

VIA CFTC PORTAL

June 26, 2018

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 portal enhancements

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 amendments to its rules and procedures related to improvements being made to the SwapClear portal.

Part I: Explanation and Analysis

The General Regulations, FCM Regulations, Procedures Section 2C (*SwapClear Clearing Service*) and FCM Procedures have been amended to provide that clearing clients may submit certain instructions and requests to LCH via the SwapClear Portal, including portfolio transfer and compression requests, elections to amend the characterization of a SwapClear Contract (*i.e.*, STM or CTM) and requests to amend certain economic terms of a SwapClear Contract, in each case on behalf of a clearing member.

Further, the FCM Procedures has been amended to provide LCH the discretion to determine the form by which an FCM Clearing Member may request the return and reapplication of Unallocated Excess and FCM Buffer.

The rule changes will go live on, or after, July 16, 2018.

Part II: Description of Rule Changes

Sections 1.15.3 and 1.15.5 of Procedures Section 2C has been amended to provide that Clearing Clients (including FCM Clients) may submit a portfolio transfer request on behalf of their Clearing Member via the SwapClear Portal. A new paragraph has been added to Section 1.16 to highlight that a clearing client or FCM Client may, on behalf of a SwapClear Clearing Member, submit a compression request or an election to provide notices or reports via an Approved Trade Source System, the ClearLink API or SwapClear Portal. Section 1.22 has been amended to provide that SwapClear Clearing Members agree that Clearing Clients (including FCM Clients) may submit an election pursuant to Regulation 55(c) or conversion pursuant to Regulation 57A(n) on their behalf via

the SwapClear Portal. Section 1.33.1 has been amended to provide that an “Economic Amendment Request” may be submitted on behalf of a Clearing Member by a SwapClear Clearing Client, including an FCM Client.

Section 2.1.11 of the FCM Procedures has been amended to highlight that an FCM Client may, on behalf of an FCM Clearing Member, submit a compression request or an election to provide notices or reports via an FCM Approved Trade Source System, the ClearLink API or SwapClear Portal. Sub-section 4.9.1 of the FCM Procedures has been amended provide LCH the discretion to determine the form by which an FCM Clearing Member may request the treatment of unallocated excess and the return of the FCM buffer will be in a manner prescribed by the CCP.

Regulation 55 of the General Regulations has been amended to reflect that the registration of a SwapClear Contract as a SwapClear CTM Contract or a SwapClear STM Contract shall be determined by the Clearing House on the basis of an election made either by the relevant SwapClear Clearing Member or a Clearing Client (or FCM Client) on its behalf. Regulation 57A (n) has been amended to reflect that Clearing Client or FCM Client may request, on behalf of a Clearing Member, the conversion of its SwapClear Contracts from a SwapClear CTM Contract to a SwapClear STM Contract.

Regulation 46(p) of the FCM Regulations has been amended to reflect that FCM Clients may submit a transfer request on behalf of their Clearing Member via the SwapClear Portal.

The texts of the changes are attached hereto as:

- i. **Appendix I**, Procedures Section 2C
- ii. **Appendix II**, FCM Procedures
- iii. **Appendix III**, General Regulations
- iv. **Appendix IV**, FCM Regulations

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 at julian.oliver@lch.com.

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
Procedures Section 2C



LCH LIMITED

PROCEDURES SECTION 2C

SWAPCLEAR CLEARING SERVICE

period that the Clearing House may agree to in its sole discretion) after the registration of the SwapClear Contract;

- (c) a transfer of one or more Transferring SwapClear 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 SwapClear 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; and
- (e) a transfer of one or more Transferring SwapClear 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 SwapClear 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.

1.15.3 *Transfer Requests*

- (a) Each transfer request (“**Transfer Request**”) pursuant to Regulation 60 (*Transfer*), this Section 1.15 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. The Transfer Request shall list all of the Transferring SwapClear Contracts that are to be transferred (including, where relevant, any relevant Associated Collateral Balance). Following receipt of a Transfer Request, the Clearing House shall notify the Carrying Clearing Member that a Transfer Request has been received to transfer Transferring SwapClear Contracts. Clearing Members agree that Clearing Clients (including FCM Clients) may submit a Transfer Request on their behalf via the SwapClear Portal.
- (b) In respect of any Permitted Transfer that involves the transfer of all (and not some) of the SwapClear 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 SwapClear Contracts in the Transfer Account of the Eligible Transferor whose SwapClear 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 actually effected, fails or is rejected in accordance with Regulation 60 (*Transfer*), these Procedures and (where applicable) any relevant Collateral Management Agreement.

1.15.4 *Transfer Notice Period*

The timing for Transfer Requests pursuant to Regulation 60 (*Transfer*), this Section 1.15 and (where applicable) any relevant Collateral Management Agreement will be as prescribed by the Clearing House by way of a member circular.

1.15.5 *Conditions Precedent to Permitted Transfer*

It is a condition precedent to any Permitted Transfer from the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee pursuant to Regulation 60 (*Transfer*) and this Section 1.15 that:

- (a) the transfer is a Permitted Transfer as defined in Section 1.15.2;
- (b) 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 SwapClear Clearing Client, as applicable as the Clearing House may require in its sole discretion;
- (c) neither the Eligible Transferor nor the Eligible Transferee nor the SwapClear Clearing Client, as applicable, has become insolvent (each Eligible Transferor, Eligible Transferee and SwapClear 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);
- (d) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulter;
- (e) such transfer would not violate or result in the violation of any Applicable Law or regulation, 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 SwapClear Contracts to the Eligible Transferee;
- (f) the Eligible Transferor, Eligible Transferee, the Receiving Clearing Member, the Carrying Clearing Member and SwapClear 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);
- (g) the Receiving Clearing Member has consented to the transfer of the Transferring SwapClear Contracts and, where relevant, the Associated Collateral Balance(s);
- (h) the Receiving Clearing Member has transferred (or has made available) sufficient Collateral to the Clearing House in respect of its current SwapClear Contracts and the Transferring SwapClear Contracts;
- (i) the Carrying Clearing Member has not rejected such transfer in accordance with Section 1.15.6 (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 1.15 or as otherwise reasonably determined by the Clearing House);
- (j) 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
- (k) 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 SwapClear 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 SwapClear 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 SwapClear Contracts from the Transfer Account of an Eligible Transferor and, if applicable, the Associated Collateral Balance(s) pursuant to Regulation 60, this Section 1.15 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.

1.15.6 *Rejection of Transfer Request*

For purposes of paragraph (i) of Section 1.15.5 above, 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:

- (a) 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 SwapClear Contracts of that Eligible Transferor that are being transferred or that Eligible Transferor’s related collateral;
- (b) the transfer of the Transferring SwapClear 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
- (c) such rejection is in accordance with terms agreed as between the Carrying Clearing Member and the relevant Eligible Transferor.

1.15.7 *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 an 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.

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

1.15.11 Fees

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

1.16 Compression

A SwapClear Clearing Member may compress existing SwapClear Contracts in accordance with Regulation 56. There are two options available to a SwapClear Clearing Member that wishes to compress existing SwapClear Contracts:

- (a) a SwapClear Clearing Member can request that all SwapClear Contracts entered into on behalf of a designated SwapClear Clearing Client or on such SwapClear Clearing Member's own behalf be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the SwapClear Clearing Member after the applicable scheduled compression run) until the SwapClear Clearing Member notifies the Clearing House to discontinue such compression

of SwapClear Contracts. SwapClear Clearing Members should contact the Clearing House's Membership Department to request such a compression of SwapClear Contracts; or

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

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

In respect of each compression, the Clearing House will notify SwapClear Clearing Members of the cut-off time by which the Clearing House must be notified of the relevant SwapClear Contracts to be compressed in order for such SwapClear Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all SwapClear Contracts notified to it prior to such cut-off time. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day. The Clearing House shall notify the applicable SwapClear Clearing Member after the applicable compression run of the result of such compression procedure. A SwapClear Clearing Member may, with the prior approval of the Clearing House and pursuant to Section 1.31, elect to receive such notification via any Approved Trade Source System previously approved by the Clearing House for such purpose.

A SwapClear Clearing Member that elects to provide notices or reports to the Clearing House through any Approved Trade Source System specifying which SwapClear Contracts should be compressed, have been compressed or any other

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

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

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

1.17 Duo Compression

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

From time to time, the Clearing House may publish an anonymised report to each Compression Clearing Member participating in Duo Compression identifying compression and risk replacement opportunities based on eligible SwapClear Contracts (the “**Clearing House Compression Proposal**”). Upon receipt of a given

Clearing Member to sign. No trade reference will be amended unless such documentation is completed and signed. The documentation must be signed by a person within the SCM with appropriate signing authority. Evidence of such authority may be required by the Clearing House. No amendment to such documentation will be accepted by the Clearing House.

1.20.4 *Notification*

Subject to the requesting SwapClear Clearing Member meeting all the Clearing House's requirements (including completion and submission of all documentation and such other additional requirements as the Clearing House may be set by the Clearing House in its discretion), the Clearing House will notify the SwapClear Clearing Member of its agreement to the amendment of its records of the SwapClear Clearing Member's trade reference in respect of the trades identified in the Trade Reference Amendment Request Form, and advise of the anticipated date of amendment (the "**anticipated date of amendment**").

1.21 **Custodial Segregated Accounts**

A Custodial Segregated Account allows a Custodial Segregated Client to provide Collateral directly to the Clearing House to meet certain obligations of the relevant SwapClear Clearing Member, in respect of such Custodial Segregated Account, in accordance with the terms of the relevant Collateral Management Agreement and Client Charge.

A SwapClear Clearing Member may request that the Clearing House opens a Custodial Segregated Account in respect of a Clearing Client and must execute, and procure that the Clearing Client executes, such documentation as the Clearing House specifies.

1.22 **SwapClear STM Contracts and SwapClear CTM Contracts – Elections and Conversions**

If a SwapClear Clearing Member wishes to make an election pursuant to Regulation 55(c) or a conversion pursuant to Regulation 57A(~~mn~~) it must complete and deliver to the Clearing House such documentation as the Clearing House shall make available for such purposes from time to time. A SwapClear Clearing Member wishing to make such an election or conversion should contact swapclearclientservices@lchclearnet.com. SwapClear Clearing Members agree that Clearing Clients (including FCM Clients) may submit an election pursuant to Regulation 55(c) or conversion pursuant to Regulation 57A(n) on their behalf via the SwapClear Portal.

1.23 **SwapClear Client Clearing**

As part of the SwapClear Service, a SwapClear Clearing Member is able to provide certain clearing services to SwapClear Clearing Clients.

the purposes of a Non-performance Notice Crossing Transaction (in accordance with the Inflation Swaps Operational Specifications) and the SwapClear End of Day Price.

1.32 Notifications via Approved Trade Source Systems

- 1.32.1 With prior approval of the Clearing House, SwapClear Clearing Members and SwapClear Clearing Clients may elect to submit and receive certain post-trade messages via any Approved Trade Source System previously approved by the Clearing House for the results of compression procedures, Permitted Transfers and economic and non-economic amendments of SwapClear Contracts.
- 1.32.2 A SwapClear Clearing Member, either on its own account or with respect to a SwapClear Clearing Client (where applicable), acknowledges and agrees, with respect to an election to receive messages and/or notifications under this Section 1.31 from the Clearing House via an Approved Trade Source System, that (i) the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any Approved Trade Source System or the timeliness or otherwise of the delivery of any notices, reports or details by that Approved Trade Source System to the Clearing House of the SwapClear Clearing Member or SwapClear Clearing Client, as applicable, (ii) the Clearing House will process and use any information provided to it under this Section 1.31 via an Approved Trade Source System on an “as is” basis (with no obligation to verify any details), (iii) the Clearing House accepts no liability for (A) any error within or corruption of any data sent by an Approved Trade Source System to the Clearing House, the SwapClear Clearing Member or any SwapClear Clearing Client or (B) any delay in or failure of the transmission of such data to the Clearing House, the SwapClear Clearing Member or any SwapClear Clearing Client.
- 1.32.3 Any request for the Clearing House to approve the submission and receipt of post-trade messages via any Approved Trade Source System must be made in writing and using the Clearing House’s standard documentation. Through making a request, a SwapClear Clearing Member, either on their own account or with respect to a SwapClear Clearing Client, is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

1.33 Economic Amendments to SwapClear Contracts

The SwapClear Clearing System provides functionality for certain Economic Terms of each Contract in an Amendment Pair to be amended to have new identical Economic Terms (both such amendments, together, an “**Economic Amendment**”) upon request, provided that the requirements and conditions specified in this Section 1.32 are met.

For purposes of this Section 1.32, an “**Amendment Pair**” means two SwapClear Contracts or one SwapClear Contract and one FCM SwapClear Contract, each registered in respect of the same SwapClear Transaction, and “**Economic**

Amendment CM” means each SwapClear Clearing Member of each Contract in the Amendment Pair that is being requested for Economic Amendment.

Notwithstanding anything to the contrary in this Section 1.32, the Clearing House may reject any Economic Amendment Request in its sole and absolute discretion, and the Clearing House shall not be liable for any costs, expenses, damages or losses of whatsoever nature, whether direct or indirect, suffered by a SwapClear Clearing Member and/or SwapClear Clearing Client in connection with this Section 1.32, including effecting a requested Economic Amendment erroneously or failing to effect a requested Economic Amendment.

1.33.1 *Economic Amendment Requests*

Each request for an Economic Amendment (an “**Economic Amendment Request**”) to be made to an Amendment Pair pursuant to this Section 1.32 must be prepared and submitted in the form and manner prescribed by the Clearing House from time to time by each Economic Amendment CM for that Amendment Pair. A SwapClear Clearing Client (including an FCM Client) may submit, on behalf of an Economic Amendment CM, an Economic Amendment Request, or any details connected therewith, to the Clearing House.

An Economic Amendment Request must:

- (a) specify the relevant Contract requested to be amended by the Economic Amendment Request along with all details relating to the Economic Amendment as required by the Clearing House from time to time ;
- (b) specify the original and amended Economic Terms of the Contract identified in (i) above; and
- (c) specify such other details as the Clearing House may reasonably require from time to time.

Where relevant, the Clearing House shall notify the requesting Economic Amendment CM or SwapClear Clearing Client of its rejection of an Economic Amendment Request as soon as reasonably practicable after rejection of that Economic Amendment Request.

1.33.2 *Procedure for Effecting an Economic Amendment to an Amendment Pair*

The process for effecting an Economic Amendment to an Amendment Pair under this Section 1.32 is as follows:

- (a) the Clearing House must receive an Economic Amendment Request in accordance with Section 1.32.1 above from an Economic Amendment CM, or SwapClear Clearing Client on behalf of such, for that Amendment Pair, in each case, by the end of the business day requested for such Economic Amendment, or such other time as notified by the Clearing House from time to time (the “**Economic Amendment Cut-off Time**”);

Appendix II
FCM Procedures



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

obtain the consent of the FCM Client to which the Stress Loss Margin applies. In making any request pursuant to this paragraph, the FCM Clearing Member is deemed to represent that it has obtained such consent.

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

2.1.10 *Intra-Day Margin Call: Collateral Management*

(a) *General – Intra-day Margining*

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

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

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

2.1.11 *Compression*

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

(i) an FCM Clearing Member can request that all FCM SwapClear Contracts entered into (i) on behalf of a designated FCM Client or (ii) in such FCM Clearing Member's Proprietary Account be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the FCM Clearing Member after the applicable scheduled compression run) until the FCM Clearing Member notifies the Clearing House to discontinue such compression of FCM SwapClear Contracts. FCM Clearing Members should contact the Clearing House's Membership Department to request such a compression of FCM SwapClear Contracts; or

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

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

- (b) In order to compress an FCM SwapClear Contract, an FCM Clearing Member must have in its applicable FCM Client Sub-Account or Proprietary Account two or more FCM SwapClear Contracts with the same compression identifier (being an identifier applied by the Clearing House which indicates that such FCM SwapClear Contracts are eligible for compression) and shall then follow the process for compression as set out above.
- (c) In respect of each compression, the Clearing House will notify Clearing Members of the cut-off time by which the Clearing House must be notified of the relevant FCM SwapClear Contracts to be compressed in order for such FCM SwapClear Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all FCM SwapClear Contracts notified to it prior such

cut-off time. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day. The Clearing House shall notify the applicable FCM Clearing Member after the applicable compression run of the result of such compression procedure. An FCM Clearing Member may, with the prior approval of the Clearing House and pursuant to the Procedures, elect to receive such notification via any FCM Approved Trade Source System previously approved by the Clearing House for such purpose.

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

- (d) An FCM Clearing Member that elects to provide notices or reports to the Clearing House through any FCM Approved Trade Source System specifying which FCM SwapClear Contracts should be compressed, have been compressed or any other information in relation to compressions acknowledges and agrees that (i) the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any compression-related details by that FCM Approved Trade Source System to the Clearing House of the FCM Clearing Member, (ii) the Clearing House will process and use any compression-related information provided to it via an FCM Approved Trade Source System on an "as is" basis (with no obligation to verify any details), (iii) the Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to the FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House or the FCM Clearing Member. In the event that the Clearing House terminates, registers or otherwise effects an action in connection with a compression relating to any FCM SwapClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System, the FCM Clearing Member concerned shall be bound by the results of such actions. Such matters form part of the relationship between the FCM Clearing Member and the relevant FCM Approved Trade Source System. Notwithstanding anything in this Section 2.1.11 of the FCM Procedures, the Clearing House records in relation to any compression and the status of any FCM SwapClear Contract prior to, during or following a compression run shall be the definitive record in connection therewith and shall prevail over any such records maintained by any FCM Approved Trade Source System.
- (e) Following the compression process described above and as further set out in FCM Regulation 46(m) (*Registration of FCM SwapClear*

Contracts; Novation and Post-Novation Compression; SwapClear Accounts), the applicable FCM Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed FCM SwapClear Contracts as notified to the FCM Clearing Member by the Clearing House.

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

2.1.12 *Portfolio Transfers (BAU)*

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

2.1.13 *Actions in Respect of an FCM Client Default*

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

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

Notwithstanding anything to the contrary contained in this Section 2.1.13, the actions described in this section are subject to Applicable Law, including the provisions of the CEA and the CFTC Regulations.

(a) *Transfers between Proprietary Accounts and FCM Client Accounts*

Pursuant to FCM Regulation 13(d), the UK General Regulations and the UK General Procedures, an FCM Clearing Member may, following the occurrence of an FCM Client Default, request that the Clearing House transfer one or more FCM SwapClear Contracts (including those submitted for registration pursuant to Section 2.1.13(c)) or SwapClear Contracts (as the case may be): (i) from the Defaulting FCM Client’s FCM Client Sub-Account to its Proprietary Account or the Proprietary Account of a SwapClear Clearing Member or an FCM Clearing Member; or (ii) from its Proprietary Account or the Proprietary Account of a SwapClear Clearing Member or FCM Clearing Member to the Defaulting FCM Client’s FCM Client Sub-

4.6.3 ***Withholding tax – Depositories***

A Depository may offer a recovery service for overseas taxes on government bonds. The Clearing House will assist in the recovery process and remit to FCM Clearing Members any relevant recovery in withholding tax credited to the Clearing House's account by the relevant Depository.

In certain cases, the Clearing House or the relevant Depository will withhold tax on a Coupon if the correct documentation is not lodged with the Clearing House or such Depository.

4.7 **References**

These FCM Procedures should be read in conjunction with the relevant contractual provisions, user guides and/or manuals of the relevant Depository. Please also refer to each relevant Depository for the relevant settlement deadlines in particular those for deliveries from local markets to Clearing House accounts.

4.8 **Contingency Arrangements**

In the event of an outage of the CMS, the Clearing House will notify FCM Clearing Members via member circular and FCM Clearing Members may send certain instructions, using the appropriate form in the Schedules of these FCM Procedures, to the Clearing House by fax and email (see Section 4.1.4 of these FCM Procedures).

Normal service hours and deadlines will apply to such instructions.

The Clearing House will notify FCM Clearing Members via a member circular when the CMS is available again.

4.9 **Treatment of Unallocated Excess and Return of FCM Buffer**

4.9.1 ***Return and Reapplication of Unallocated Excess and Return of FCM Buffer***

Upon the request of an FCM Clearing Member, the form of which shall be prescribed by the Clearing House from time to time, the Clearing House shall return all or a portion of such FCM Clearing Member's available Unallocated Excess or FCM Buffer (as requested) to such FCM Clearing Member; **provided, that** (i) FCM Clearing Members are not entitled to request the return of Encumbered FCM Buffer, and (ii) the Clearing House shall not be required to return FCM Buffer if the FCM Clearing Member is a Defaulter. The FCM Clearing Member's request must contain the specific details of the amount of funds requested and whether such FCM Clearing Member is requesting the return of FCM Buffer or Unallocated Excess, and any other information reasonably requested by the Clearing House. The end of day report delivered to the FCM Clearing Member by the Clearing House shall constitute conclusive evidence of the amount of any FCM Buffer or Unallocated Excess returned to such FCM Clearing Member during that day, unless the Clearing House determines such report contained an error and subsequently delivers an amended report or other notice to the FCM Clearing Member in respect of such amounts.

FCM Regulation 15 (*Margining of Swap Product Client Accounts*) contains additional provisions relating to FCM Buffer, Encumbered FCM Buffer and Unallocated Excess.

Upon ~~written~~ request from an FCM Clearing Member ~~(including via email), the form of which shall be prescribed by the Clearing House from time to time,~~ the Clearing House will apply Margin attributable to (A) an FCM Clearing Member's Unallocated Excess Sub-Account and/or (B) all of an FCM Clearing Member's FCM Client Sub-Accounts to its FCM Buffer Sub-Account. In requesting such transfer, the FCM Clearing Member shall be deemed to represent and warrant that such reapplication of Margin: (1) is in accordance with applicable law and regulation; and (2) has been requested by an individual that is appropriately authorized to make the request. Any request from an FCM Clearing Member to reapply Margin must: (i) in the case of a request for reapplication pursuant to sub-clause (A) above, contain the specific details of the amount of Margin to be reapplied; (ii) only request the reapplication where such reapplication reflects the true characterization of the Margin held by the Clearing House (in particular, the reapplication of Margin pursuant to this paragraph should only be requested where the relevant Margin is the property of the FCM Clearing Member); (iii) in the case of a request for reapplication of Margin pursuant to sub-clause (B) above, request the reapplication of Margin attributed to all of the relevant FCM Clearing Member's FCM Client Sub-Accounts since the start of that given Business Day; and (iv) include such other information that the Clearing House may require. The reapplication of Margin shall be effected by the Clearing House in its sole and absolute discretion and in accordance with predefined parameters, and shall become effective from such time that the reapplication is reflected in the Clearing House's books and records.

4.9.2 *Use of FCM Buffer as Variation Settlement*

Notwithstanding anything to the contrary herein, an FCM Clearing Member may elect to have Eligible FCM Buffer that the Clearing House holds at the end of each Business Day applied to its obligation to pay USD denominated Settlement Payment obligations only with respect to its C account. In the event of such election in accordance with this Section 4.9.2, the Clearing House may apply on each Business Day the full amount of Eligible FCM Buffer to the relevant FCM Clearing Member's obligation to pay such amounts. Any Settlement Payment that remains owing following such application shall remain payable by the FCM Clearing Member in accordance with the FCM Rulebook. Upon the application by the Clearing Member of Eligible FCM Buffer in accordance with this Section 4.9.2, the relevant FCM Clearing Member shall be deemed to acknowledge that Eligible FCM Buffer so applied by the Clearing House no longer constitutes FCM Buffer and the Clearing House shall be deemed to acknowledge that any USD denominated Settlement Payment due to it with respect to the relevant FCM Clearing Member's C account shall be deemed to be reduced by an amount equal to Eligible FCM Buffer so applied.

An FCM Clearing Member that wishes to make an election to have Eligible FCM Buffer applied in accordance with this Section 4.9.2 or to cancel a

Appendix III
General Regulations



**GENERAL REGULATIONS OF
LCH LIMITED**

REGULATION 55 REGISTRATION OF SWAPCLEAR CONTRACTS

- (a) A SwapClear Transaction may be presented to the Clearing House for registration as two SwapClear Contracts or one SwapClear Contract, and one FCM SwapClear Contract (in accordance with the other provisions of the Rulebook).
- (b) Once a SwapClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (d) below and Section 1.3 (*Registration*) of Procedure 2C (*SwapClear Clearing Service*) request the consent of the relevant SwapClear Clearing Member with whom a SwapClear Contract shall be registered as a result thereof to such registration. Upon the SwapClear Clearing Member providing its consent, such SwapClear Transaction shall be deemed to have been submitted (as such term is defined in the Procedures) by such SwapClear Clearing Member to the Clearing House for registration. Any such consent shall be provided in accordance with the Procedures.
- (c) Each SwapClear Contract shall be registered by the Clearing House either as a SwapClear CTM Contract or a SwapClear STM Contract, and a SwapClear Transaction may be registered as two SwapClear CTM Contracts, a SwapClear CTM Contract and an FCM SwapClear Contract, two SwapClear STM Contracts, a SwapClear STM Contract and an FCM SwapClear Contract or one SwapClear CTM Contract and one SwapClear STM Contract (in accordance with the other provisions of the Rulebook). The registration of a SwapClear Contract as a SwapClear CTM Contract or a SwapClear STM Contract shall be determined by the Clearing House on the basis of an election made by the relevant SwapClear Clearing Member (or a Clearing Client or FCM Client on its behalf) either generally, with reference to a particular account or on a case-by-case basis in accordance with the Procedures. In the absence of any such election, the Clearing House shall register the SwapClear Contract as a SwapClear CTM Contract.
- (d) A SwapClear Clearing Member which has been nominated to clear the SwapClear Contract arising from the registration of a SwapClear Transaction on behalf of a third party Executing Party other than a SwapClear Dealer will (only where such SwapClear Transaction is not a Trading Venue Transaction) be notified by the Clearing House of the relevant SwapClear Transaction and shall choose whether to grant or refuse consent to the registration of such SwapClear Transaction and the SwapClear Contract resulting from such SwapClear Transaction. Where:
- (i) a SwapClear Clearing Member is an Executing Party to a SwapClear Transaction and shall clear a SwapClear Contract resulting from such SwapClear Transaction;
 - (ii) a SwapClear Dealer approved to clear SwapClear Transactions through a SwapClear Clearing Member is an Executing Party to a SwapClear Transaction and such SwapClear Clearing Member is to clear a SwapClear Contract resulting from such SwapClear Transaction; or
 - (iii) a SwapClear Transaction is an Eligible Trading Venue Transaction in respect of a SwapClear Clearing Member, and a third party Executing Party (other than a SwapClear Dealer) to such SwapClear Transaction has nominated

REGULATION 57A SETTLEMENT OF SWAPCLEAR STM CONTRACTS AND CONVERSION TO SWAPCLEAR STM CONTRACTS

- (a) Each SwapClear Contract registered in the name of a SwapClear Clearing Member that is established under the laws of any state of the United States or under the federal laws of the United States shall be designated a SwapClear STM Contract.
- (b) Notwithstanding anything to the contrary in Regulation 20, neither the Clearing House nor a SwapClear Clearing Member shall be obliged to make any payment by way of variation margin in respect of a SwapClear STM Contract. This Regulation 57A 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 SwapClear Clearing Member's initial margin obligations in respect of a SwapClear STM Contract).
- (c) The Clearing House shall, at least once per Business Day, determine (i) the change in the net present value of each SwapClear STM Contract, and (ii) the Price Alignment Amount payable on such Business Day, in each case 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 SwapClear STM Contract, an NPV Reset shall occur with respect to that SwapClear STM Contract.
- (d) Upon the occurrence of an NPV Reset in relation to a SwapClear STM Contract:
 - (i) if the Clearing House has determined that the net present value of the SwapClear STM Contract has increased since the immediately preceding NPV Reset, an amount of cash denominated in the currency of the SwapClear STM Contract (as specified in the Economic Terms relating to that SwapClear STM Contract) equal to the amount of such increase shall immediately become due and payable by the SwapClear Clearing Member to the Clearing House under the SwapClear STM Terms;
 - (ii) if the Clearing House has determined that the net present value of the SwapClear STM Contract has decreased since the immediately preceding NPV Reset, an amount of cash denominated in the currency of the SwapClear STM Contract (as specified in the Economic Terms relating to that SwapClear STM Contract) equal to the amount of such decrease shall immediately become due and payable by the Clearing House to the SwapClear Clearing Member under the SwapClear STM Terms;
 - (iii) if the Clearing House has determined that the net present value of the SwapClear STM Contract has not changed since the immediately preceding NPV Reset, neither the Clearing House nor the SwapClear Clearing Member shall be obliged to make any payment; and
 - (iv) the net present value of the SwapClear STM Contract shall for all purposes be equal to zero.
- (e) The SwapClear Clearing Member and the Clearing House hereby agree that:

- (i) for the avoidance of doubt, an "increase" in the net present value of a SwapClear STM Contract shall mean that the net present value of that SwapClear STM Contract 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 SwapClear STM Contract shall mean that the net present value of that SwapClear STM Contract has moved in favour of the SwapClear Clearing Member since the immediately preceding NPV Reset; and
 - (iii) unless otherwise agreed between the SwapClear Clearing Member and the Clearing House, the net present value of a SwapClear STM Contract on the Trade Date (as such term is defined in the SwapClear STM Terms applicable to that SwapClear STM Contract) shall be equal 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) Upon the Clearing House's determination of the Price Alignment Amount in relation to a SwapClear STM Contract:
- (i) if the Clearing House has determined that the Cumulative Net Present Value is greater than zero, then, subject to (iii) below, an amount of cash denominated in the currency of the SwapClear STM Contract (as specified in the Economic Terms relating to that SwapClear STM Contract) equal to the Price Alignment Amount shall immediately become due and payable by the Clearing House to the SwapClear Clearing Member;
 - (ii) if the Clearing House has determined that the Cumulative Net Present Value is less than zero, then, subject to (iii) below, an amount of cash denominated in the currency of the SwapClear STM Contract (as specified in the Economic Terms relating to that SwapClear STM Contract) equal to the Price Alignment Amount shall immediately become due and payable by the SwapClear Clearing Member to the Clearing House; and
 - (iii) if the Price Alignment Amount payable by a party on a Business Day (as such term is defined in the SwapClear STM Terms relating to that SwapClear STM Contract) is a negative amount, then the 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 (as such term is defined in the SwapClear STM Terms relating to that SwapClear STM Contract).
- (h) For the purpose of determining the Cumulative Net Present Value of a SwapClear STM Contract that has been either (i) transferred to a Backup Clearing Member pursuant to the Default Rules in relation to SwapClear Contracts, or (ii) transferred to a Receiving Clearing Member pursuant to Regulation 60, the Trade Date of the SwapClear STM Contract that comes into existence immediately following such transfer shall be the Trade Date of the SwapClear STM Contract that was so transferred.

- (i) For the purpose of determining the Cumulative Net Present Value of a SwapClear STM Contract that has been converted from a SwapClear CTM Contract pursuant to this Regulation 57A the Trade Date of the SwapClear STM Contract that comes into existence immediately following such conversion shall be the Trade Date of the SwapClear CTM Contract that was so converted.
- (j) The payment of each of the amounts due and payable under the SwapClear STM Terms applicable to a SwapClear STM Contract shall be made in such manner and at such times as may be provided in the Procedures.
- (k) In respect of all SwapClear STM Contracts the Clearing House shall:
 - (i) on each Business Day (as such term is defined in the SwapClear STM Terms relating to that SwapClear 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 SwapClear Clearing Member to the Clearing House on such Business Day in accordance with Regulation 57A(c);
 - (B) the Price Alignment Amount (if any) payable by the SwapClear Clearing Member to the Clearing House on such Business Day in accordance with Regulation 57A(f);
 - (C) the amounts (if any) of the coupon payment payable by the SwapClear Clearing Member to the Clearing House on such Business Day in accordance with the Procedures; and
 - (D) any other amounts which are payable by the SwapClear Clearing Member to the Clearing House on such Business Day (excluding any amounts which are to be Charged Cash Collateral),
 - (ii) on each Business Day (as such term is defined in the SwapClear STM Terms relating to that SwapClear 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 Clearing House to the SwapClear Clearing Member on such Business Day in accordance with Regulation 57A(c);
 - (B) the Price Alignment Amount (if any) payable by the Clearing House to the SwapClear Clearing Member on such Business Day in accordance with Regulation 57A(f);
 - (C) the amounts (if any) of the coupon payment payable by the Clearing House to the SwapClear Clearing Member on such Business Day in accordance with the Procedures (excluding any amounts which are Charged Cash Collateral); and

- (D) any other amounts which are payable by the Clearing House to the SwapClear Clearing Member on such Business Day (excluding any amounts which are Charged Cash Collateral),

and the amount payable on a Business Day to one party (the **Payee**) by the other party (the **Payer**) under Regulation 57A(j)(i) or (ii) (as applicable) shall be reduced by setting-off such amount against the amount (the **Other Amount**) payable by the Payee to the Payer under Regulation 57A(j)(i) or (ii) (as applicable). To the extent the Other Amount is so applied, the Other Amount will be discharged promptly and in all respects.

- (l) On each Business Day the Clearing House shall, 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 the amount that is payable by either the SwapClear Clearing Member or the Clearing House following the operation of the payment netting provision under Regulation 57(d) and the amount that is payable by either the SwapClear Clearing Member or the Clearing House following the operation of the payment netting provision under Regulation 57A(j), and only the excess of the larger amount over the smaller amount 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 SwapClear Clearing Member agree that satisfaction of the payment obligation arising under the SwapClear STM Terms by either party shall discharge such obligation for the purpose of settling the then outstanding exposure under a SwapClear STM Contract.
- (n) A SwapClear Clearing Member (a **“Converting SwapClear Clearing Member”**) or a Clearing Client (including an FCM Client) on its behalf may, from time to time, submit a request, in such form as permitted by the Clearing House from time to time in its sole discretion, or, in the case of a compression of the type described in Regulation 56(c)(iii) or Regulation 56(e)(iv)(A), a SwapClear Clearing Member or a Clearing Client (including an FCM Client) on its behalf shall be deemed to have submitted a written request (each such request, an **“STM Conversion Request”**) to the Clearing House requesting that the Clearing House converts one or more of its open SwapClear CTM Contracts to SwapClear STM Contracts. Such request shall identify those SwapClear CTM Contracts (the **“STM Conversion Contracts”**) which the SwapClear Clearing Member or a Clearing Client (including an FCM Client) on its behalf wishes to be converted to SwapClear STM Contracts. No open SwapClear CTM Contract shall be converted into a SwapClear STM Contract except as provided in this Regulation 57A or the Procedures.
- (o) Following its receipt of an STM Conversion Request made (or deemed to have been made) by a Converting SwapClear Clearing Member pursuant to (m) above, the Clearing House may, in its sole and absolute discretion, nominate a Business Day (the **“STM Conversion Date”**) from, and including which, some or all of the STM Conversion Contracts shall, subject to the satisfaction of the conditions specified in (o) below, cease to be registered as SwapClear CTM Contracts and shall immediately and automatically become registered as SwapClear STM Contracts which are subject to this Regulation 57A and the SwapClear STM Terms. For the avoidance of doubt, if

the Clearing House determines that it shall convert a SwapClear CTM Contract into a SwapClear STM Contract, such conversion shall be effected through the Clearing House and the Converting SwapClear Clearing Member agreeing to a modification of the terms of the relevant STM Conversion Contract, and such conversion shall not be effected through the Clearing House and the Converting SwapClear Clearing Member terminating the relevant STM Conversion Contract and entering into a new SwapClear STM Contract.

- (p) The occurrence of an STM Conversion Date in respect of an STM Conversion Contract shall be subject to the condition precedent that:
- (i) the Converting SwapClear Clearing Member is not a Defaulter;
 - (ii) no relevant SwapClear Clearing Client is insolvent;
 - (iii) the conversion of that STM Conversion Contract to a SwapClear STM Contract would not violate or result in the violation of any Applicable Law;
 - (iv) the Converting SwapClear Clearing Member has satisfied all of its obligations to meet any margin calls made by the Clearing House in respect of that STM Conversion Contract up to, but excluding, the STM Conversion Date. The Converting Clearing Member shall satisfy such margin calls in accordance with the Procedures and/or applicable Regulations, as would ordinarily be the case;
 - (v) the Converting SwapClear Clearing Member has paid to the Clearing House, or the Clearing House has paid to the Converting SwapClear 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 the STM Conversion Contract shall be equal to zero on the STM Conversion Date. Such amounts shall be determined and paid by the relevant party in accordance with the Procedures. The Converting SwapClear 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 a STM Conversion Contract to satisfy (in whole or in part) the Converting SwapClear Clearing Member's obligation to pay the amount (if any) required under this Regulation 57A(o)(v) in relation to that STM Conversion Contract. The Converting SwapClear Member and the Clearing House agree that any Collateral held by the Converting SwapClear Clearing Member in respect of a STM Conversion Contract 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 57A(o)(v) in relation to that STM Conversion Contract; and
 - (vi) all other conditions stipulated by the Clearing House have been complied with in a manner satisfactory to it.
- (q) Each time a SwapClear Clearing Member or a Clearing Client (including an FCM Client) on its behalf delivers an STM Conversion Request that SwapClear Clearing Member:

Appendix IV
FCM Regulations



FCM REGULATIONS OF THE CLEARING HOUSE

LCH LIMITED

- (x) In order to meet the obligations of a FCM Clearing Member set out under paragraph (viii) above, the Clearing House will solely look to the FCM Buffer held by the relevant FCM Clearing Member and such FCM Buffer shall only be available to margin an Unallocated FCM SwapClear Transaction to the extent that it is Available FCM Buffer. For such time as any Available FCM Buffer is, and remains, applied to margin an Unallocated FCM SwapClear Transaction, such FCM Buffer shall no longer be Available FCM Buffer and shall be Encumbered Buffer.
- (xi) Each Pre-Allocation FCM Clearing Member and Post-Allocation FCM Clearing Member must comply with the applicable provisions of the CFTC Regulations (including CFTC Regulations 1.35 and 1.73) and all other Applicable Law, and shall be responsible for ensuring that Pre-Allocation Executing Parties clearing through it are in compliance with CFTC Regulation 1.35(b)(5), where applicable.
- (p) **Portfolio Transfers.** Other than in the event that an FCM Clearing Member is a Defaulter, an FCM Clearing Member providing FCM SwapClear Clearing Services may, acting for its own account or for the account of an FCM Client, effect Permitted Transfers in accordance with paragraphs (a) and (b)(ii)-(iv) of UK General Regulation 60 and Section 1.15 (*Portfolio Transfers – BAU*) of UK SwapClear Procedure 2C, **provided that:**
 - (i) references in paragraphs (a) and (b)(ii)-(iv) of UK General Regulation 60 and Section 1.15 of UK SwapClear Procedure 2C to:
 - (A) “Associated Collateral Balance” shall be understood to include, where the context so requires, references to the applicable Collateral attributable to the FCM Clearing Member or the FCM Client, as relevant to be transferred;
 - (B) “Carrying Clearing Member” shall be understood to be references to “Carrying Clearing Member” as defined in the FCM Rulebook;
 - (C) “Client Account” shall be understood to include, where the context so requires, references to “FCM Client Sub-Account”;
 - (D) “Eligible Transferee” shall be understood to include, where the context so requires, references to an FCM Clearing Member, acting for its own account or for the account of an FCM Client, that will receive Transferring SwapClear Contracts from an Eligible Transferor;
 - (E) “Eligible Transferor” shall be understood to include, where the context so requires, references to an FCM Clearing Member, acting for its own account or for the account of an FCM Client, that will transfer Transferring SwapClear Contracts to an Eligible Transferee;
 - (F) “Proprietary Account” shall be understood to include, where the context so requires, references to “Proprietary Account” as defined in the FCM Rulebook;

FCM Regulations

- (G) “Receiving Clearing Member” shall be understood to be references to “Receiving Clearing Member” as defined in the FCM Rulebook;
 - (H) “SCM or “SwapClear Clearing Member” shall be understood to include, where the context so requires, references to an FCM Clearing Member providing FCM SwapClear Clearing Services;
 - (I) “Sufficient Collateral” as used in Section 1.15.5(h) of UK SwapClear Procedure2C shall be understood to include, where the context so requires, references to “Required Margin”; and
 - (J) “SwapClear Contracts” shall be understood to include, where the context so requires, references to “FCM SwapClear Contracts”;
- (ii) any Permitted Transfer of FCM SwapClear Contracts shall occur by novation as provided in FCM Regulation 13(c)(i);
 - (iii) in respect of any Permitted Transfer where an FCM Clearing Member is the Carrying Clearing Member and that involves the transfer of an Associated Collateral Balance, the provisions of FCM Regulation 13(c)(ii) shall apply to the exclusion of Section 1.15.8(a)-(f) of UK SwapClear Procedure 2C;
 - (iv) in respect of any Permitted Transfer from one FCM Client Sub-Account to another FCM Client Sub-Account of the same FCM Clearing Member, the FCM Clearing Member acknowledges and agrees that the Clearing House may debit or credit the FCM Clearing Member’s accounts at the Clearing House with any obligations, liabilities or otherwise as appropriate and permissible under Applicable Law;
 - (v) 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) of (e) of Section 1.15.2 of UK SwapClear Procedure 2C;
 - (vi) for the avoidance of doubt:
 - (A) any Permitted Transfers effected pursuant to this paragraph (p) remain subject to the provisions of: (I) FCM Regulation 13(g), (h) and (i); and (II) the CEA, the FCM Procedures and the CFTC Regulations regarding segregation of assets; and
 - (B) any Permitted Transfer from the Proprietary Account of a Carrying Clearing Member that is an FCM Clearing Member to the Proprietary Account of a Receiving Clearing Member that is an FCM Clearing Member may only occur where both FCM Clearing Members are Affiliates of each other.
 - (vii) FCM Clearing Members agree that FCM Clients may submit a Transfer Request on their behalf via the SwapClear Portal.
- (q) **Bulk Events.** Each of the following processes constitutes a “**Bulk Event**” and will be processed together by the Clearing House in one individual bulk event cycle (each, a