominating FXCCM and the FXDMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this Procedure; and
- (b) nothing in this Schedule 1 will cause the FXDMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Nominating FXCCM or to his employer, if different, or any other contract counterparty of the FXDMG Member.

12. **Antitrust**

12.1 The FXCCM acknowledges that the FXDMG comprises representatives of competing companies and that antitrust law prohibits the sharing of competitively sensitive information as between competitors. The FXCCM shall procure that its FXDMG Member has been made aware of the relevant obligations under antitrust laws prior to attending any meetings or calls of the FXDMG.

12.2 The FXCCM shall procure that the FXDMG Member does not share any competitively sensitive information relating to the FXCCM with any other members of the FXDMG. In particular, the FXDMG Member should not:

- (a) enter into general business discussions about the FXCCM's business or ventures in which it has an interest, except where strictly necessary for the purposes of the FXDMG;
- (b) disclose or enter into discussions relating to the FXCCM's spreads, margins, commissions (paid or received), fee schedules, pricing policies, current or future margins, trading volumes or the FXCCM's customers;
- (c) disclose or enter into discussions relating to the FXCCM's future plans (such as new products or changes to trading arrangements, prospective clients, business opportunities or product development plans), strategic plans, or expansion plans; or
- (d) disclose or enter into discussions relating to prices, commissions paid or payable to, or any other terms and conditions of arrangements between the FXCCM and other clearing houses, suppliers, brokers or other intermediaries.

12.3 At the beginning of each meeting, the Chairman of the FXDMG will remind the participants of their obligations under antitrust law.

- 12.4 The Clearing House will circulate to FXDMG Members an agenda in advance of all meetings of the FXDMG. All meetings of the FXDMG must proceed strictly in accordance with the agenda and will be recorded in minutes circulated by the Clearing House. Participants must notify the Clearing House to the extent the minutes do not reflect the relevant meeting.
- 12.5 If any disclosure or discussions that may be contrary to antitrust law are initiated, the Chairman of the FXDMG should immediately cease such disclosure or discussions and, if specific participants have raised concerns, allow them to record these concerns in the minutes.

13. **Confidentiality and Non-Disclosure: General Obligations of the Clearing House**

The Clearing House will treat all Confidential Material in the terms envisaged in Schedule 1 (*Confidentiality, non-disclosure and participation in the ForexClear Default Management Group*), confining use to the ForexClear Default Management Process, restricting its availability on a "**strictly need to know basis**", and exercising every duty of care required of it as a Recognised Clearing House and as a Derivatives Clearing Organization.

Appendix VI
FCM Procedures



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

2.2 FOREXCLEAR

2.2.1 *Introduction and Interpretation*

This Section 2.2 of the FCM Procedures governs the FCM ForexClear Service and must be read in conjunction with the other parts of the FCM Rulebook.

A reference to an “**FXCCM**” is generic and encompasses both ForexClear Clearing Members (as defined in the UK General Regulations) and FCM ForexClear Clearing Members.

References to “**Business Day**”, “**Calculation Agent**”, “**Currency Pair**”, “**Disruption Fallback**”, “**Notional Amount**”, “**Reference Currency**”, “**Settlement Currency**”, “**Settlement Currency Amount**”, “**Settlement Date**”, “**Settlement Rate**”, “**Settlement Rate Option**”, “**Trade Date**”, “**Valuation Date**”, and “**Valuation Postponement**” shall have the meanings given to them in the FCM ForexClear Contract Terms.

References to “**business day**” shall carry the meaning given to it in the Rulebook.

“**EMTA**” means EMTA Inc., the trade association for the emerging markets that was formerly known as the Emerging Markets Traders Association, or any successor entity.

“**EMTA Template**” means, where applicable, the template terms for a Non-Deliverable FX Transaction or Non-Deliverable Currency Option Transaction for a particular Currency Pair that are in effect and published by EMTA on its website on the relevant Trade Date.

“**LCH G10 ~~NDF~~ Contract Template**” means, where applicable, the template terms for an ~~FCM Non-Deliverable FX~~ Transaction for a particular Currency Pair that are set forth in the LCH G10 NDF Contract Terms or LCH G10 NDO Contract Terms~~FCM ForexClear Contract Terms~~.

“**Relevant EMTA Template**” means, for a particular FCM ForexClear Contract, the EMTA Template that is incorporated by reference into the FCM ForexClear Contract Terms applicable to such Contract, together with any amendments thereto as set out in the FCM ForexClear Contract Terms.

“**Submission Date**” means the date on which a given trade is submitted to the Clearing House for registration.

Unless otherwise specified, all times are in local London time.

The liability of the Clearing House is as set out in Regulation 32 (*Exclusion of Liability*), which applies to these FCM Procedures in its entirety unless provided otherwise.

2.2.2 *Users of FCM ForexClear Service*

The FCM ForexClear Service is an interface that processes and stores all FCM ForexClear Transactions. FCM Clearing Members approved by the Clearing House to clear in the FCM ForexClear Service (“**FX FCMs**”), FCM Clients of FX FCMs and, in respect of hedging FCM ForexClear Transactions executed for the purpose of Risk Neutralisation, the Clearing House are known as ForexClear Participants (“**FXPs**”). For membership procedures, please see Section 1 of the FCM Procedures.

For identification purposes each FX FCM is assigned a unique three-character mnemonic for purposes of the FCM ForexClear Service.

2.2.3 *Termination of FX FCM Status*

FCM Clearing Members should contact the Clearing House Onboarding Department (+44 (0)207 426 7891/7627/7063; onboarding@lch.com) for details of how to resign from the FCM ForexClear Service.

2.2.4 *Service Scope*

(a) *Eligibility*

~~FCM ForexClear Transactions Non-Deliverable FX Transactions as defined in Part A of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual (“NDFs”)~~ may be presented for clearing through the FCM ForexClear Service. To be eligible to be registered as a ForexClear Contract, ~~an FCM ForexClear Transaction an NDF~~ must meet the FCM ForexClear Product Eligibility Criteria ~~(as set out in Part B of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual).~~

(b) *Service Operating Hours*

Opening Days:

The FCM ForexClear Service will be open each day, except weekends, Christmas Day and New Year's Day.

Opening Hours:

The FCM ForexClear Service will be open between 20:00 hours, London time, Sunday night and 01:00 hours, London time, Saturday morning (“**Opening Hours**”). The FCM ForexClear Service will not accept FCM ForexClear Transactions outside of these hours.

2.2.5 *Position Accounts*

(a) *FCM Accounts*

For identification purposes, each FCM Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to

FCM ForexClear Transactions and FCM ForexClear Contracts. An FCM Clearing Member's position and financial information are further identified by position-keeping accounts corresponding to a single character code: C for client business and H for house business.

(b) *Position-Keeping Accounts*

FCM Clearing Member Accounts:

The account types are: H for house business (Proprietary Account); and C for segregated client business (FCM Omnibus ForexClear Client Account with LCH). An FCM Clearing Member's FCM ForexClear Contract positions are also recorded within the FCM ForexClear Clearing System in ForexClear accounts.

All registered FCM ForexClear Contracts will be identifiable to FCM Clearing Members via ForexClear Reporting (see Section [2.2.232-2.232-2.22](#)). All registered FCM ForexClear Contracts will be maintained only in ForexClear accounts (identified as such by a unique three letter mnemonic) and separate from all accounts containing FCM Contracts attributable to other Business Categories of FCM Contracts (**provided that** FCM Contracts attributable to any Business Categories of FCM Contracts and related Collateral may be physically commingled in the same depository accounts, subject to the requirements of the Rulebook to properly segregate all FCM Client assets). Each FCM ForexClear Contract will also be assigned a unique trade identifier. The FCM Clearing Member Reporting functionality also allows each FCM Clearing Member to identify all FCM ForexClear Contracts registered in its name.

Sub-accounts within the FX FCM's Proprietary Account may be set up (e.g., for branches). Each such sub-account will carry the unique Bank Identifier Code (“**BIC**”) (or equivalent unique identifier) of the relevant branch.

(c) *Clients*

Where an FX FCM enters into an agreement with an FCM Client in accordance with FCM Regulation 7(a) (*FCM Client Business and Proprietary Account Trading*), the FX FCM must submit an “**FCM Client Static Data**” form to the Clearing House's membership department. Positions of an FCM Client will be identifiable in ForexClear Reporting through that FCM Client's BIC/unique identifier.

2.2.6 *Other Accounts*

The Clearing House will open operational accounts in respect of an FX FCM, which are used to record cash and securities balances and its ForexClear Contributions. The Clearing House may open and close such operational accounts, in its sole discretion, upon notice to the relevant FX FCM. ForexClear Operations will provide details of such accounts to an FX FCM upon request.

2.2.7 *Novation and Registration*

~~An FCM ForexClear Transaction must satisfy an NDF is an FCM ForexClear Transaction (i.e. eligible for registration as an FCM ForexClear Contract) if it satisfies the FCM ForexClear Product Eligibility Criteria (set out in Part B of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual) at the Registration Time. Upon an FCM ForexClear Transaction being submitted presented to the Clearing House for registration, the Clearing House will determine whether to accept or reject the FCM ForexClear Transaction within the required timeframe under all Applicable Law. Where the Clearing House determines to accept the FCM ForexClear Transaction, registration shall occur immediately and the FCM ForexClear Transaction shall be automatically replaced by two separate FCM ForexClear Contracts.~~

Prior and as a condition to the registration of an FCM ForexClear Contract ~~(except where such FCM ForexClear Contract results from an FCM ForexClear Transaction that is a Sub-Block Trading Venue Transaction)~~, the Clearing House will require the FX FCM in whose name such FCM ForexClear Contract is to be registered to provide and maintain sufficient Margin for its Liabilities (as defined in Section ~~2.2.172.2.172.2.17~~) (or its estimated Liabilities) (taking into account any MER Buffer and/or ForexClear Tolerance, if any) as a precondition to registration. ~~This Margin check process is referred to as (the “Incremental Risk Check” (as defined in Section 2.2.8(b)).~~

If any FX FCM has not transferred sufficient Margin for its Liabilities or estimated Liabilities (taking into account any MER Buffer and/or ForexClear Tolerance, if any) at the time of the relevant Incremental Risk Check, subject to Section 2.2.8(c), such ForexClear Transaction will be rejected.

Once an FCM ForexClear Transaction has passed the Validation Checks (as defined in Section ~~2.2.8(a)2.2.8(a)2.2.8(a)~~), and the Clearing House has determined to accept the FCM ForexClear Transaction for registration, the Clearing House will send a message confirming the registration of the FCM ForexClear Transaction as two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable), including a date stamp, in accordance with Section 2.2.8(a)(iii). For the purpose of the ~~Part III of the~~ FCM Regulations, the time of dispatch of such message shall be the “**Registration Time**” of such FCM ForexClear Contract(s).

The definitive report of a registered FCM ForexClear Contract will be shown on the “**All Open Contracts**” report issued by ForexClear Reporting (as defined in Section ~~2.2.232.2.232.2.22~~).

If ~~the Clearing House declares~~ an FX FCM ~~is declared~~ a Defaulter, the Clearing House will not register any ForexClear Contracts in the name of the Defaulter (except pursuant to the Default Rules). FCM ForexClear Transactions in respect of Non-Defaulting FX FCMs will continue to be registered in accordance with, and subject to, the FCM Rulebook.

(a) *Trade Capture*

Once the FCM Approved Trade Source System receives the trade instructions from the FXPs who are parties to the trade, the FCM Approved Trade Source System matches both instructions (a “**trade**”). The FCM Approved Trade Source System validates the trade using the applicable FCM ForexClear Product Eligibility Criteria ~~as set forth in Part B to Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual (the “FCM ForexClear Eligibility Criteria”)~~ and will, if appropriate, present a single message containing the names of the FXPs who are parties to the trade and the terms of the trade to the Clearing House for registration and clearing (such matched trade, an “**FCM ForexClear Transaction**”).

The Clearing House will determine whether to accept or reject the FCM ForexClear Transaction within the required timeframe under Applicable Law. In respect of an FCM ForexClear Transaction which is:

- (A) an FCM Trading Venue Transaction, the Clearing House will notify the FX FCMs, the FCM Trading Venue and, if the originating FCM Approved Trade Source System is different to the FCM Trading Venue, the originating FCM Approved Trade Source System of the registration or rejection of the FCM ForexClear Transaction; or
- (B) not an FCM Trading Venue Transaction, the Clearing House will notify the FX FCMs (via the originating FCM Approved Trade Source System or ClearLink API) of registration or rejection of the FCM ForexClear Transaction,

in each case within the required timeframe under Applicable Law.

(b) *ForexClear FCM Approved Trade Source Systems*

Application for approved trade source system status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of FCM Approved Trade Source Systems currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves any additional FCM Approved Trade Source System, it will notify FCM Clearing Members via member circular.

FCM ForexClear Transactions presented through an FCM Approved Trade Source System must be in an acceptable message format, as prescribed by the Clearing House.

The Clearing House is not able to, and will not, verify the authorization of the source of any details of any FCM ForexClear Transaction reported to it for registration by an FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FX FCM suffers any loss through the unauthorized input of details into a system of an FCM Approved Trade Source System.

Notwithstanding the designation by the Clearing House of any system as an FCM Approved Trade Source System, 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 FCM ForexClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System and the terms of such relationship may entitle the FCM Approved Trade Source System to suspend the ability of an FX FCM to make submissions from time to time.

FX FCMs must not submit instructions to the Clearing House for trades which will not meet the FCM ForexClear Eligibility Criteria. The Clearing House will process any FCM ForexClear Transaction reported to it by an FCM Approved Trade Source System on an “as is” basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM ForexClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant Executing Parties.

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 an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM ForexClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM ForexClear Contract, unless the FCM ForexClear Contract is subsequently cancelled in accordance with FCM Regulation 49 (*Cancellation of FCM ForexClear Contracts*).

FCM Clearing Members shall ensure that transaction details accepted for registration are accepted by appropriately authorized personnel. Apart from the foregoing acceptance, the Clearing House is not able to, and will not, verify the authorization of the source of any details of any transaction reported to it for registration by any FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorized acceptance of an FCM Notification.

2.2.8 ***Trade Validation and Registration***

(a) *Process flow description*

- (A) The Clearing House performs a validation check on each trade presented by FXPs to ensure that each such trade meets: (A) the

applicable FCM ForexClear Product Eligibility Criteria and the Counterparty Technical Validation Check (as defined ~~below in Section 2.2.8(b)~~); (B) where applicable, the Incremental Risk Checks (as defined ~~below in Section 2.2.8(e)~~); and (C) where applicable, the Acceptance Validation Checks (as defined ~~below in Section 2.2.8(d)~~), in each case, required for FCM ForexClear Transactions (collectively, the “**Validation Checks**”).

- (B) The Clearing House will create two trade records for an FCM ForexClear Transaction ~~which~~ that passes the Validation Checks and is accepted for clearing by the Clearing House: one for the FCM ForexClear Contract between the Clearing House and the relevant FX FCM and the other for the FCM ForexClear Contract between the Clearing House and the same or another FX FCM (or, where applicable, the Non-FCM ForexClear Contract between the Clearing House and the relevant ForexClear Clearing Member).
- (C) In respect of an FCM ForexClear Transaction which is:
 - (A) an FCM Trading Venue Transaction, the Clearing House will notify the FX FCMs, FCM Trading Venue and, if the originating FCM ForexClear Approved Trade Source System is different to the FCM Trading Venue, the originating FCM ForexClear Approved Trade Source System of registration or rejection of the FCM ForexClear Transaction ; ~~or~~ and
 - (B) not an FCM Trading Venue Transaction, the Clearing House will notify the FX FCMs (via the originating FCM ForexClear Approved Trade Source System or ClearLink API) of registration or rejection of the FCM ForexClear Transaction,

in each case within the required timeframe under ~~all~~ Applicable Law.

- (D) As provided in Section 2.2.7, in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that FCM ForexClear Contract.
- (E) The account (H or C) and sub-account (if applicable) into which each trade record is booked is derived from the BIC/unique identifier code within the message from the FCM Approved Trade Source System. The BIC links to the FX FCM reference data.
- (F) Both new trade records arising out of the ForexClear Transaction have the same unique ForexClear ID (the “**ForexClear ID**”). Any further events or actions are applied on the basis of this

ForexClear ID, to ensure consistency.

- (b) **“Counterparty Technical Validation Check.”** The counterparties to each trade must be (a) the parties submitted in trade particulars, (b) are each a Non-Defaulting FX FCM and (c) approved by the Clearing House to clear the relevant trade type.

~~(b)~~ Valuation Date and Settlement Date: in respect of an FCM ForexClear Non-Deliverable Transaction, the Valuation Date and Settlement Date for the FCM ForexClear Transaction meet the criteria set forth in the relevant FCM ForexClear Contract Terms

- (c) *Incremental Risk Checks*

The Clearing House will apply an **“Incremental Risk Check”** to each FCM ForexClear Transaction that is not a Sub-Block Trading Venue Transaction. The Incremental Risk Check uses a suitable approximation methodology to estimate an FX FCM's Liabilities (including the new FCM ForexClear Transaction) against available Margin (taking into account MER Buffer and/or ForexClear Tolerance, if any). However, any FCM ForexClear Transaction presented by an FX FCM that is risk reducing (i.e. results in a reduction of that FX FCM's Liabilities) will always pass the Incremental Risk Check, even if the FX FCM does not have sufficient Margin for its Liabilities.

Each relevant FX FCM must pass the Incremental Risk Check in order for the Clearing House to register two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable).

If either (or both) FX FCM(s) fail(s) the Incremental Risk Check(s), then the FCM ForexClear Transaction will be rejected immediately and a notification sent in accordance with Section 2.2.8(a)(iii).

- (d) *FCM Acceptance*

- (A) In the case of an FX FCM ~~which~~that has been nominated to register an FCM ForexClear Transaction on behalf of a third party Executing Party, the Clearing House will (only where such FCM ForexClear Transaction is not an FCM Trading Venue Transaction) provide notification to such FX FCM of the relevant FCM ForexClear Transaction and that it has been so nominated, via member reports, the ClearLink API or otherwise (**“FCM Notification”**). Where an FX FCM is nominated to clear both FCM ForexClear Contracts arising from the registration of an FCM ForexClear Transaction in the capacities described in this paragraph, such FX FCM will receive two separate FCM Notifications from the Clearing House in relation to such FCM ForexClear Transaction. All FCM Notifications shall be provided within the required timeframe under Applicable Law.

In all other cases, no FCM Notification will be provided to any FX FCM.

- (B) In respect of an FCM ForexClear Transaction that is not an FCM Trading Venue Transaction, following receipt of an FCM Notification, an FX FCM may choose to grant or refuse consent to register the ForexClear Transaction. It is a condition for registration of such an FCM ForexClear Transaction that an FX FCM grants a separate consent (each, an "FCM Acceptance") in respect of each FCM Notification received by it in relation to the registration of such FCM ForexClear Transaction. The Clearing House has an automated system ~~which-that~~ it operates on each business day for the purposes of rejecting FCM ForexClear Transactions ~~which have been~~ presented for clearing, but in respect of which ~~h-the relevant FX FCM did not provide an FCM any FCM~~ Acceptance ~~has not been notified~~ to the Clearing House prior to the LCH Cut-off Time. The "LCH Cut-off Time" in respect of an FCM ForexClear Transaction will be the expiry of the timeframe determined by the Clearing House. If an FX FCM has not ~~provided notified~~ the Clearing House of an FCM Acceptance by the LCH Cut-off Time, it will be deemed to have rejected the relevant FCM ForexClear Transaction. Any FCM Acceptance of an FCM ForexClear Transaction ~~provided notified~~ by an FX FCM to the Clearing House prior to the LCH Cut-off Time is irrevocable. Any FCM Acceptance ~~provided notified~~ by an FX FCM to the Clearing House after the LCH Cut-off Time shall be invalid.
- (C) In circumstances where the registration of an FCM ForexClear Transaction is conditional upon one or more FCM Acceptance(s) being notified by the applicable FX FCM(s), the relevant FCM ForexClear Transaction shall be deemed to have been "submitted" to the Clearing House by each such FX FCM at the time when it notifies the Clearing House of its FCM Acceptance. In all other circumstances, an FCM ForexClear Transaction shall be "submitted" to the Clearing House by the applicable FX FCM upon being presented to the Clearing House for clearing by or on behalf of such FX FCM.
- (D) Where, in the context of a Default, the Clearing House executes a hedging FCM ForexClear Transaction, which is:
- (A) not an FCM Trading Venue Transaction, with a Hedging ForexClear Service Clearing Member for the purpose of Risk Neutralisation, and such FCM ForexClear Transaction is presented for clearing to the Clearing House, the Defaulting ForexClear Service Clearing Member shall be deemed to have received an FCM Notification, in respect of such FCM ForexClear Transaction, and to have notified an FCM Acceptance, in respect of such FCM ForexClear Transaction, to the

Clearing House before the relevant LCH Cut-off Time;
and

- (B) a FCM Trading Venue Transaction, with a Hedging ForexClear Service Clearing Member for the purpose of Risk Neutralisation, and such FCM ForexClear Transaction is presented for clearing to the Clearing House, the FCM Trading Venue on which such FCM ForexClear Transaction was executed shall be deemed to be an FCM Eligible Trading Venue, in respect of the Defaulting ForexClear Service Clearing Member, at the time of execution of such FCM ForexClear Transaction and such FCM ForexClear Transaction shall be deemed to be an FCM Eligible Trading Venue Transaction, in respect of the Defaulting ForexClear Service Clearing Member.
 - (E) The Clearing House will (where applicable) apply an “**Acceptance Validation Check**” in respect of an FCM ForexClear Transaction presented for clearing that is not an FCM Trading Venue Transaction in order to ensure that the Clearing House has received all required FCM Acceptances, in accordance with this Section 2.2.8(d).
- (e) *Registration*
- (i) Once it is confirmed that an FCM ForexClear Transaction has passed the applicable Validation Checks for the relevant FX FCMs, and the Clearing House has determined to accept the FCM ForexClear Transaction for registration, the Clearing House:
 - (A) registers the FCM ForexClear Transaction as two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable) and changes the status for the FCM ForexClear Transaction to “NOVATED”; and
 - (B) acknowledges the FCM ForexClear Contract status and sends a notification in accordance with Section 2.2.8(a)(iii) that the FCM ForexClear Transaction is “NOVATED”.
 - (ii) Where, in the context of a Default, the Clearing House executes a hedging FCM ForexClear Transaction with a Hedging ForexClear Service Clearing Member for the purpose of Risk Neutralisation, and such FCM ForexClear Transaction is presented for clearing to the Clearing House, the Clearing House may determine (in its sole discretion) that any Validation Check(s) in respect of such FCM ForexClear Transaction are deemed to have been passed

(f) *Trade Rejection*

Trades presented for registration that do not meet the FCM ForexClear Product Eligibility Criteria or any other requirement for registration under the FCM Rulebook, including a trade (i) presented by or on behalf of an FCM ForexClear Clearing Member in respect of a third party Executing Party where such trade was executed on an FCM Trading Venue that was not at the time of execution of such trade an FCM Eligible Trading Venue in respect of such FCM ForexClear Clearing Member, (ii) presented by or on behalf of an FCM ForexClear Clearing Member that was executed on a trading venue or facility that had not at the time of the execution of such trade been approved by the Clearing House as an FCM Trading Venue, (iii) ~~which-that~~ contains invalid or incomplete message data, or (iv) that is not a Sub-Block Trading Venue Transaction and with respect to which the Clearing House has not received sufficient Margin (taking into account MER Buffer and/or ForexClear Tolerance, if any) will, in each case, be rejected.

If an FCM ForexClear Transaction is presented to the Clearing House for registration and rejected, such FCM ForexClear Transaction may be re-presented for registration in the form of a new FCM ForexClear Transaction but with the same economic terms in accordance with, and subject to, the FCM Rulebook and Applicable Law, and such FCM ForexClear Transaction will, for the purposes of the FCM Rulebook and upon such re-presentation, constitute a new FCM ForexClear Transaction.

(g) *Manual Trade Rejection, Novation and Cancellation (Exceptional Event)*

From time to time, as an exceptional event, it may be necessary for the Clearing House to (i) reject a trade ~~submitted presented~~ for registration, (ii) register an FCM ForexClear Transaction, or (iii) accept or reject a cancellation request for an FCM ForexClear Contract or an FCM ForexClear Transaction, in each case, manually prior to a Margin Run (e.g. in the case of a Default, when an FCM ForexClear Transaction needs to be registered immediately to expedite the hedging and auction process or to reject an FCM ForexClear Transaction received from an FX FCM which is a Defaulter).

The Clearing House acknowledges the action:

- (i) in respect of trades being manually rejected or manually registered, by notifying the relevant entities specified in Section 2.2.8(a)(iii) of such rejection or registration (as applicable); and
- (ii) in respect of trades being manually cancelled, by sending a message to the FCM Approved Trade Source System that it is “CANCELLED”.

(h) *Trade Cancellation*

The Clearing House accepts cancellation messages from Executing Parties against both non-novated trades (FCM ForexClear Transactions) and novated trades (FCM ForexClear Contracts).

With respect to any FCM ForexClear Contract, cancellation messages may be submitted via the FCM Approved Trade Source System until (i) such FCM ForexClear Contract is “fixed” (i.e., when its Settlement Rate has been determined on the relevant Valuation Date) or (ii) the end of the day on the Business Day preceding the relevant Expiration Date of the FCM ForexClear Contract, as applicable.

A successful cancellation message results in a “CANCELLED” status message if the FCM ForexClear Transaction or the FCM ForexClear Contract (as the case may be) is cancelled during the Opening Hours. The status messages are sent from the Clearing House to the FX FCM via the FCM Approved Trade Source System.

(i) *Process flow description*

The Clearing House accepts trade cancellation instructions from the FCM Approved Trade Source System for FCM ForexClear Transactions or FCM ForexClear Contracts (as the case may be) that have previously been submitted to the FCM ForexClear Service. Cancellation instructions must include the ForexClear ID.

The Clearing House checks that the cancellation instruction contains a valid ForexClear ID which relates to: (a) an FCM ForexClear Transaction or FCM ForexClear Contract (as the case may be) that has not been previously cancelled; and (b) in the case of an FCM ForexClear **NDF** Contract **only**, an FCM ForexClear **NDF** Contract with respect to which the relevant Valuation Date has not yet occurred.

Where a trade has already been rejected (as a result of having failed a Counterparty Technical Validation Check), the FCM ForexClear Service sends a “CANCEL REJECTED” message to the FCM Approved Trade Source System for the relevant FXPs.

All trade cancellation instructions must pass the Incremental Risk Check. If **any** FX FCM does not have sufficient Margin for its Liabilities or estimated Liabilities (taking into account MER Buffer and/or ForexClear Tolerance, if any) at the time of the relevant Incremental Risk Check, then **any** ForexClear trade cancellation instruction to which it is a party will be rejected immediately. However, any ForexClear trade cancellation instruction that is risk reducing (i.e. results in a reduction of that FX FCM's Liabilities) will always pass the Incremental Risk Check, even if the FX FCM does not have sufficient Margin for its Liabilities.

(j) *Trade Amendment*

No amendment of the financial terms of an FCM ForexClear Transaction or FCM ForexClear Contract is permitted. FX FCMs who wish to change the FCM Client information on a ForexClear Transaction should contact ForexClear Business Operations at 0207 426 3729 for further information.

(k) *Valuation Date Event Management*

The Clearing House is the Calculation Agent and will store and apply the Settlement Rate Option and the Valuation Date for each FCM ForexClear Contract.

On the Valuation Date with respect to each FCM ForexClear Contract, the Settlement Rate will be retrieved as set forth in the relevant FCM ForexClear Contract Terms below. The Market Data provider for Settlement Rates is Reuters.

The FCM ForexClear Service applies the relevant Settlement Rate to FCM ForexClear Contracts using the:

- (A) Settlement Rate Option source code; and
- (B) Valuation Date.

The Clearing House applies the Settlement Rate to all relevant FCM ForexClear Contracts at a predefined time following its publication or as otherwise provided for in the relevant FCM ForexClear Contract Terms.

The Clearing House calculates the Settlement Currency Amount in the Settlement Currency per FCM ForexClear Contract. FX FCMs can retrieve the Settlement Rate and Settlement Currency Amount in the Settlement Currency via ForexClear Reporting on the ForexClear Service Portal and on MemWeb, which are internet services onto which information is loaded and can be accessed by FX FCMs.

(l) *FX Package Transactions*

In certain circumstances an FCM Approved Trade Source System may present to the Clearing House, in a single submission, a group of two or more FCM ForexClear Transactions for simultaneous registration (such group of FCM ForexClear Transactions, an “**FX Package Transaction**”). An FX Package Transaction must be identified to the Clearing House at the time of its presentation in the format prescribed by the Clearing House. Where the FX Package Transaction is not presented in the prescribed format, each constituent FCM ForexClear Transaction within the FX Package Transaction will be rejected.

Where the Clearing House receives an FX Package Transaction for registration it shall treat each FCM ForexClear Transaction that forms part of the FX Package Transaction as a new FCM ForexClear

Transaction in accordance with the FCM Rulebook and, where each constituent FCM ForexClear Transaction within the FX Package Transaction meets the registration requirements as set out in the FCM Rulebook (including the provision of sufficient Margin, where applicable), the Clearing House will simultaneously register all of the FCM ForexClear Transactions within that FX Package Transaction. Where one or more of the constituent FCM ForexClear Transactions does not meet the Clearing House's registration requirements then all the constituent FCM ForexClear Transactions of the FX Package Transaction shall be rejected.

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

In respect of an FX Package Transaction presented in an FX FCM's name, such FX FCM's Margin requirement and other Required Registration Amounts will be assessed on a net basis based on all of the constituent FCM ForexClear Transactions of such FX Package Transaction.

The Clearing House may limit the number of FCM ForexClear Transactions that may be included in an FX Package Transaction by way of member circular.

(m) *Valuation Date Event Management: Process flow description*

After the Registration Time for an FCM ForexClear Contract, the FCM ForexClear Service links a Settlement Rate Option to it in accordance with the Relevant EMTA Template or given LCH G10 ~~NDF~~-Contract Template, as applicable.

On the Valuation Date, the Clearing House uses the Settlement Rate for the Currency Pair for the FCM ForexClear Contract when it is published by Reuters, and calculates the Settlement Currency Amount for each FCM ForexClear Contract in the Settlement Currency by applying the relevant Settlement Rate Option as referenced in the Relevant EMTA Template or given LCH G10 ~~NDF~~-Contract Template, as applicable.

If the Settlement Rate Option set out in the Relevant EMTA Template or given LCH G10 ~~NDF~~-Contract Template, as applicable, is unavailable at the relevant time, Disruption Fallback alternatives for the determination of the Settlement Rate will apply as set out in the Relevant

EMTA Template or given LCH G10 ~~NDF~~ Contract Template, as applicable. Notwithstanding the foregoing, in the event the Clearing House determines (in its sole discretion) that a Settlement Rate Option is unavailable, the Clearing House will determine an alternative Settlement Rate Option.

(n) *Settlement*

With respect to each FCM ForexClear Contract, ~~the Clearing House calculates at the~~ Settlement Currency Amount ~~is calculated by the application applying~~ of the Settlement Rate to the Notional Amount in accordance with the applicable FCM ForexClear Contract Terms (see Part A of Schedule 2 to the FCM Product Specific Contract Terms And Eligibility Criteria Manual).

With respect to each FCM ForexClear Contract, on the Business Day immediately preceding the Settlement Date, the Clearing House ~~subtracts from nets~~ the Settlement Currency Amount against the Cumulative Variation Settlement of the FCM ForexClear Contract, the remainder after which is ~~a the~~ Net Settlement Amount (“NSA”), which will be reflected in the FX FCMs' cash accounts with the Clearing House on the Settlement Date. As such, with respect to each FCM ForexClear Contract, the payment in full of all the Variation Settlement required during the term of such FCM ForexClear Contract shall satisfy the relevant party's obligation to pay the Settlement Currency Amount on the Settlement Date of such FCM ForexClear Contract. For the purpose of providing Nostro reconciliation, to the relevant parties, the Clearing House will provide Reporting (as ~~defined in Section 2.2.22 of these FCM Procedures below~~) which will reflect an entry for the “**Settlement Currency Amount**” and a separate entry for the Cumulative Variation Settlement of the FCM ForexClear Contract. This paragraph applies even if the Settlement Date ~~has been was~~ adjusted in accordance with the relevant FCM ForexClear Contract Terms.

(o) *Premiums*

Premiums on FCM ForexClear NDO Contracts shall be paid on the spot date or Settlement Date in an eligible currency for the given Currency Pair (such currency(ies) to be determined by the Clearing House from time to time, and notified to FX CCMs).

~~(p)~~ *Reference Data*

Holiday Event Calendar:

The FCM ForexClear Service uses the SwapsMonitor Financial Calendar (as published by Swaps Monitor Publications, Inc.) (“**SwapsMonitor Financial Calendar**”) in order to determine holidays. ~~This requires all~~ FCM ForexClear Participants ~~to must~~ be licensees of the SwapsMonitor Financial Calendar.

If a change is declared that affects the SwapsMonitor Financial Calendar that is referenced on FCM ForexClear, then a corresponding calendar adjustment will be made to the FCM ForexClear system, unless the Clearing House informs FXCCMs by notice on its website (at <https://www.lch.com/services/forexclear> ~~www.lch.com/asset-classes/foreign-exchange/products~~, or such other web page as the Clearing House determines) that the relevant change will not apply to FCM ForexClear Contracts.

The Clearing House may temporarily close the FCM ForexClear Service to process a calendar adjustment in its clearing system. FX FCMs will be notified in advance of the date, time and expected duration of such closure.

Date Adjustment:

As a result of the calendar adjustment process, the Valuation Date, ~~and/or~~ the Settlement Date ~~and/or Premium Payment Date~~ of any affected FCM ForexClear Contracts will automatically be ~~date~~ adjusted in accordance with the provisions of the Relevant EMTA Template, ~~relevant or given~~ LCH G10 ~~NDF~~ Contract Template ~~or ISDA definitions~~; as applicable.

The Clearing House will notify the FX FCMs via file download from the Clearing Member Reporting as to ~~any~~ the FCM ForexClear Contracts affected and the date adjustments made.

2.2.9 *Market Data*

(a) *Sources used by FCM ForexClear Service*

The FCM ForexClear Service collates instrument quotes for the following from multiple market sources (as detailed in Section 2.2.9(b)) in relation to each Currency Pair:

- (A) FX spot rates (“**FX Spot Rates**”);
- (B) FX swap points (“**FX Swap Points**”);
- (C) Settlement Rate Option;
- (D) Interest rate curves (~~see Section 2.2.9(e) below~~) ~~and overnight index swap curves~~ (“**Interest Rate Curves**”);
- ~~(E) USD LIBOR Curve;~~
- ~~(F)~~(E) PAA rates (“**PAA Rates**”); and
- ~~(G)~~(F) Country credit spreads (see Section 2.2.9(f) below) (“**Country Credit Spreads**”),

together, “**Market Data**”.

FX Spot Rates and FX Swap Points are received by the Clearing House via a live link from all eligible FXCCMs (including FX FCMs) during the Opening Hours ~~(as defined in Section 2.2.4(b))~~.

(b) *Market Data Sources and Frequencies*

The Clearing House receives the following updated raw prices:

FX Spot Rates:

- (A) Source – FXCCMs ~~(including FX FCMs)~~.
- (B) Frequency - every time updated by FXCCMs ~~(including FX FCMs)~~ up to a maximum rate of once every five minutes.

FX Swap Points:

- (i) Source - all FXCCMs ~~(including FX FCMs)~~.
- (ii) Frequency - every time updated by FXCCMs ~~(including FX FCMs)~~ up to a maximum rate of once every five minutes.
- (iii) Tenors – as shown in the table below.

Tenor
<u>O/N</u>
<u>T/N</u>
S/N
1 week
1 month
2 months
3 months
6 months
<u>9 months</u>
12 months
24 months
<u>36 months</u>
<u>48 months</u>
<u>60 months</u>

Settlement Rate Options:

- (i) Source - Reuters.
- (ii) Frequency - when published (as referenced in the Relevant ETMA Template or given LCH G10 ~~NDF~~ Contract Template, as applicable).

Interest Rate Curves:

- (i) Source - internal Clearing House

- (ii) Frequency - at each SwapClear margin run.

Country Credit Spreads:

- (i) Source - Bloomberg.
- (ii) Frequency - when published.

USD LIBOR Curve:

- (i) Source - SwapClear.
- (ii) Frequency - at each SwapClear margin run.

PAA rates:

- (i) Source - LCH Treasury.
- (ii) Frequency - Daily.

- (c) *[Not Used]*

- (d) *Market Data Provision to FX FCMs*

Market Data used in a Margin Run is made available to FX FCMs via ForexClear Reporting (as defined in Section [2.2.232-2.232-2.22](#)).

- (e) *Curve Building in ForexClear*

FX Curve (Zero Coupon/Market Rate Curve):

The Clearing House builds for each Currency Pair an FX curve (zero coupon/market rate curve) using the FX Spot Rates, FX Swap Points and the USD LIBOR Curve based on interpolation techniques agreed through the ForexClear Risk & Trading Working Group (a group comprising the Clearing House's and FXCCM's (including FX FCM) risk and trading representatives) (“RTWG”). The USD LIBOR Curve is used for discounting; the FX curve is used for capitalization of forward cash flows.

Interest Rate Curve:

The Clearing House applies the linear interpolation method to build the Interest Rate Curve. Linear interpolation is applied on zero coupon curves.

Curve Use:

End of day is defined as 22.00 hours, London time (“EOD”). The following EOD data is used in the calculation of risk analytics for an EOD Margin Run (as defined in Section 2.2.16(b)):

- (A) FX Spot Rates; and
- (B) FX Swap Points.
- (f) *Country Credit Spreads*

The Clearing House takes country credit spreads (in relation to Brazil, Russia, India, China, Chile, South Korea, Colombia, Indonesia, Malaysia, Philippines and Taiwan) from Bloomberg for use in risk multiplier calculations.

2.2.10 **FCM ForexClear Contract Valuation**

- (a) *Net Present Value (“NPV”)*

From (and including) the Registration Time to the EOD Margin Run on the business day preceding the Valuation Date, each FCM ForexClear Contract is valued in USD using the current market rates and discounted from the future Settlement Date to its present value.

On the Valuation Date, the Settlement Rate is used to value the FCM ForexClear Contract.

If Valuation Postponement applies, the FCM ForexClear Contract is valued using the current forward price to (and including) the date on which the Settlement Rate is determined in accordance with the [FCM](#) ForexClear Contract Terms.

In the event a Settlement Rate or market rate is unavailable, as determined by the Clearing House in its sole discretion, the Clearing House will determine an alternative Settlement Rate or market rate.

- (b) *Variation Settlement (“VS”)*

VS for each FCM ForexClear Contract is calculated at EOD as the change from the preceding business day in its NPV. With respect to each FX FCM, the net sum of the VS for all open FCM ForexClear Contracts is, subject to the netting provisions of FCM Regulation 47, credited to or debited from such FX FCM once a day, following the EOD Margin Run.

VS will, subject to the netting provisions of FCM Regulation 47, be paid each business day by or to each FX FCM in respect of all of its open FCM ForexClear Contracts. The VS will be calculated in, and must be paid in, USD.

With respect to each FCM ForexClear Contract, VS is calculated every business day from (and including) the Registration Time to (and including) the EOD on the business day immediately preceding the Settlement Date.

Separate Variation Settlement calculations are performed in respect of an FCM Clearing Member's house "H" account and in respect of an FCM Clearing Member's client "C" account. No offset between the "C" and the "H" accounts is permitted. The Clearing House shall make or receive a separate Variation Settlement payment with respect to each house "H" account and each client "C" account (subject to the netting provisions of FCM Regulation 47 and the Default Rules).

(c) *Reporting Breakdown*

ForexClear margin reports show the portfolio of open FCM ForexClear Contracts of each FX FCM by Currency Pairs and in the Settlement Currency (i.e., USD).

(d) *Price Alignment Amount ("PAA")*

The effect of daily cash VS movements results in the need for PAA. Without this adjustment, the pricing of FCM ForexClear Contracts would differ from identical uncleared trades, as cash earned from favorable daily price moves would be priced into the product.

(e) *PAA Calculation Methodology*

PAA is calculated at EOD on each business day from (and including) the first business day after the Trade Date to (and including) the business day immediately preceding the Settlement Date.

In this Section 2.2.10(e), "T" means any given business day; "T-1" means the business day immediately preceding T; "T+1" means the business day immediately following T; and "**Cumulative Variation Settlement**" or "**CVS**" means, in respect of a Swap Product, a value equal to the aggregate of the amounts of Variation Settlement that have become owing from the FCM Clearing Member to the Clearing House in respect of such Swap Product minus the aggregate of the amounts of Variation Settlement that have become owing from the Clearing House to the FCM Clearing Member in respect of such Swap Product; provided that any such amounts shall only be counted to the extent the FCM Clearing Member or Clearing House, as applicable, has discharged its obligation to transfer such amounts in accordance with FCM Regulation 47. The Clearing House calculates PAA in USD once a day at EOD.

Principles:

(A) CVS is calculated at EOD on T-1.

- (B) Variation Settlement in respect of an FX FCM's portfolio of open ForexClear Contracts) is paid/ received, subject to the netting provisions of FCM Regulation 47, on the morning of T.
- (C) PAA Rate for T to be applied is known at EOD T.
- (D) PAA is calculated on the night of T, for CVS of T-1 for FCM ForexClear Contracts up to the business day before their Settlement Date.
- (E) PAA is paid / received on morning of T+1 via PPS.

Components:

- (A) PAA Rate.
- (B) Cumulative Variation Settlement of the FX FCM's portfolio open FCM ForexClear Contracts.
- (C) Accrual Factor (factor used to convert the PAA Rate from an annual rate to a daily rate, on a basis of a year of 360 days).

So:

- (A) $PAA\ T = PAA\ T\ Rate \times CVS\ T--1 \times Accrual\ Factor.$

The Clearing House uses the PAA Rate from the relevant EOD overnight index swap curves, which is sourced from the Clearing House.

2.2.11 **Initial Margin ("IM")**

The Clearing House will require FX FCMs to furnish it with IM. This amount will be calculated ~~intraday within the day~~ and at EOD on each business day as part of each Margin Run. ~~Each With respect to each~~ FX FCM's IM requirement, ~~it~~ is calculated for the portfolio of open FCM ForexClear Contracts and FCM ForexClear Transactions using ForexClear's Portfolio Analysis and Risk ("FxPAR") margining model. FxPAR is based on a modified filtered historical simulation value-at-risk methodology. All open FCM ForexClear Contracts and FCM ForexClear Transactions in each Currency Pair are re-valued under a series of cross portfolio yield curve scenarios to estimate the potential portfolio profit and loss and therefore the IM requirement.

These scenarios will be continually monitored and reviewed periodically or on an ad hoc basis according to market conditions. FX FCMs will usually be notified by the Clearing House of alterations to margin parameters no later than the day before calls are made based on the new parameters. Further details of this method are available upon request from the ForexClear Risk team.

FxPAR uses the historical (5 year) data submitted by FXCCMs pursuant to Section 2.2.9, which is adapted to current market prices.

Separate Initial Margin calculations are performed for an FX FCM's house "H" and client "C" accounts and, within a "C" account, separately in respect of each FCM Client Sub-Account therein. No offset between the "C" and "H" accounts is permitted.

The Clearing House reserves the right to require additional amounts of Margin from a specific FX FCM or from all FX FCMs in accordance with FCM Regulation 14 (*Margin and Collateral*).

(a) *Credit Risk Multiplier ("CRiM")*

The CRiM applied will consider the FX FCM's credit worthiness, Initial Margin level and/or stress testing exposures in accordance with LCH Credit Risk Policy.

(b) *Liquidity Risk Multiplier ("LRMM")*

Where an FXCCM has an exposure above set thresholds in a particular Currency Pair or tenor of FCM ForexClear Contracts, the LRMM is applied and additional IM is charged. The LRMM is calculated in accordance with parameters set by the ForexClear Default Management Group (the "FXDMG") according to tenor and notional concentration. The thresholds are reviewed quarterly and use prevailing perceptions of market conditions as seen by the FXDMG.

LRMM increases IM called due to concentrated Currency Pair exposure by tenor of FCM ForexClear Contracts. Additional IM is called to mitigate the risk of a position not being closed out in seven days and/or the extra hedging costs that may be incurred.

The Clearing House calculates and applies LRMM as part of each Margin Run, based on the IM for each Currency Pair in the FX FCM's house position-keeping account.

(c) *Sovereign Risk Multiplier ("SRM")*

~~SRM reflects the additional risk related to a potential country default or a change in a country's currency regime, including risk relating to a country's external debt or level of foreign exchange reserves, which would impact FCM ForexClear Contracts transacted in certain Reference Currencies. The SRM calculation considers the probability of sovereign default occurring and the depreciation or appreciation risk of the Reference Currencies. An SRM is applied when there is a perceived risk of sovereign default or a change in a country's currency regime which would impact FCM ForexClear Contracts transacted in certain Reference Currencies. The SRM takes into account:~~

~~(A) the probability of sovereign default or a regime change event occurring; and~~

~~(B) the depreciation or appreciation risk of the Reference Currencies.~~

~~The SRM sovereign default probability is calculated by assessing the three month probability of default for the different sovereign countries, based on the country's 5-year credit default swap (CDS) spread. The probability of a regime change event is estimated based on historical events and publicly available data for the different sovereign countries. The country CDS spreads are reviewed and updated weekly.~~

~~The Clearing House calculates and applies the SRM as part of each Margin Run, for each Currency Pair in the FX FCM's house position-keeping account.~~

(d) *Default Fund Additional Margin*

The Clearing House may from time to time require an FX FCM 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 FX FCM (“**DFAM**”). The methodology by which the Clearing House determines DFAM is available on the secure area of the Clearing House website. The Clearing House will record any Collateral an FX FCM has provided to meet its DFAM obligation to the FX FCM’s Proprietary Account.

2.2.12 *Additional Margin, ForexClear Tolerance, MER Buffer, Completion Margin and Intraday Margin Calls*

(a) *Additional Margin*

The Clearing House may require an FX FCM to furnish additional amounts of Margin (in addition to Initial Margin) as security for the performance by an FX FCM of its obligations to the Clearing House in respect of FCM ForexClear Contracts to which such FX FCM is a party in accordance with FCM Regulation 14 (*Margin and Collateral*). This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in FCM ForexClear Contracts to which such FX FCM is a party is not adequately covered by Initial Margin. This may cover instances where stress testing losses under various scenarios provided in the ForexClear Default Fund Supplement have increased.

(b) *Minimum Excess Requirement Buffer (“**MER Buffer**”)*

To facilitate the intraday registration of FCM ForexClear Contracts, at each EOD Margin Run, the Clearing House will call from each FX FCM, separately in respect of its Proprietary Account and each of its FCM Client Sub-Accounts, an amount of IM in respect of its and its FCM Clients' potential intraday Liabilities (as defined below in Section [2.2.172.2.172.2.17](#)) for the following day (“**MER Buffer**”), provided that the Clearing House shall not call MER Buffer from an FX FCM that (i) opted-in to ForexClear Tolerance in accordance with paragraph (c) below and (ii) opted-out of MER Buffer (the form and manner of such “opt-out” notice shall be prescribed by the Clearing House from time to time). MER Buffer is part of the FX FCM's Required Margin. An

FCM's MER Buffer is calculated in respect of an FCM's Proprietary Account and each of its FCM Client Sub-Accounts, and Margin furnished in respect of MER Buffer is credited to each account (as applicable) as IM. Notwithstanding the foregoing, for purposes of calculating a given FCM's MER Buffer, the Clearing House may from time to time, and in its sole discretion, exclude an FX FCM's given FCM ForexClear Suspension Sub-Accounts from such calculation.

The required amount of MER Buffer for each applicable account of an FX FCM is expressed as a percentage of start-of-day portfolio IM for such account. The MER Buffer for each account is calibrated daily based on recent activity within the relevant account such that higher levels of intraday trade volumes lead to a proportionally higher MER Buffer requirement and vice versa. The MER Buffer percentage is calculated as a given percentile of intraday peak relative IM changes over a given number of historical business days.

The parameters of MER Buffer are: MER percentile, MER look-back period, relative MER cap and absolute MER floor. The values of these parameters are calibrated based on the quantitative analysis of the FX FCM's IM history across the ForexClear Service.

As FCM ForexClear Contracts are registered in an FX FCM's relevant accounts, the Clearing House will, in accordance with the Margin Run process, calculate the FX FCM's intraday Liabilities (or, in the case of an Incremental Risk Check, the FX FCM's estimated Liabilities), taking into account any IM posted as MER Buffer in the applicable account.

At each EOD Margin Run, the Clearing House will recalculate and call the FCM's Required Margin, which includes MER Buffer for all accounts.

(c) *ForexClear Tolerance*

In order to facilitate the registration of FCM ForexClear Contracts by FX FCMs, the Clearing House may, in its sole discretion, provide FX FCMs with temporary “**tolerance**” in the form of initial margin forbearance (“**ForexClear Tolerance**”). In the event an FX FCM wishes to utilize ForexClear Tolerance, it must provide notice to the Clearing House (the form and manner of such notice shall be prescribed by the Clearing House from time to time). FX FCMs who are approved to utilize ForexClear Tolerance may choose not to utilize MER Buffer in connection with the registration of FCM ForexClear Contracts (for the avoidance of doubt, the utilization of MER Buffer is compulsory for FX FCMs that do not opt-in to ForexClear Tolerance).

The Clearing House may apply ForexClear Tolerance between Margin Runs in an amount equal to the value of the Collateral that would have been required to be transferred by the FX FCM to the Clearing House to cover the relevant Liabilities (or estimated Liabilities) to facilitate the registration of FCM ForexClear Contracts. For the

avoidance of doubt, ForexClear Tolerance is provided in the form of temporary initial margin forbearance and an FX FCM's utilization of ForexClear Tolerance does not give rise to any payment or transfer of Collateral by the Clearing House or result in any use of default fund resources (except following a Default).

The Clearing House will determine, in its sole discretion, the maximum value of the ForexClear Tolerance (which may be zero) that it will make available to an FX FCM from time to time ("**ForexClear Tolerance Limit**"). The Clearing House will notify each FX FCM of its ForexClear Tolerance Limit and will, as soon as reasonably practicable, notify an FX FCM following any adjustment to the amount of its ForexClear Tolerance Limit. Except where the Clearing House exercises its right to reduce an FX FCM's ForexClear Tolerance Limit in accordance with the foregoing, each FX FCM utilizing ForexClear Tolerance shall have an equal ForexClear Tolerance Limit.

The Clearing House may require an FX FCM to transfer Collateral to the Clearing House in respect of any utilization of ForexClear Tolerance at any time and without prior notice to the FX FCM. Without limiting the foregoing, the Clearing House will call for Collateral to replenish the ForexClear Tolerance utilized by an FX FCM at (i) the last ITD/Ad-hoc Day Margin Run and EOD Margin Run of each Business Day and (ii) in the event an FX FCM utilizes at least 75% of its ForexClear Tolerance during a business day, at the next relevant ITD/Ad-hoc Day Margin Run. Any failure of an FX FCM to satisfy a call for Collateral relating to ForexClear Tolerance may give rise to a Default by such FX FCM.

The Clearing House will not apply ForexClear Tolerance for FCM ForexClear Contracts with a Trade Date earlier than the previous Business Day.

(d) *Completion Margin*

The Clearing House shall calculate and call each FX FCM for "**completion margin**." Completion margin is a component of each FX FCM's initial margin obligation, and represents potential increases in an FX FCM's initial margin obligations due to position changes resulting from next-day fixing. Completion margin is calculated as the incremental difference between an FX FCM's aggregate initial margin obligations on its FCM ForexClear Contracts and its initial margin obligations in relation to FCM ForexClear Contracts due to fix the next Business Day.

(e) *Intra-day Margin Calls*

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for furnishing of Margin on the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls ~~can~~may be called at any time throughout the business day (08:30 to 21:00 hours, London time). Intra-

day margin calls will usually be made via the Protected Payments System (PPS) (see Section [2.2.24\(c\)](#)~~2.2.24(e)~~[2.2.23\(e\)](#)).

In certain circumstances the Clearing House may wish to make a call for additional Margin after the closure of UK PPS facilities at 16:00 hours, London time. In this event the Clearing House will require payment of additional funds through PPS facilities in the USA (see Section 3.2). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

2.2.13 *Initial Margin Management Events Service (“IMMES”)*

IMMES aims to find risk and IM reducing FCM ForexClear Contracts and ForexClear Contracts among participating FXCCMs. IMMES can be run on all Currency Pairs that are cleared through the FCM ForexClear Service, although the primary focus will be on those Currency Pairs that contribute to the largest IM requirement. IMMES is available in respect of an FX FCM's house account only.

FX FCMs who wish to obtain further information about, or to participate in, IMMES should contact ForexClear Business Operations at 0207 426 7527. To be eligible to participate in IMMES, an FX FCM must enter into an IMMES agreement with the Clearing House (the “**IMMES Agreement**”).

(a) *Step-by-step details*

The Clearing House usually conducts the IMMES at least monthly.

A reminder that there is an IMMES run taking place is sent out the week before to each FXCCM which is a party to an IMMES Agreement with LCH and each FXCCM is asked to confirm their participation.

On the day of the scheduled IMMES run, the Clearing House analyses all participating FXCCMs' profiles to find FCM ForexClear Contracts and ForexClear Contracts with equivalent and opposite delta values by tenor and Currency Pair to compile a list of offsetting suggested trades that are mutually beneficial in terms of IM reduction (the “**IMMES Trades**”).

The Clearing House then analyses the relevant FX FCM's FCM ForexClear Contract portfolios with the IMMES Trades and determines the change in NPV, IM, delta and zero yield sensitivity from the IMMES Trades.

The FXCCMs on either side of the trades are advised of the economic details of the IMMES Trades.

If the two FXCCMs agree to undertake the IMMES Trades, the Clearing House will then put them in touch with each other. The FXCCMs will enter into the bilateral IMMES Trades and submit them to the Clearing

House through the FCM Approved Trade Source System for registration.

2.2.14 *Intra-Day Margin Call: Collateral Management*

(a) *General – Intra-day Margining*

Following an intra-day margin call (except as notified otherwise by an FX FCM at the time of an intra-day margin call), the Clearing House will deduct cash, in the appropriate currency, directly from the relevant FX FCMs PPS account to cover that intra-day margin call.

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

Each FCM Clearing Member must ensure that it has sufficient cash funds in place with their PPS bank(s) in order to avoid any intra-day liquidity issues.

2.2.15 *General Margining Process*

A “**Margin Run**” is the process by which the Clearing House calculates an FX FCM's Initial Margin requirement (if any) and, during an EOD Margin Run, its Variation Settlement and PAA requirements (together, its “**Transfer Requirements**”) and applies that FX FCM's Margin to satisfy the Transfer Requirements for that FX FCM in respect of the FCM ForexClear Contracts within that FX FCM's portfolio.

2.2.16 *Types of Margin Runs*

There are three types of Margin Run:

(a) *ITD / Ad Hoc – Day Margin Run*

ITD/Ad-hoc London daytime Margin Runs are initiated as and when dictated by the schedule published by the Clearing House and notified to FX FCMs from time to time (the “**Schedule**”) or as necessary, and are performed in the time period during which a PPS call can be made (the “**ITD/Ad-hoc Day Margin Run**”). PPS times are published on the Clearing House's website at: <http://www.lch.com/risk-collateral-management/collateral-management/protected-payments-system>.

ITD/Ad-hoc Margin Runs are calls in respect of Initial Margin only. Variation Settlement and PAA are not included in ITD/Ad-hoc Margin Runs.

(b) *EOD Margin Run*

The EOD Margin Run is the final ITD/Ad-hoc Day Margin Run that completes by 24:00 hours, London time, on that business day (the “**EOD Margin Run**”).

EOD Margin Runs are calls in respect of Initial Margin as well as Variation Settlement, NSA and PAA.

(c) *ITD / Ad Hoc - Night Margin Run*

ITD/Ad-hoc London overnight Margin Runs are initiated as and when dictated by the Schedule or as necessary, and are performed in the time period during which a PPS call cannot be made (the “**ITD/Ad-hoc Night Margin Run**”).

ITD/Ad-hoc Night Margin Runs are calls in respect of Initial Margin only. Amounts that are anticipated to be owed in respect of Variation Settlement, NSA and PAA may be considered in the determination of the amount of Initial Margin called in such ITD/Ad-hoc Night Margin Run.

2.2.17 *Margin Run Process*

Margin Runs cover all registered FCM ForexClear Contracts with the status “NOVATED”.

Margin runs will be carried out for each FCM ForexClear Contract and FCM ForexClear Transaction (as the case maybe) until (and including) the later of:

- (a) EOD Margin Run on the Settlement Date; or
- (b) EOD Margin Run after the Settlement Rate is published.

During every Margin Run the Clearing House calculates the Initial Margin required and (where applicable) the Variation Settlement and PAA required to cover each FX FCM's relevant open FCM ForexClear Contracts and FCM ForexClear Transactions (each a “**Liability**” and together the “**Liabilities**”).

Each FX FCM's Liability is offset against that FX FCM's non-cash Collateral account (being a sub-account of the FX FCM's financial account) (for IM only) or funds in that FX FCM's cash account (being a sub-account of the FX FCM's financial account) (for VS/PAA/IM). Initial Margin will always be a Liability (payable to the Clearing House) and Variation Settlement, NSA and PAA may be a cash posting or a Liability (payable by, or to, the Clearing House, respectively).

FX FCMs are informed via email of their Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash Collateral account(s)) and are directed to the ForexClear Services portal (being a secure website made available to FXCCMs) (the “**ForexClear Service Portal**”) which provides reports (at the times specified in Section [2.2.232-2.232-2.22](#)) informing FX FCMs of their (i) total Liabilities under the FCM ForexClear Service; (ii) current total cover posted with the Clearing House for the FCM ForexClear Service (including MER Buffer and/or ForexClear Tolerance, if any); and (iii) Liabilities as a percentage of their current total cover (such percentage being

shown as a percentage of the aggregate cover in their cash and non-cash Collateral account(s)).

If following a Margin Run an FX FCM is required to provide additional Collateral or funds, this is also indicated by email and via the ForexClear Service Portal. In the case of ITD/Ad-hoc Margin Runs, where an FX FCM's Liabilities exceed its available cover and any MER Buffer and/or ForexClear 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) An FCM Clearing Member may compress Eligible FCM ForexClear Compression Contracts in accordance with 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 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 through the ClearLink API specifying the Eligible FCM ForexClear Compression Contracts 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 Contracts, 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 of the requested Eligible FCM ForexClear Compression Contracts to be compressed in order for such Eligible FCM ForexClear Compression Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all Eligible FCM ForexClear Compression 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(o) (*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 *Portfolio Transfers (BAU)*

The Clearing House permits the transfer of one or more Transferring ForexClear Contracts between the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee, including, where relevant, the transfer of associated Collateral.

For transfers other than Permitted Transfers (as defined below), please contact the Clearing House's Risk Management Department.

Permitted Transfers

Any transfer that meets the criteria in any of (a) through (g) below shall be a "**Permitted Transfer**" for purposes of Regulation 49(r) and this Section 2.2.19. In certain circumstances, a Permitted Transfer may be effected for all or part of the notional amount associated with the Transferring ForexClear Contracts. Notwithstanding the foregoing, but subject to Applicable Law, the Clearing House may reject any Permitted Transfers in its sole discretion.

- (a) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities;

- (b) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity;
- (c) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Proprietary Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities;
- (d) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Proprietary Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities;
- (e) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Proprietary Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity;
- (f) a transfer of one or more Transferring ForexClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Proprietary Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity; and
- (g) any transfer that the Clearing House otherwise approves in its sole discretion.

Other than pursuant to FCM Regulation 13(d), an FCM Clearing Member, acting for its own account or for the account of an FCM Client, may not effect Permitted Transfers in accordance with paragraphs (d) or (e) above.

Transfer Requests

Each transfer request (“**Transfer Request**”) pursuant to Regulation 49(r) and this Section 2.2.19 may only be made in respect of a Permitted Transfer and must be prepared and submitted in the form and manner prescribed by the Clearing House from time to time. Following receipt of a Transfer Request, the Clearing House shall notify the Carrying Clearing Member that it received a Transfer Request to transfer Transferring ForexClear Contracts.

In respect of any Permitted Transfer that involves the transfer of all (and not some) of the FCM ForexClear Contracts from the Transfer Account of an Eligible Transferor (with or without the transfer of associated Collateral), once the Carrying Clearing Member receives notice that a Transfer Request has been received, the Carrying Clearing Member shall not be permitted to submit

additional FCM ForexClear Contracts in the Transfer Account of the Eligible Transferor whose FCM ForexClear Contracts are to be subject to transfer until the time at which the relevant transfer (including the transfer of any relevant associated Collateral, if applicable) is effected, fails or is rejected in accordance with Regulation 49(r) and these FCM Procedures.

Transfer Notice Period

The timing for Transfer Requests pursuant to Regulation 49(r) and this Section 2.2.19 will be as prescribed by the Clearing House by way of a member circular.

Conditions Precedent to Permitted Transfer

It is a condition precedent to any transfer from the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee pursuant to Regulation 49(r) and this Section 2.2.19 that:

- (h) the transfer is a Permitted Transfer;
- (i) the Receiving Clearing Member has provided the Clearing House with:
a Transfer Request in the form and manner prescribed by the Clearing House, which may be submitted by an FCM Client on its behalf; and

such evidence of the authorization of the Permitted Transfer by the Eligible Transferor, Eligible Transferee and the FCM Client, as applicable, as the Clearing House may require in its sole discretion;

- (j) neither the Eligible Transferor, the Eligible Transferee nor the FCM Client, as applicable, has become insolvent (each Eligible Transferor, Eligible Transferee and FCM Client, as the case may be, will be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner reasonably determined by the Clearing House);
- (k) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulter;
- (l) such transfer would not violate or result in the violation of Applicable Law or regulation, including:
 - (A) the authorization, registration or other regulatory requirements, if any, that may apply to the Receiving Clearing Member as a consequence of the transfer; and
 - (B) where the transfer leads to a change in beneficial ownership, the requirements, if any, that may apply to the method of execution by which the Eligible Transferor has sold the Transferring ForexClear Contracts to the Eligible Transferee;

- (m) the Eligible Transferor, Eligible Transferee, the Receiving Clearing Member, the Carrying Clearing Member and FCM Client, as applicable, have each executed all documents necessary or required by the Clearing House in order to effect such transfer (including, where applicable, a Security Deed, Deed of Charge, Client Charge, Collateral Management Agreement, Clearing Membership Agreement and/or a Clearing Agreement);
- (n) the Receiving Clearing Member has consented to the transfer of the Transferring ForexClear Contracts and, where relevant, the associated Collateral;
- (o) the Receiving Clearing Member has transferred (or has made available) Required Margin to the Clearing House in respect of its current FCM ForexClear Contracts and the Transferring ForexClear Contracts;
- (p) the Carrying Clearing Member has not rejected such transfer in accordance with this Section 2.2.19 (it being presumed that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in accordance with this Section 2.2.19 or as otherwise reasonably determined by the Clearing House); and
- (q) in the event that the transfer will lead to a requirement for the Carrying Clearing Member to transfer (or make available) additional Collateral or any other payment to the Clearing House, the Carrying Clearing Member transfers sufficient Collateral or makes such payment to the Clearing House.

In the event that any of the conditions set forth above are not satisfied, including where the Carrying Clearing Member notifies the Clearing House that certain conditions have not been satisfied in a manner reasonably acceptable to the Clearing House, the Clearing House shall not proceed with the transfer of the Transferring ForexClear Contracts or, if applicable, the transfer of any associated Collateral, and shall promptly notify the Receiving Clearing Member of such outcome. If the Receiving Clearing Member wishes to proceed with such transfer or any other transfer of Transferring ForexClear Contracts of the Eligible Transferor(s), it shall be required to submit a new Transfer Request in accordance with these FCM Procedures.

By requesting a transfer of the Transferring ForexClear Contracts from the Transfer Account of an Eligible Transferor and, if applicable, the associated Collateral pursuant to Regulation 49(r) and this Section 2.2.19, including a request submitted by an FCM Client on its behalf, the Receiving Clearing Member shall be deemed to have represented to the Clearing House that all of the conditions to such transfer set forth herein have been satisfied.

Rejection of Transfer Request

The Carrying Clearing Member may be entitled to reject a particular Transfer Request by notifying the Clearing House (in either electronic or written form as prescribed by the Clearing House) only if:

- (r) the Eligible Transferor has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and/or its Affiliates, including any requirement for additional collateral that may result from the proposed transfer, where, with the respect to obligations owed to Affiliates of the Carrying Clearing Member by an Eligible Transferor, “obligations” shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the Transferring ForexClear Contracts of that Eligible Transferor that are being transferred or that Eligible Transferor’s related collateral;
- (s) the transfer of the Transferring ForexClear Contracts of that Eligible Transferor would result in the Eligible Transferor breaching exposure limits with, and/or other risk parameters set by, the Carrying Clearing Member and/or its Affiliates; or
- (t) such rejection is in accordance with terms agreed as between the Carrying Clearing Member and the relevant Eligible Transferor.

Right to Call Collateral

Permitted Transfers will only be effected once adequate Collateral is available (which may be as a consequence of margin forbearance or the transfer of associated Collateral) in respect of both Transfer Accounts affected by the transfer. In connection with any Permitted Transfer, the Clearing House may call for Collateral in respect of initial and/or variation margin to be deposited in such amounts and at such times as the Clearing House, in its sole discretion, requires. Any Collateral so called and deposited shall be reserved and made available solely in connection with the Permitted Transfer.

Transfer of Associated Collateral Balance

In the case where a transfer of Transferring ForexClear Contracts pursuant to this Section 2.2.19 will include the transfer of associated Collateral to the Transfer Account of the Eligible Transferee:

- (u) upon completion of the transfer, (x) the Clearing House shall have satisfied and discharged all of its obligations under the FCM Clearing Membership Agreement and the FCM Rulebook to repay or return to the Carrying Clearing Member any amounts in respect of such associated Collateral and (y) the associated Collateral furnished to the Clearing House by the Carrying Clearing Member and held by the Clearing House in respect of the Transferring ForexClear Contracts shall be deemed to have been delivered by the Receiving Clearing Member to the Clearing House (aa) where the Receiving Clearing Member is not an FCM Clearing Member, in the case of cash Collateral, by way of title transfer and, in the case of non-cash Collateral, shall be held by the

Clearing House on behalf of the Receiving Clearing Member and such Receiving Clearing Member's rights in such non-cash Collateral shall become subject to the relevant Deed of Charge of the Receiving Clearing Member, or (bb) where the Receiving Clearing Member is an FCM Clearing Member, by way of a first-priority security interest granted by the Receiving Clearing Member to the Clearing House under the FCM Clearing Membership Agreement and the FCM Rulebook; furthermore, and for the avoidance of doubt, the Carrying Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the associated Collateral transferred;

- (v) where all or a portion of the associated Collateral has been accepted by the Receiving Clearing Member, the transfer of the Transferring ForexClear Contracts and the accepted associated Collateral shall be deemed to occur simultaneously, and the transfer of the Transferring ForexClear Contracts shall be conditioned on the transfer of the accepted associated Collateral, and vice versa; and
- (w) if the transfer of all Transferring ForexClear Contracts and (if applicable) all accepted associated Collateral is not completed for any reason, then any actual transfer of associated Collateral or Transferring ForexClear Contracts that has occurred, as the case may
- (x) be, shall be deemed not to have occurred, and any actual transfer of associated Collateral or Transferring ForexClear Contracts that has occurred shall be immediately unwound.

Verification and Reliance

Subject to the following paragraph, but otherwise notwithstanding anything to the contrary in the FCM Regulations or these FCM Procedures, in making any Transfer Request in accordance with Regulation 49(r) and this Section 2.2.19, the Clearing House shall be authorized and entitled to rely conclusively on the instructions of, and information provided by, the Receiving Clearing Member and the Carrying Clearing Member, which shall be solely responsible for all such instructions and information.

The Clearing House shall verify that the Transferring ForexClear Contracts identified to it by a Receiving Clearing Member as being the subject of such Transfer Request correspond to FCM ForexClear Contracts that, according to its records, are registered in the Transfer Account of the Carrying Clearing Member on behalf of the Eligible Transferor. In the event that the Clearing House identifies a discrepancy, it will notify the Receiving Clearing Member and the Carrying Clearing Member and no transfer will occur until such time as the Transferring ForexClear Contracts identified to the Clearing House can be verified to the Clearing House.

Fees

Any Permitted Transfer effected pursuant to Regulation 49(r) and in accordance with these FCM Procedures 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 FXCCMs via a member circular.

2.2.20 Automatic Exercise of FCM ForexClear NDO Contracts

If, at the Expiration Time on the Expiration Date, the In-the-Money Amount of an FCM ForexClear NDO Contract equals or exceeds the product of:

(a) the number of basis points as published by the Clearing House from time to time as being applicable to the ForexClear Currency Pair referenced in that FCM ForexClear NDO Contract; and

(b) the Call Currency Amount or the Put Currency Amount, as appropriate,

in each case as calculated at or immediately prior to the Expiration Time on the Expiration Date of the given FCM ForexClear Contract, such FCM ForexClear NDO Contract shall be deemed exercised as of such time.

For the purposes of this Section 2.2.19, the Clearing House may change the number of basis point applicable to any ForexClear Currency Pair by giving three business days' prior notice to affected FX CCMs (or such shorter notice period as determined by the Clearing House following consultation with the affected FX CCMs).

The "In-the-Money Amount" in relation to an FCM ForexClear NDO Contract shall, in respect of the Exercise Date, be equal to:

(c) in the case of a Call, the excess of the FX Spot Reference Price over the Strike Price, multiplied by the Call Currency Amount, where both the Strike Price and the Settlement Rate are quoted in terms of the amount of Put Currency to be paid per one unit of Call Currency; and

(d) in the case of a Put, the excess of the Strike Price over the FX Spot Reference Price, multiplied by the Put Currency Amount, where both the Strike Price and the Settlement Rate are quoted in terms of the amount of Call Currency to be paid per one unit of Put Currency.

Capitalised terms used in this Section 2.2.19 and not otherwise defined shall have the meanings specified for such terms in (i) the FCM ForexClear Contract Terms applicable to the given FCM ForexClear NDO Contract or, if not defined therein, (ii) the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Trade Association and The Foreign Exchange Committee.

2.2.20.2.21 Proprietary Account Position Transfers

The FCM ForexClear Clearing System provides functionality for the transfer of positions from an FCM Clearing Member's Proprietary Account. Any such transfer may only occur if the Receiving Clearing Member is an affiliate of the Carrying Clearing Member.

Before the completion of a portfolio transfer, the Clearing House will perform a margin impact analysis of the transfer to the source and destination portfolios. The Clearing House will advise the relevant FX FCM regarding any additional collateral that may be required in order to complete the portfolio transfer. An FCM Clearing Member who wishes to effect a position transfer to another FCM Clearing Member should contact the Clearing House's Risk Management Department. Transfers will only be effected once adequate cover has been provided by both parties to the transfer.

2.2.21 2.2.22 *FCM Clearing Member's Client Fund Transfer*

The FCM ForexClear Clearing System provides functionality for the transfer of FCM ForexClear Contract whereby an FCM Client has incorrectly booked the FCM ForexClear Contract to a fund, and wishes to re-locate the FCM ForexClear Contract to an alternative fund within the accounts of the same FCM Clearing Member.

Transfers can only occur based upon the below rules:

- (a) A valid request has been received by the Clearing House from the applicable FCM Clearing Member on behalf of the FCM Client, as per Schedule 2.2B.
- (b) The FCM ForexClear Contract is registered by the Clearing House, and sufficient Margin has been furnished to cover the FCM ForexClear Contract.
- (c) Transfers are only handled within the accounts of a single FCM Clearing Member (i.e., not a transfer between two FCM Clearing Members).

Transfer requests received by FCM ForexClear Operations prior to 15:00 London time will be managed and included in the 18:00 London time margin run. The transfer of the FCM ForexClear Contract will occur **provided that** sufficient Margin is held for the FCM Clearing Member and outstanding payments of Variation Settlement and other obligations have been made as necessary.

2.2.22 2.2.23 *ForexClear Reporting*

For purposes of reporting obligations to the CFTC, FXCCMs may only report details of FCM ForexClear Contracts, including terminations and modifications to an FCM ForexClear Contract, to an Approved LCH SDR. A list of Approved LCH SDRs is available on the Clearing House's website. In the event an FXCCM wishes to report details of FCM ForexClear Contracts to a swap data repository that is not an Approved LCH SDR, the FXCCM must provide the Clearing House with reasonable prior notice of the date on which it wishes to report to such swap data repository.

FXCCMs must inform their respective FCM Clients of the list of Approved LCH SDRs, and inform such FCM Clients that the Clearing House is only able to report details of an FCM ForexClear Contract to an Approved LCH SDR.

The Clearing House produces a suite of treasury reports for members across each of the Clearing House services. Some of these reports are cross-service reports and others are specific to the ForexClear Service (including the FCM ForexClear Service), thus an FX FCM will receive reports in respect of the FCM ForexClear Service and may also receive cross-service reports where it is a member of another service. Follow this link to the information available from the LCH website: Banking Reports². The terminology used in a report in respect of Margin, Variation Settlement or Price Alignment Amount may reflect terminology commonly used in the industry. Such terminology shall not affect the interpretation or construction of any provisions or terms of the FCM Regulations or FCM Procedures.

In respect of the FCM ForexClear Service, on each business day the Clearing House will provide two sets of reports to FX FCMs: (1) Banking Reports; and (2) reports direct from the FCM ForexClear Service (together “**ForexClear Reporting**”). These Procedures reference the FCM ForexClear Service specific reports. Each day's report will remain available for download by FX FCMs from the FCM ForexClear Service Portal for five days.

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligations) shall, to the extent required by (and in line with the requirements of) Applicable Law (including Parts 43 and 45 of the CFTC Regulations, and applicable requirements under English law), report to one or more data or trade repositories (including swap data repositories) or similar body the details of all FCM ForexClear Transactions and FCM ForexClear Contracts, including any modifications or terminations without duplication and no later than the working day following the conclusion, modification or termination of such contract. In order to avoid any such duplication of reports, each FX FCM acknowledges and agrees that it will not report the details referred to in this paragraph to the bodies referred to in this paragraph, unless otherwise agreed with the Clearing House.

(a) *Margin Liability Reports*

Reports detailing Liabilities are provided to FX FCMs following every scheduled Margin Run in accordance with Section [2.2.172.2.172.2.17](#) and where additional Collateral or other payment has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level. A report will also be provided detailing an FX FCM's Margin utilization level. If an FX FCM's Liabilities exceed its total available Margin, ForexClear will alert the FX FCM.

(b) *Market Data Reports*

Reports detailing Market Data are provided to FX FCMs following every scheduled Margin Run. They include reports of Market Data and Settlement Rate used in the valuation of FCM ForexClear Contracts and

² http://www.lch.com/Images/banking_report_tcm6-48011.pdf

reports of Market Data shifts for each historic scenario used in IM calculations.

(c) *Trade Reports*

Reports are **provided that** enable FX FCMs to monitor their firms' trading events and positions in respect of ForexClear. Reports on open FCM ForexClear Contracts and on cancelled FCM ForexClear Transactions and FCM ForexClear Contracts are generated at EOD and reports on transferred FCM ForexClear Contracts are made on an ad hoc basis.

(d) *Trade Fixing and Settlement Reports*

Reports are published on each business day detailing the FCM ForexClear Contracts to which the Settlement Rate has been applied on that business day (the “**NDF Fixings**” report), FCM ForexClear Contracts that have been settled during that current business day (the “**Settlements Today**” report) and FCM ForexClear Contracts that will settle the next business day (the “**NDF's Fixed with Settlement Tomorrow**” report).

(e) *Fees Reports*

Reports on trading volumes on a daily and monthly basis are provided to FX FCMs. Monthly reports are provided on the last business day of each month. They include the full trading volumes on which the monthly transaction fees will be charged to those FX FCMs choosing to have tariffs levied per transaction.

(f) *Banking Reports*

Follow this link for a full list of Banking reports.³

(g) *Real-time Reporting*

A near real-time view of member liabilities, Collateral pledged, Margin and credit utilization will be available from the ForexClear Service Portal (referred to in Section [2.2.172.2.172.2.17](#)).

In accordance with CFTC Part 45 requirements (where the FX FCM has a reporting obligation), FX FCMs must provide the Clearing House (i) the USI of the original swap that is submitted to the Clearing House for registration and (ii) the LEI of the original swap SDR (i.e., “OriginalSwapRepository” or equivalent field) to enable the Clearing House to accurately report the termination of the original swap to the appropriate SDR.

³ http://www.lch.com/membership/ltd/training_and_education/reference_guide_request_form.asp

2.2.232.2.24 **Treasury Operations & Collateral Management**(a) *Cover Distribution*

The Clearing House nets each FX FCM's Liabilities (i.e., margins, settlements, PAA and multipliers) and then the total of Cash collateral and non-cash Collateral are applied to offset those net Liabilities. This process is known as cover distribution (“**Cover Distribution**”). FX FCMs can choose whether cash or non-cash Collateral should be applied first. At the end of this process, if an FX FCM has a shortfall, a PPS (as defined in Section 2.2.24(c)~~2.2.24(e)~~2.2.23(e) below) call for additional Collateral, settlement or PAA is made. Conversely, any excess cash remaining after the final overnight Margin Run can, if requested before 09:30 hours be repaid to the FX FCM.

(b) *Cover Distribution Notification*

FX FCMs are informed via email of their: Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash Collateral account(s)) and are directed to the ForexClear Service Portal which provides reports (at the times specified in Section 2.2.23~~2.2.23~~2.2.22) informing FX FCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total cover posted with the Clearing House for ForexClear; and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash Collateral account(s)).

The reports accessed via the ForexClear Service Portal will enable FX FCMs to log in and examine the underlying data.

(c) *Protected Payment System*

The Clearing House operates the Protected Payments System (“**PPS**”) for transferring funds to and from its FX FCMs to cover their Transfer Requirements. This is similar to a direct debit arrangement where the PPS bank confirms that any Clearing House-specified call is met.

FX FCMs are obliged to hold an account with a UK PPS bank in USD, as well as a USD account with a PPS bank in the USA.

Follow the link below for a list of PPS banks operating in the UK and US:

List of PPS Banks⁴

⁴ http://www.lch.com/risk_management/ltd/pps/

(d) *Acceptable Forms of Collateral Cover*

Follow the link below for a detailed description of acceptable collateral and processes applicable from time to time:

[Risk Management/LCH/Acceptable Collateral⁵](#)

(e) *Interest and Accommodation*

Interest is paid to FX FCMs on cash Collateral with respect to the ForexClear Service held by the Clearing House. The London Deposit Rate (“LDR”) is applied.

A utilization fee, known as an accommodation charge, is charged on securities lodged at the Clearing House to cover liabilities. For an overview of interest and accommodation charges, please contact the Clearing House's Treasury Operations or follow the link below:

[Overview of interest and charges⁶](#)

The Clearing House shall notify FX FCMs of any change to the LDR for the ForexClear Service via member circular.

2.2.24/2.2.25 ***Default Management***

(a) *Portfolio Splitting*

As part of the ForexClear DMP (contained in the ForexClear DMP Annex to the Default Rules), the Clearing House may divide an Auction Portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing House will, in consultation with the ForexClear DMG (as defined in the ForexClear DMP Annex to the Default Rules), seek to create:

- (A) one or more individual Auction Portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Auction Portfolios from those which are more risk neutral; and
- (B) one or more individual Auction Portfolios which are more risk neutral.

(b) *Acceptance of Bids*

In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the

⁵ http://www.lch.com/Images/Section4_tcm6-43748.pdf

⁶ http://www.lch.com/risk_management/lt/acceptable_collateral.asp

“unit value” of each FCM ForexClear Contract of each Non-Porting Client referenced in such Hedged Account, as adjusted by a “auction value adjustment”. For purposes of this clause (E), (1) “**unit value**” means the value applied to each FCM ForexClear Contract, based on the net present value and outstanding notional value associated with each such FCM ForexClear Contract, and (2) “**auction value adjustment**” means a ratio applied to an FCM ForexClear Contract based on the aggregate auction/liquidation costs incurred in auctioning/liquidating the Hedged Account and the aggregate notional value of all FCM ForexClear Contracts in the Hedged Account, each of clauses (1) and (2) as determined by the Clearing House. The allocations described in this clause (E) are without reference to any Risk Factor or Existing Non-Porting Clients Combined Risk Factor.

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

2.2.25 2.2.26 *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.

2.2.26 2.2.27 *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.

2.2.272.2.28 **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 FCM 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 Clearing House rules or any FCM 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 FCM 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.

2.2.282.2.29 **Prescribed Terms**

Pursuant to FCM Regulation 7 the Clearing House may prescribe certain provisions that an FCM ForexClear Clearing Member must include in its agreement with an FCM Client.

There an FCM ForexClear Clearing Member provides FCM Clearing Services to an FCM Client that is a registered investment company, as defined in the Investment Company Act of 1940, it shall include provisions in its agreement with that FCM Client to the following effect:

- (a) the FCM ForexClear Clearing Member shall comply with Applicable Law relating to the segregation of FCM Client Funds including without limitation Part 22 of the CFTC Regulations;
- (b) FCM Client Funds delivered by the FCM Client shall be held in accordance with the CEA and the CFTC Regulations and the FCM ForexClear Clearing Member shall obtain an acknowledgement, to the extent required by Parts 1.20 and 22 of the CFTC Regulations, that those FCM Client Funds are being held in accordance with the CEA and the CFTC Regulations;
- (c) the FCM ForexClear Clearing Member will promptly furnish copies of or extracts from its records or such other information pertaining to the FCM Client's assets as the Securities Exchange Commission, through its employees or agents, may request;
- (d) any gains on FCM ForexClear Contracts held on behalf of an FCM Client (other than de minimus amounts) may be maintained by the FCM ForexClear Clearing Member only until the next Business Day following receipt;