

VIA CFTC PORTAL

31 August 2023

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

LCH Limited Self-Certification: ForexClear On-venue trade workflow

Dear Mr. Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (“CFTC”) Regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization registered with the CFTC, is submitting for self-certification changes to its Rulebook required to implement a new ForexClear proposal to enhance the ForexClear trade registration workflow for eligible products traded on trading venues.

Part I: Explanation and Analysis

ForexClear plans to enhance its trade registration workflow by accepting for clearing eligible NDF trades executed on-venue with a maximum trade notional of USD25mm, with incremental risk checks undertaken after registration. This enhanced workflow will be subject to certain conditions, including that clearing members hold sufficient pre-funded resources as a buffer. The goal is to reduce the likelihood of trade rejection where clearing members execute trades on a trading venue with the intention to clear.

Trading venues directly connected to ForexClear will be able to opt into this offering¹. ForexClear will introduce certain controls to implement the new functionality, and any trades that do not meet the required conditions for automatic acceptance will continue to be subject to the existing incremental risk check process. Trades will be accepted or rejected depending on the outcome of this process.

¹ The new functionality will support the launch of a new LSEG trading platform, NDF Matching, scheduled for Q3 2023¹, which plans to offer execution for NDFs traded with the intention to be cleared at LCH. The functionality will also be available to any other eligible trading venues directly connected to ForexClear, upon LCH approval.

An LSEG Business

LCH | 10 Paternoster Square | London EC4M 7LS | T: +44 (0)20 7426 7000 | F: +44 (0)20 7426 7001 | lch.com

LCH Group Holdings Limited | LCH Limited | Banque Centrale de Compensation | LCH.Clearnet LLC

LCH Limited. Registered in England No. 25932 Registered Office: 10 Paternoster Square, London, EC4M 7LS

Controls

The automatic acceptance of eligible NDFs will be subject to ForexClear clearing members holding certain levels of collateral in the relevant account, as well as based on the clearing member's Internal Credit Score (ICS)² as assigned by LCH. A separate risk check will be applied to the automatically accepted trades once registered for clearing, in order to identify any collateral shortfall to be covered. ForexClear will monitor collateral usage on all clearing members' accounts in real time to assess whether clearing members continue to have sufficient buffer resources to clear eligible NDFs under the enhanced workflow. An automated feature will also be introduced to prevent ineligible clearing members participating in the enhanced workflow.

The project is expected to go live on or after **25 September 2023** and the Rulebook will be updated accordingly at that time.

Part II: Description of Rule Changes

The Rulebook changes that accompany this initiative are set out below and are enclosed in black-line form in the Appendices.

A number of definitions have been added in the **General Regulations**, such as '*Over-25 NDF Transaction*' on p56, and '*Sub-25 NDF DTV Transaction*' and '*Sub-25 NDF Transaction*' on p74. These definitions set out whether a ForexClear NDF transaction has a notional amount greater or less than USD25mm, the amount by which trades will qualify for registration under the enhanced model. The same definitions have been replicated for the FCM Clearing Members in the **FCM Regulations** on pages 19 and 21.

The **Procedures Section 2I** for non-FCM Clearing Members, Section 1.3 "Trade Validation and Registration", and further sub-section (a) "Process Flow Description" (see p8) have been updated to include changes to the trade flow that can occur when eligible trades are automatically accepted for clearing. Two new sections, d) "Automatic Rejection" on p13, and 1.3.16 on "Risk Status" on p31, have been added to describe the additional features introduced with the enhanced workflow. The same amendments have been replicated for the FCM Clearing Members in the **FCM Procedures** Section 2.2.8 "Trade Validation and Registration" on pages 165-169 and Section 2.2.9 Risk Status on p176.

The text of the changes is attached hereto as:

Appendix I: General Regulations

Appendix II: Procedure Section 2I [ForexClear Clearing Service]

Appendix III: FCM Procedures

Appendix IV: FCM Regulations

Part III: Core Principles Compliance

LCH has reviewed the proposed changes against the requirements of the Core Principles and finds it will continue to comply with all the requirements and standards set forth therein. Specifically, these rule changes have relevance to Core Principle B (§39.11) (Financial Resources) and Core Principle C (§39.12) (Participant and Product Eligibility) under the CFTC regulations.

² LCH calculates and assigns an ICS for each clearing member to which it has an exposure, based on a qualitative and quantitative assessment. The ICS is set between 1 and 10, whereby 1 represents low default probability in line with the AAA public rating, and 10 is equivalent to defaulting counterparty.

Changes described in this filing will not impact LCH's ability to meet the objectives of Core Principle B (§39.11) on Financial Resources, as ForexClear will continue to maintain an appropriate amount of financial resources to manage its exposures to Clearing Members.

In addition, changes described in this filing will not impact the LCH's ability to meet the objectives of Core Principle C (§39.12) on Participant and Product Eligibility, as ForexClear will continue to maintain fair and open access to existing and prospective clearing members and have appropriate requirements and restrictions in place for determining the eligibility of agreements, contracts or transactions that are sent for clearing.

LCH also engages its Clearing Members in the design and testing of new products and services at an early stage through working groups, including for that of the ForexClear On-venue trade workflow.

Part IV: Public Information

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

Part V: Opposing Views

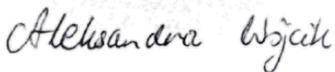
There were no opposing views expressed to LCH by governing board or committee members, members of LCH or market participants.

Certification

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

Should you have any questions please contact me at aleksandra.wojcik@lseg.com.

Yours sincerely,



Aleksandra Wojcik
Compliance Officer, LCH Limited

Appendix I: General Regulations

**GENERAL REGULATIONS OF
LCH LIMITED**

"Affiliated Omnibus Segregated Clearing Clients"

means certain Omnibus Segregated Clearing Clients of a Clearing Member (i) whose identities have been recorded by the Onboarding department of the Clearing House and who are grouped together in a single Omnibus Segregated Account of the Clearing Member (ii) who are known to each other and (iii) who have elected to be grouped together in an Omnibus Segregated Account due to the existence of a common relationship between them (whether structural, economic, legal and/or otherwise) which is above and beyond the fact that they are grouped together in the relevant Omnibus Segregated Account.

"Agent Member"

has the meaning assigned to it in the SC Regulations

"Aggregate Excess Loss"

means, in relation to a Default, the aggregate amount of all Excess Losses attributable to all types of Relevant Business in which the Defaulter was engaged.

"Aggregate Omnibus Client Clearing Entitlement"

has the meaning ascribed to it in Clause 9.3 of the Client Clearing Annex to the Default Rules

"Alternative Data"

has the meaning assigned to it in Section 2C1.27.2 of the Procedures

"Annex"

means the Client Clearing Annex, the Rates Service DMP Annex, the RepoClear DMP Annex and the ForexClear DMP Annex

"Automatic Rejection"

has the meaning assigned to it in Procedure 2I

"Applicable Law"

means any applicable statute, law, ordinance, regulation, rule and other instruments in force from time to time, including the rules, codes or practice of a Governmental Authority or Regulatory Body.

"delivery contract"	means a Cleared Exchange Contract or Listed Interest Rates Contract between the Clearing House and a Member: <ul style="list-style-type: none"> (a) for the immediate sale and purchase of a reference asset or commodity arising on the exercise of an option pursuant to these Regulations; or (b) for the sale and purchase of a reference asset or commodity for delivery on the date specified in the contract or on the date agreed between the parties, in either case being an open contract under which tender is not required to be given
"delivery month"	means in respect of an exchange contract, the meaning ascribed to it in the Exchange Rules governing such contract, or in respect of a Listed Interest Rates Contract, the meaning ascribed to such Contract in the Listed Interest Rates Contract Terms
"Depository"	means a collateral agent, custodian, central securities depository, securities settlement system or other similar entity
"Designated Group Member"	has the meaning assigned to it in Chapter XIV(k)
"Designated Rates Exchange"	has the meaning assigned to it in Regulation 100(a)
"Designated Listed Interest Rates Contract "	has the meaning assigned to it in Regulation 100(b)
"Designated Rates Exchange"	has the meaning assigned to it in Regulation 100(a)
"Designated Trading Venue"	means a Trading Venue that is of a type designated by the Clearing House to qualify as a Designated Trading Venue
"Determination Date"	means the date for calculation of a Contribution other than an Unfunded Contribution or a Supplementary Contribution, as provided for in a Supplement, and includes an Equities Determination Date, a ForexClear Determination Date, a Listed Interest Rates Determination Date, a RepoClear Determination Date and a SwapClear Determination Date
"Determined Omnibus Net Segregated Clearing Clients"	has the meaning assigned to it in the Client Clearing Annex to the Default Rules

"OTC Service"	means a service provided by the Clearing House for the clearing of a category of OTC Contract
"OTC Transaction"	means a transaction being a SwapClear Transaction, RepoClear Transaction, RepoClear Term £GC Transaction, Repo Trade, Bond Trade or Term £GC Trade, or ForexClear Transaction
"Overnight Funding Account"	means a sub-account of the Proprietary Account of a SwapClear Clearing Member opened for the purpose of recording Overnight Funding Collateral
"Overnight Funding Collateral"	<p>means an amount of Collateral that:</p> <ul style="list-style-type: none"> (i) is intended to be used to support the registration of, or to meet any other margin requirements in connection with, SwapClear Contracts in the Proprietary Account of a SwapClear Clearing Member; and (ii) the Clearing House designates as "Overnight Funding Collateral"; (iii)<u>(ii)</u>
<u>"Over-25 NDF Transaction"</u>	<u>means a ForexClear NDF Transaction that has a notional amount greater than USD 25 million</u>
"Own Resources Provision"	means Article 35 of Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties or any law, regulation, rule, official directive or guideline (having the force of law) which replaces, supplements, modifies, amends or varies such provision
"Permitted Transfers"	has the meaning ascribed to it in Section 2C or Section 2I of the Procedures, as applicable
"Portfolio Margined Contracts"	means any Listed Interest Rates Contracts recorded in an account of a Portfolio Margining Clearing Member related to SwapClear Business following the operation by the Clearing House of the Portfolio Margining Arrangements

"Rejection Election"

has the meaning assigned to it in Procedure 2I

"Rejecting Compression Clearing Member"

has the meaning assigned to it in Regulation 56

"Related Contract"

means: (i) in relation to the SwapClear Service, a Related SwapClear Contract (as such term is defined in the Procedures); (ii) in relation to the RepoClear Service, a Related RepoClear Contract (as such term is defined in the Procedures); (iii) in relation to the ForexClear Service, a Related ForexClear Contract (as such term is defined in the Procedures); (iv) in relation to the EquityClear Service, a Related EquityClear Contract (as such term is defined in the Procedures); (v) in relation to the Listed Interest Rates Service, a Related Listed Interest Rates Contract (as such term is defined in the Procedures)

"Relevant Auction Contract"

has the meaning given to the term in the Client Clearing Annex

"Relevant Business"

has the meaning as described in Default Rule 15(c)

"Relevant Client Clearing Business"

means the Client Clearing Business conducted by a particular Clearing Member in a particular Service

"Relevant Contract"

has the meaning assigned to it in the Client Clearing Annex

"Relevant Default"

has the meaning ascribed to it in Rule S1 of Part A of the Rates Service Default Fund Supplement - SwapClear, Rule F2 of the ForexClear Default Fund Supplement or Rule R2 of the RepoClear Default Fund Supplement, as applicable

"Relevant FX Amounts"

means, in respect of a ForexClear Option Clearing Member and a day, all amounts that are due to be received by such ForexClear Option Clearing Member on such day under a ForexClear Option Contract, ForexClear Swap Contract, ForexClear Deliverable Forward Contract and/or ForexClear Spot Contract in any ForexClear Currency

"Relevant FX Liability"

has the meaning assigned to it in Regulation 101

"re-opening contract"

means a contract arising pursuant to Regulation 30(b) or 30(c)

"RepoClear Additional Payments Cap"

means, in respect of a RCM on any date, an amount equal to the Clearing Member Current Collateral Balance of that RCM in connection with its RepoClear Business as at the date of the Default causing losses leading to an Insufficient Resources Determination (or, where such an Insufficient Resources Determination is made following concurrent Defaults, the date of the earliest Default)

"Revised Limits"	has the meaning assigned to it in Regulation 100
"Risk Neutralisation"	has the meaning assigned to it in the Default Rules
"Risk Status"	means a status that the Clearing House designates an FXCCM based on <u>(i)</u> the Clearing House's assessment of the FXCCM's collateral and liabilities in respect of the ForexClear service, and its creditworthiness, <u>and (ii) whether the FXCCM is a Defaulter.</u>
"Rule 19 Certificate"	has the meaning assigned to it in Rule 19 of the Default Rules
"Rulebook"	means the Regulations, Default Rules, Settlement Finality Regulations, Procedures, and such other rules of the Clearing House, as published and amended from time to time
"Rules Change Committee"	means the decision-making body that will oversee and implement all material alterations, amendments or extensions to the Rulebook or the Clearing Membership Agreement in accordance with its terms of reference
"Rules of the Clearing House"	means the Rulebook of the Clearing House including the General Regulations, Default Rules, Settlement Finality Rules and Procedures
"SC Regulations"	means the rules and regulations of the Clearing House denoted as such
"SCM Branch"	means a branch or part of a SwapClear Clearing Member, not being a different legal person from the SwapClear Clearing Member, which is authorized by the Clearing House to submit to the Clearing House, in the name of that SwapClear Clearing Member, SwapClear Transactions for registration, subject to these Regulations and the Procedures, by the Clearing House as SwapClear Contracts
"Securities Collateral"	means Collateral that is in the form of securities
"Security Deed"	means a security deed entered into by a Clearing Member in favour of its Clearing Clients in the form prescribed by the Clearing House from time to time and published on the Clearing House's website
"segregated client"	means a person whose monies are held by a Member separately from the Member's own monies with whom the Member has agreed (or in respect of which the Member is required) not to use such person's monies for the Member's own account

"seller"	means a Member (or the Clearing House where the context so requires) who is a seller under the terms of an exchange contract, a Cleared Exchange Contract, a RepoClear Transaction, a RepoClear Term £GC Transaction, a RepoClear Contract, a RepoClear Term £GC Contract, an EquityClear ATP Match, an EquityClear Novation Transaction, an EquityClear Contract, a Rates Exchange Match, or a Listed Interest Rates Novation Transaction, as the case may be
"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
<u>"Separate Risk Check"</u>	<u>has the meaning assigned to it in Procedure 2I</u>
"settlement contract"	means a contract between the Clearing House and a Member arising pursuant to Regulation 23(b) or Regulation 110(a)
"Settlement Cycle Failure"	has the meaning assigned to it in Regulation 101(h)
"Settlement <u> </u>—<u> </u>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-Deliverable 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

“Standard Collateral”	means the amount of Collateral recorded to the Proprietary Account of a SwapClear Clearing Member, which is not Client Buffer and Overnight Funding Collateral
"Standard Terms"	means that part of the SwapClear Contract Terms, the RepoClear Contract Terms, the ForexClear Contract Terms, or, in respect of a Designated Listed Interest Rates Contract, the Listed Interest Rates Contract Terms designated as Standard Terms by the Clearing House from time to time
"STM Conversion Contracts"	has the meaning assigned to it in Regulation 57A
"STM Conversion Date"	has the meaning assigned to it in Regulation 57A
"STM Conversion Request"	has the meaning assigned to it in Regulation 57A
"strike price"	means the price specified in an option contract which becomes the price of the reference asset or commodity under a contract for the future sale and purchase of that reference asset or commodity for future delivery or, as the case may be, under a delivery contract, in either case on the exercise of the option the subject of such option contract, in accordance with Exchange Rules, these Regulations and the Procedures, as applicable
<u>"Sub-25 NDF DTV Transaction"</u>	<u>means, in respect of a Designated Trading Venue, a Sub-25 NDF Transaction that is executed on such Designated Trading Venue</u>
<u>"Sub-25 NDF Transaction"</u>	<u>means a ForexClear NDF Transaction that has a notional amount of equal to, or less than, USD 25 million</u>
"Sub-Block Trading Venue Transaction"	means a transaction, identified by the Clearing House as having been executed on a Trading Venue, the notional amount of which is below the minimum block size determined by the Clearing House in its sole and absolute discretion and published on the Clearing House’s website in respect of the particular transaction and in effect as of the date of presentation of such transaction to the Clearing House for registration
"Supplement"	means a supplement specific to a particular Service and includes the Equities Default Fund Supplement, the ForexClear Default Fund Supplement, the Rates Service Default Fund Supplement – Listed Interest Rates, the RepoClear Default Fund Supplement and the Rates Service Default Fund Supplement – SwapClear

Appendix II: Procedure Section 2I
ForexClear Clearing Service

LCH LIMITED
PROCEDURES SECTION 2I
FOREXCLEAR CLEARING SERVICE

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 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 or one ForexClear Contract and one FCM ForexClear Contract (as applicable).

- (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 an 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 or Separate Risk Check (each as defined herein), whereas applicable, then, subject to ~~—~~Section 1.3.3(b)(iii)(A) in respect of the Incremental Risk Check, 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 any~~ relevant FXCCMs has not provided sufficient Collateral with respect to its Liabilities or estimated Liabilities prior to registration, each such the FXCCMs shall be bound by the terms of its 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 or one ForexClear Contract and one FCM ForexClear Contract (as applicable), 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 to it for registration as two ForexClear Contracts or as one ForexClear Contract and one FCM ForexClear Contract (as applicable) 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) with respect to each -required for- ForexClear Transaction, except a Sub-Block Trading Venue Transaction and a Sub-25 NDF DTV Transactions and, with respect to each ForexClear Deliverable Transaction, a Settlement Exposure Limit Checks (as described herein defined below) with respect to each ForexClear Deliverable Transaction and Separate Risk Checks (as defined below) with respect to each Sub-25 NDF DTV Transaction (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:

(A) one for the ForexClear Contract between the Clearing House and the relevant FXCCM; and

~~(A)(B)~~ -the other for the ForexClear Contract between the Clearing House and the same or another relevant FXCCM or for the FCM ForexClear Contract between the Clearing House and an FCM Clearing Member (as applicable).

~~(ii)(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.

~~(iii)(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.

~~(iv)(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.

~~(v)(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) Checks

~~(vi)(i)~~ "~~Counterparty Technical Validation Check~~" The counterparties to each ForexClear Transaction trade must be those specified under the ForexClear Eligibility Criteria in

~~respect of such ForexClear Transaction and (a) the parties submitted in trade particulars FXPs, (b) are each a Non-Defaulting FXCCM clearing the ForexClear Transaction must be and (c) approved by the Clearing House to clear the relevant trade type (the “Counterparty Technical Validation Check”).~~

~~(ii) Valuation Date and Settlement Date:~~ In respect of a ForexClear 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;² 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 Non-EMTA Contract Template for further details of the relevant Business Days for determining the Valuation Date and the Settlement Date:²

Risk and Settlement Limit Checks

~~(iii)~~ The Clearing House will apply:

~~(A)~~ -an **“Incremental Risk Check”** to each ForexClear Transaction, ~~except which is not~~ a Sub-Block Trading Venue Transaction ~~and a Sub-25 NDF DTV 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 Check, even if the FXCCM has not transferred sufficient Collateral in respect of its Liabilities to the Clearing House;~~

~~(B)~~ ~~The Clearing House will apply~~ a **“Settlement Exposure Limit Check”** on a per currency basis to each ForexClear Deliverable Transaction. 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; ~~and-~~

~~(C)~~ a **“Separate Risk Check”** to each Sub-25 NDF DTV Transaction. ~~The Separate Risk Check is to determine whether, in relation to any FXCCM clearing the Sub-25 NDF DTV Transaction:~~

² As amended from time to time as per relevant EMTA Template.

- (i) its available Collateral (taking into account ForexClear Tolerance and/or MER Buffer made available by the Clearing House, if any) compared with its Liabilities (excluding the new Sub-25 NDF DTV Transaction) is sufficient, taking into account the Clearing House's internal credit rating for such FXCCM;
- (ii) the Clearing House's Risk Department has requested the Clearing House to reject such Sub-25 NDF DTV Transaction; and
- (iii) -such FXCCM, which is clearing such Sub-25 NDF DTV Transaction for a ForexClear Clearing Client, has requested the Clearing House to reject such Sub-25 NDF DTV Transaction.
- (iv) 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.
- (v) ~~Both~~ Each relevant FXCCMs ~~to the ForexClear Transaction~~ must pass the Incremental Risk Check, ~~and~~ Settlement Exposure Limit Check and Separate Risk Check (in each case, if applicable) in order for the Clearing House to register two ForexClear Contracts or one ForexClear Contract and one FCM ForexClear (as applicable) ~~in those FXCCM's names.~~
- (vi) If any relevant either (or both) FXCCM(s) to a ForexClear Transaction fail(s) the Incremental Risk Check(s), ~~and/or~~ Settlement Exposure Limit Check(s) and/or Separate Risk Check (in each case, if applicable), or the ForexClear Transaction is subject to Automatic Rejection pursuant to Section 1.3.3(d), then the ForexClear Transaction will be rejected immediately and a notification sent in accordance with Section 1.3.3(a)(iii).

~~(b)~~(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) Automatic rejection

- (i) A Designated Trading Venue may elect, in the manner and by the time determined by the Clearing House, that each Over-25 NDF Transaction executed on such Designated Trading Venue and presented to the Clearing House for registration as two ForexClear Contracts (or one ForexClear Contract and one FCM ForexClear Contract) is automatically rejected by the Clearing House (“**Rejection Election**”). If the Clearing House receives a Rejection Election from a Designated Trading Venue (in the manner and by the time determined by the Clearing House), it will, on and from the time and date determined by it, reject each Over-25 NDF Transaction that is executed on such Designated Trading Venue and presented to it for registration (“**Automatic Rejection**”).
- (ii) If a Designated Trading Venue has provided a Rejection Election to the Clearing House, but subsequently determines that it no longer wishes Over-25 NDF Transactions executed on such Designated Trading Venue to be subject to Automatic Rejection, it may withdraw such Rejection Election by providing notice to Clearing House in the manner and by the time determined by the Clearing House, after which the Clearing House will, on and from the time and date determined by the Clearing House, cease to apply Automatic Rejection to Over-25 NDF Transactions that are executed on such Designated Trading Venue and presented to the Clearing House

for registration, and will, instead, accept or reject each such Over-25 NDF Transaction in accordance with the Rulebook.

~~(e)~~(e) *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 (or one ForexClear Contract and one FCM ForexClear Contract (as applicable)) 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 and that Automatic Rejection is deemed to not apply.

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, or that are subject to Automatic Rejection, including a trade:

- (a) ~~(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) ~~(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) ~~(c)~~ ~~(e)~~ which ~~that~~ contains invalid or incomplete message data; and
- (d) ~~(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 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
 - (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) (other than Sub-25 NDF DTV Transactions) and ~~novated trades~~ (ForexClear Contracts (other than ForexClear Contracts arising from the clearing of Sub-25 NDF DTV Transactions)).
- (b) Cancellation messages may be submitted via the ForexClear Approved Trade Source System (i) with respect to any ForexClear Non-Deliverable 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 (other than Sub-25 NDF DTV Transactions) or ForexClear Contracts (other than ForexClear Contracts arising from the clearing of Sub-25 NDF DTV Transactions), 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 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 Contract.

On the Valuation Date with respect to each ForexClear Non-Deliverable 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 Contracts using the following criteria:

- (a) Settlement Rate Option source; and

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 Contracts, or next-day settlement, with respect to ForexClear 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.

1.3.16 Risk Status

- (a) The Clearing House may, in its absolute discretion, determine that an FXCCM is, or has ceased to be, subject to Risk Status (as applicable) and may:
- (i) only where the Clearing House has determined that an FXCCM is subject to Risk Status, require such FXCCM to transfer additional Collateral (equal to the value determined by the Clearing House) to the Clearing House; and
 - (ii) notify each Designated Trading Venue of such determination in respect of Risk Status, in the manner and at the time determined by the Clearing House.
- (b) Without limitation to General Regulation 52, and subject to General Regulation 52(e), neither the Clearing House nor any other member of the LCH Group shall have any liability whatsoever to any FXCCM or any other person in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred in connection with:
- (i) the Clearing House's determination that an FXCCM is, or has ceased to be, subject to Risk Status;
 - (ii) any delay in notifying, or failure to notify, a Designated Trading Venue of the Clearing House's determination that an FXCCM is, or has ceased to be, subject to Risk Status; and/or
 - (iii) a Designated Trading Venue's use, non-use or transmission of the information in Section 1.3.16(b)(i), or its delay in transmitting, or failure to transmit, such information to any person.

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**");

Appendix III: FCM Procedures

FCM PROCEDURES OF THE CLEARING HOUSE
LCH LIMITED

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 the FCM ForexClear Product Eligibility Criteria at the Registration Time. Upon an FCM ForexClear Transaction being submitted 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 2.2.18) (or its estimated Liabilities) (taking into account any MER Buffer and/or ForexClear Tolerance, if any) as a precondition to registration ~~(the “Incremental Risk Check”)~~.

If an 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 or Separate Risk Check (each as defined herein), as applicable, then, subject to Section 2.2.8(b)(iii)(A) in respect of the Incremental Risk Check, 2.2.8(e), such ~~ForexClear~~ Transaction will be rejected.

Once an FCM ForexClear Transaction has passed the Validation Checks (as defined in Section 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 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 2.2.25).

If the Clearing House declares an FX FCM 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 ~~which~~ are parties to ~~such~~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 and will, if appropriate, present a single message containing the names of the FXPs ~~which~~ 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:

- (i) 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
- (ii) 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*

- (i) The Clearing House performs a validation check on each trade submitted to it for registration as two FCM ForexClear Contracts or as one Non-FCM ForexClear Contract and one FCM ForexClear Contract (as applicable) presented by FXPs to ensure that each such trade meets the applicable (A) :- (A) the applicable FCM ForexClear Product Eligibility Criteria and Counterparty Technical Validation Check (as defined below); (BB) Incremental Risk Checks (as defined below); with respect to each FCM ForexClear Transaction, except a Sub-B lock Trading Venue Transaction and a Sub-25 NDF DTV Transaction, and (CC) Acceptance Validation Checks (as defined below), in each case, required for FCM ForexClear Transactions and (D) Separate Risk Checks (as defined below) with respect to each FCM Sub-25 NDF DTV Transaction (collectively, the “**Validation Checks**”).
- (ii) The Clearing House will create two trade records for an FCM ForexClear Transaction 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~~ (as applicable).
- (iii) 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; 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 Applicable Law.

- (iv) 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.

- (v) 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.
- (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) Checks

~~(vii)(i) “Counterparty Technical Validation Check.”~~ The counterparties to each FCM ForexClear Transaction ~~trade~~ must be those specified under the FCM ForexClear Product Eligibility Criteria in respect of such FCM ForexClear Transaction and (a) the parties submitted in trade particulars, (b) are each a Non-Defaulting FX FCM and (c) clearing the FCM ForexClear Transaction must be approved by the Clearing House to clear the relevant trade ~~–type~~ (the “Counterparty Technical Validation Check”).–

~~(viii) 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 must meet the criteria set forth in the relevant FCM ForexClear Contract Terms.

(ii)

~~(ix) Incremental Risk Checks~~

(iii) The Clearing House will apply:

(A) –an “**Incremental Risk Check**” to each FCM ForexClear Transaction, except –that is not a– Sub-Block Trading Venue Transaction and a FCM Sub-25 NDF DTV 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.

(B) -a “Separate Risk Check” to each FCM Sub-25 NDF DTV Transaction. The Separate Risk Check is to determine whether, in relation to any FX FCM clearing the FCM Sub-25 NDF DTV Transaction:

(1) its available Margin (taking into account ForexClear Tolerance and/or MER Buffer made available by the Clearing House, if any) compared with its Liabilities (excluding the new FCM Sub-25 NDF DTV Transaction) is sufficient, taking into account the Clearing House’s internal credit rating for such FX FCM;

(2) the Clearing House’s Risk Department has requested the Clearing House to reject such FCM Sub-25 NDF DTV Transaction;

~~(4)~~(3)such FX FCM, which is clearing such FCM Sub-25 NDF DTV Transaction for a FCM Client, has requested the Clearing House to reject such FCM Sub-25 NDF DTV Transaction.

~~(x)~~(iv) Each relevant FX FCM must pass the Incremental Risk Check and Separate Risk Check (in each case, if applicable) 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).

~~(xi)~~(v) If any relevant ~~either (or both)~~ FX FCM(s) fail(s) the Incremental Risk Check(s), or Separate Risk Check (in each case, if applicable), or the ForexClear Transaction is subject to Automatic Rejection pursuant to Section 2.2.8(d), then the FCM ForexClear Transaction will be rejected immediately and a notification sent in accordance with Section 2.2.8(a)(~~iii~~).

~~(b)~~(c) FCM Acceptance

(i) In the case of an FX FCM 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.

- (ii) 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 that it operates on each business day for the purposes of rejecting FCM ForexClear Transactions presented for clearing, but in respect of which the relevant FX FCM did not provide an FCM Acceptance 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 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 by an FX FCM to the Clearing House prior to the LCH Cut-off Time is irrevocable. Any FCM Acceptance provided by an FX FCM to the Clearing House after the LCH Cut-off Time shall be invalid.
- (iii) 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.
- (iv) 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.
- (v) 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).

(d) Automatic rejection

- (i) A FCM Designated Trading Venue may elect, in the manner and by the time determined by the Clearing House, that each FCM Over-25 NDF Transaction executed on such FCM Designated Trading Venue and presented to the Clearing House for registration as two FCM ForexClear Contracts (or one Non-FCM ForexClear Contract and one FCM ForexClear Contract) is automatically rejected by the Clearing House (“**Rejection Election**”). If the Clearing House receives a Rejection Election from a FCM Designated Trading Venue (in the manner and by the time determined by the Clearing House), it will, on and from the time and date determined by it, reject each FCM Over-25 NDF Transaction that is executed on such FCM Designated Trading Venue and presented to it for registration (“**Automatic Rejection**”).
- (ii) If a FCM Designated Trading Venue has provided a Rejection Election to the Clearing House, but subsequently determines that it no longer wishes FCM Over-25 NDF Transactions executed on such FCM Designated Trading Venue to be subject to Automatic Rejection, it may withdraw such Rejection Election by providing notice to Clearing House in the manner and by the time determined by the Clearing House, after which the Clearing House will, on and from the time and date determined by the Clearing House, cease to apply Automatic Rejection to FCM Over-25 NDF Transactions that are executed

on such FCM Designated Trading Venue and presented to the Clearing House for registration, and will, instead, accept or reject each such FCM Over-25 NDF Transaction in accordance with the Rulebook.

~~(e)~~(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 and that Automatic Rejection is deemed to not apply.

~~(d)~~(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, or that are subject to Automatic Rejection, including a trade:

- ~~(i)~~ (i) presented by or on behalf of an ~~FX FCM—ForexClear Clearing Member i~~ 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 ~~FX FCM—ForexClear Clearing Member;~~
- ~~(ii)~~ (ii) presented by or on behalf of an ~~FX 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)~~ ~~(iii)~~ that contains invalid or incomplete message data; ~~and, or~~

~~(iv)~~ ~~(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.

~~(e)(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 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".

~~(f)(h)~~ *Trade Cancellation*

The Clearing House accepts cancellation messages from Executing Parties against both ~~FCM non-novated trades (FCM ForexClear Transactions)~~ (other than FCM Sub-25 NDF DTV Transactions) and ~~and novated trades (FCM ForexClear Contracts)~~ (other than FCM ForexClear Contracts arising from the clearing of FCM Sub-25 NDF DTV Transactions).

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.

(g)(i) Process flow description

The Clearing House accepts trade cancellation instructions from the FCM Approved Trade Source System for FCM ForexClear Transactions (other than FCM Sub-25 NDF DTV Transactions) or FCM ForexClear Contracts (other than FCM ForexClear Contracts arising from the clearing of FCM Sub-25 NDF DTV Transactions), 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, 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 an 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 a 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.

(h)(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. The Market Data provider for Settlement Rates is Reuters.

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

- (i) Settlement Rate Option source code; and
- (ii) 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.

~~(k)(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 Non-EMTA 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 Non-EMTA Contract Template, as applicable.

If the Settlement Rate Option set out in the Relevant EMTA Template or given LCH Non-EMTA 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 Non-EMTA 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 a Settlement Currency Amount by applying of the Settlement Rate to the Notional Amount in accordance with the applicable FCM ForexClear Contract.

With respect to each FCM ForexClear Contract, on the Business Day immediately preceding the Settlement Date, the Clearing House nets the Settlement Currency Amount against the Cumulative Variation Settlement of the FCM ForexClear Contract, the remainder after which is 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 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 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. All FCM ForexClear Participants 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>, 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, the Settlement Date and/or Premium Payment Date of any affected FCM ForexClear Contracts will automatically be adjusted in accordance with the provisions of the Relevant EMTA Template, relevant LCH Non-EMTA 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 FCM ForexClear Contracts affected and the date adjustments made.

2.2.9 Risk Status

- (a) The Clearing House may, in its absolute discretion, determine that an FX FCM is, or has ceased to be, subject to Risk Status (as applicable) and may:
 - (i) only where the Clearing House has determined that an FX FCM is subject to Risk Status, require such FX FCM to transfer additional Collateral (equal to the value determined by the Clearing House) to the Clearing House; and
 - (ii) notify each FCM Designated Trading Venue of such determination in respect of Risk Status, in the manner and at the time determined by the Clearing House.

- (b) Without limitation to FCM Regulation 44, and subject to FCM Regulation 44(e), neither the Clearing House nor any other member of the LCH Group shall have any liability whatsoever to any FX FCM or any other person in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred in connection with:
 - (i) the Clearing House's determination that an FX FCM is, or has ceased to be, subject to Risk Status;
 - (ii) any delay in notifying, or failure to notify, a FCM Designated Trading Venue of the Clearing House's determination that an FX FCM is, or has ceased to be, subject to Risk Status; and/or
 - (iii) a FCM Designated Trading Venue's use, non-use or transmission of the information in Section 2.2.9(b)(i), or its delaying in

transmitting, or failure to transmit, such information to any person.

2.2.92.2.10 **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 2.2.10(b)) in relation to each Currency Pair:

- (i) FX spot rates (“**FX Spot Rates**”);
- (ii) FX swap points (“**FX Swap Points**”);
- (iii) Settlement Rate Option;
- (iv) Interest rate curves and overnight index swap curves (“**Interest Rate Curves**”);
- (v) Price Alignment Amount rates (“**Price Alignment Amount Rates**”); and
- (vi) Country credit spreads (see Section 2.2.10(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.

(b) *Market Data Sources and Frequencies*

The Clearing House receives the following updated raw prices:

FX Spot Rates:

- (i) Source – FXCCMs.
- (ii) Frequency - every time updated by FXCCMs up to a maximum rate of once every five minutes.

FX Swap Points:

- (i) Source - all FXCCMs.
- (ii) Frequency - every time updated by FXCCMs up to a maximum rate of once every five minutes.
- (iii) Tenors – as shown in the table below.

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

Settlement Rate Options:

- (i) Source - Reuters.
- (ii) Frequency - when published (as referenced in the Relevant ETMA Template or given LCH Non-EMTA 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 secured overnight financing rate curve:

- (i) Source - SwapClear.
- (ii) Frequency - at each SwapClear margin run.

Price Alignment Amount 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 2.2.25).

(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 secured overnight financing rate 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 secured overnight financing rate 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 2.2.17(b)):

- (i) FX Spot Rates; and
- (ii) 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~~2.2.11 ***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*

The effect of daily cash VS movements results in the need for Price Alignment Amounts. 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) *Price Alignment Amounts Calculation Methodology*

Price Alignment Amounts are 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 2.2.11(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 Price Alignment Amounts in USD once a day at EOD.

Principles:

- (i) CVS is calculated at EOD on T-1.
- (ii) 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.
- (iii) The Price Alignment Amount Rate for T to be applied is known at EOD T.
- (iv) The Price Alignment Amount 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.
- (v) The Price Alignment Amount is paid or received on morning of T+1 via PPS.

Components:

- (vi) Price Alignment Amount Rate.
- (vii) Cumulative Variation Settlement of the FX FCM's portfolio open FCM ForexClear Contracts.
- (viii) Accrual Factor (factor used to convert the Price Alignment Amount Rate from an annual rate to a daily rate, on a basis of a year of 360 days).

So:

- (ix) Price Alignment Amount T = Price Alignment Amount T Rate x CVS T--1 x Accrual Factor.

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

2.2.11 2.2.12 **Initial Margin (“IM”)**

The Clearing House will require FX FCMs to furnish it with IM. This amount will be calculated intraday and at EOD on each business day as part of each Margin Run. Each FX FCM’s IM requirement, 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

(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.

2.2.12.2.13 *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 2.2.18) 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 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 2.2.26(c)).

In certain circumstances, the Clearing House may wish to make a call for additional Margin after the UK PPS cut-off time of 08:00 hours (New York 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.

2.2.132.2.14 *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~~2.2.15 *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~~2.2.16 *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 Price Alignment Amount 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~~2.2.17 *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**”), which PPS time period is available from the Clearing House on request.

ITD/Ad-hoc Margin Runs are calls in respect of Initial Margin only. Variation Settlement and Price Alignment Amounts 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 Price Alignment Amounts.

(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 Price Alignment Amounts may be considered in the determination of the amount of Initial Margin called in such ITD/Ad-hoc Night Margin Run.

2.2.172.2.18 *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 Price Alignment Amounts 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/Price Alignment Amounts/IM). Initial Margin will always be a Liability (payable to the Clearing House) and Variation Settlement, NSA and Price Alignment Amounts 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 2.2.24) 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 2.2.19 **Compression**

- (a) An FCM Clearing Member may compress Eligible FCM ForexClear Compression Contracts in accordance with FCM Regulation 49(o) and this Section 2.2.19. There are two options available to an FCM Clearing Member that wishes to compress Eligible FCM ForexClear Compression Contracts:
 - (i) 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
 - (ii) 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.

2.2.192.2.20 **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 2.2.20. 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 2.2.20 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 2.2.20 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 2.2.20 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:
 - (i) the authorization, 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 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 2.2.20 (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 2.2.20 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 2.2.20, 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 2.2.20 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, LCH shall promptly transfer the Transferring ForexClear Contracts and the accepted associated Collateral, 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 2.2.20, 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.

2.2.20.2.21 *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 an FCM Client Default with respect to a given 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 2.2.20.

Notwithstanding anything to the contrary contained in this Section 2.2.20, 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 ForexClear Contracts (including those submitted for registration pursuant to Section 2.2.20(c)) or ForexClear 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 ForexClear Clearing Member or an FCM Clearing Member; or (ii) from its Proprietary Account or the Proprietary Account of a ForexClear Clearing Member or FCM Clearing Member to the Defaulting FCM Client's FCM Client Sub-Account, provided that the following conditions precedent are met (in addition to any other generally applicable provisions of the FCM Rulebook): neither the FCM Clearing Member nor any ForexClear

Clearing Member or FCM Clearing Member to or from which the ForexClear Contracts are being transferred pursuant to this Section 2.2.20 is a Defaulter (nor would they become a Defaulter upon the completion of the transfer).

For the avoidance of doubt, in the case of an FCM Client Default, the Clearing House will not require that the Defaulting FCM Client provide its consent to the requested transfer in order for the Clearing House effect a transfer requested by the FCM Clearing Member pursuant to Regulation 13(d)(i).

The Clearing House will typically (but shall not be required to) transfer the relevant FCM ForexClear Contract(s) or ForexClear Contract(s) within 24 hours of receipt of (a) the transfer request and (b) such other documents as the Clearing House requested in accordance with the foregoing.

(b) *Proprietary Account Position Transfers*

An FCM Clearing Member may, following a transfer of open contracts to its Proprietary Account in accordance with paragraph (a) above, and to the extent permitted by Applicable Law (including all applicable laws and provisions of the CEA and the CFTC Regulations), request that the Clearing House transfer an FCM ForexClear Contract from its Proprietary Account to the Proprietary Account of a ForexClear Clearing Member or other FCM Clearing Member pursuant to FCM Regulation 13(d), provided that the following condition precedent is met (in addition to any other generally applicable provisions of the FCM Rulebook): the transferor FCM Clearing Member is permitted (where applicable) by its agreement(s) with the Defaulting FCM Client, and has authority to effect, the transactions specified in the transferor FCM Clearing Member's request(s) to the Clearing House in respect of such transfer.

The Clearing House will typically (but shall not be required to) transfer the relevant FCM ForexClear Contract(s) within 24 hours of receipt of the (a) transfer request and (b) such other documents as the Clearing House requested in accordance with the foregoing.

(c) *Registration of FCM ForexClear Contracts in Defaulting FCM Client's FCM Client Sub-Account*

Following the occurrence of an FCM Client Default in respect of a Defaulting FCM Client, an FCM Clearing Member may submit FCM ForexClear Contracts to the Clearing House for registration in such Defaulting FCM Client's FCM Client Sub-Account, provided that the following condition precedent is met (in addition to any other generally applicable provisions of the FCM Rulebook): the submission of such FCM ForexClear Contracts is effected via an Approved Trade Source System or other method such method as the Clearing House shall

instruct for such purpose, and on such terms and including such details as the Clearing House shall require.

(d) *Representations*

A request from an FCM Clearing Member to the Clearing House to carry out any of the actions described in paragraphs (a) to (c) above, shall in every case be deemed a representation by the FCM Clearing Member to the Clearing House that:

- (i) an FCM Client Default has occurred;
- (ii) the FCM Clearing Member has provided and will provide (as applicable) any required notices to the Defaulting FCM Client in respect of (i) such FCM Client Default and (ii) any of the actions described in paragraphs (a) to (c) above;
- (iii) the FCM Clearing Member is permitted by its agreement(s) with the Defaulting FCM Client and has authority to effect the transfers and/or registrations specified in the FCM Clearing Member's requests to the Clearing House in respect of the Defaulting FCM Client;
- (iv) such transfers and/or registrations and all related instructions to the Clearing House are in compliance with Applicable Law; and
- (v) the individual making such request or submission (or issuing any related instructions to the Clearing House) is authorized to do so on behalf of the FCM Clearing Member.

In connection with a request from an FCM Clearing Member to the Clearing House to carry out any of the actions described in paragraphs (a) to (c) above:

- (vi) the FCM Clearing Member shall provide to the Clearing House (i) satisfactory evidence of the occurrence of the FCM Client Default and (ii) all other documentation required by the Clearing House, which shall include an indemnity from the FCM Clearing Member in favor of the Clearing House, the form and manner of which shall be determined by the Clearing House in its sole discretion. For purposes of this paragraph, "satisfactory evidence" may be, to the extent permitted by the Clearing House in its sole discretion, the FCM Clearing Member's instruction to effect the relevant transfer under paragraph (a) or (b) above or accept the submission under paragraph (c) above. For the avoidance of doubt, the Clearing House shall be entitled to request additional evidence and/or documentation for legal, regulatory or risk management reasons; and

- (vii) the relevant FCM Clearing Member shall transfer (or make available) Required Margin into its Proprietary and/or the applicable FCM Client Sub-Account, taking into account that an FCM Clearing Member may not request the transfer of an Associated Collateral Balance in connection with a transfer of an FCM ForexClear Contract from an FCM Client Sub-Account to a Proprietary Account.

~~2.2.21~~2.2.22 ***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.

2.2.22.2.23 *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.

2.2.23.2.24 *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.

2.2.24.2.25 *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. 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 2.2.18 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 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*

Reports relating to an FX FCM's Collateral are available from the Clearing House portal at <https://clearingservices.lch.com/portal/login>.

(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 2.2.17).

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.

~~2.2.25~~ **2.2.26 Treasury Operations & Collateral Management**

(a) *Cover Distribution*

The Clearing House nets each FX FCM's Liabilities (i.e., margins, settlements, Price Alignment Amounts 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 2.2.26(c) below) call for additional Collateral, settlement amounts or Price Alignment Amounts 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 2.2.25) 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.

The list of PPS banks operating in the UK and US is available from the Clearing House on request.

(d) *Acceptable Forms of Collateral Cover*

A detailed description of acceptable collateral and applicable processes is available from the Clearing House on request.

(e) *Interest and Accommodation*

Interest is payable to or by FX FCMs on cash Collateral with respect to the ForexClear Service held by the Clearing House. The rate to be applied will be either LDR – London Deposit Rate, or CDR – Client Deposit Rate, as further described in Section 1.6.3 of Section 3 of the Procedures and as prescribed by the Clearing House from time to time by publication on its website.

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.

The Clearing House shall notify FX FCMs of any change to the LDR for the ForexClear Service via member circular.

~~2.2.26~~ 2.2.27 *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:

- (i) 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
- (ii) 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 Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion that accepting the bid may:

- (i) cause the Clearing House to breach Applicable Law by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;
- (ii) cause the Clearing House or its membership any reputational harm;
- (iii) cause legal action or proceedings to be taken against the Clearing House; or

Appendix IV: FCM Regulations

FCM REGULATIONS OF THE CLEARING HOUSE
LCH LIMITED

SwapClear Contracts in accordance with Regulation 46 and relevant Compression Documentation

“Applicable Law”	means any applicable statute, law, ordinance, regulation, rule and other instruments in force from time to time, including the rules, codes or practice of a Governmental Authority or Regulatory Body.
“Approved LCH SDR”	means any swap data repository approved by the Clearing House from time to time for the submission of swap data by FCMs.
“Assumed Allocation”	has the meaning assigned to it in FCM Regulation 15(d)(iii).
“Auction Portfolio”	has the meaning assigned to it in either (i) the Rates Service DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
“Authorised Compression Client”	means an FCM Client that is party to relevant Compression Documentation and in respect of which the relevant Compression Clearing Member is authorised to provide and receive instructions (including the acceptance of a Compression Proposal) on behalf of such FCM Client and in respect of which the relevant ACSP notified the Clearing House that such FCM Clearing Member acts for such FCM Client.
<u>“Automatic Rejection”</u>	<u>has the meaning assigned to such term in the FCM Procedures.</u>
“Available FCM Buffer”	means, at any given time, (i) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the Without Client Excess Model, FCM Buffer credited therein that is not Encumbered FCM Buffer (as described in FCM Regulation 15(c)(ii)(A)), and (ii) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the With Client Excess Model, FCM Buffer credited therein that is not being used by the Clearing House to offset Margin deficits in the relevant FCM Client Sub-Accounts (as described in FCM Regulation 15(d)(iv)).
“Backload Registration Cycle”	has the meaning assigned to such term in the FCM Procedures.
“Backloaded Trade”	has the meaning assigned to such term in the FCM Procedures.

FCM Contracts registered to such sub-account and carried for such FCM Client by its FCM Clearing Member, based on information provided by the applicable FCM Clearing Member and/or an FCM Approved Trade Source System to the Clearing House. Each FCM Client will have an FCM Client Sub-Account in the relevant FCM Omnibus Swaps Client Account with LCH for each Business Category of FCM Contracts in which such FCM Client clears Swap Products.

“FCM Client Sub-Account Balance”

means, at any given time, the legally segregated value of the Margin balance attributable to an FCM Client Sub-Account of the relevant FCM Client as determined by the Clearing House in accordance with the FCM Rulebook. For the avoidance of doubt, an FCM Client Sub-Account Balance at no time reflects the value of any FCM Buffer (including any Encumbered FCM Buffer) or the value of any Unallocated Excess.

“FCM Contract”

means an FCM SwapClear Contract, an FCM ForexClear Contract, an FCM Exchange Contract, or an FCM Listed Interest Rates Contract. **“FCM Contracts”** means FCM SwapClear Contracts, FCM ForexClear Contracts, FCM Exchange Contracts and FCM Listed Interest Rates Contracts, collectively.

“FCM Contract Subject to Delivery Notice”

means a Physically-Settled FCM Contract in respect of which a Delivery Notice has been given, and which has not been closed out, settled or invoiced back, in accordance with the FCM Rulebook.

“FCM Contract Terms”

means the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms and the FCM Listed Interest Rates Contract Terms, collectively.

“FCM Default Fund Agreement”

means an agreement in a form prescribed by the Clearing House, entered into between an FCM Clearing Member and the Clearing House relating to the “default funds” of the Clearing House.

“FCM Designated Trading Venue”

means a FCM Trading Venue that is of a type designated by the Clearing House to qualify as a FCM Designated Trading Venue.

“FCM Eligible Trading Venue”

means:

- (i) in respect of an FCM Rates Service Clearing Member, an FCM Trading Venue for which the Clearing House’s records reflect that such FCM Rates Service Clearing Member has completed the Clearing House’s process for enabling the FCM Rates Service Clearing Member to be eligible to

Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM Listed Interest Rates Contracts. Each FCM Omnibus Listed Interest Rates Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Foreign Futures Client Depository Account.

“FCM Omnibus SwapClear Client Account with LCH”

means an omnibus account maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM SwapClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus SwapClear Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM SwapClear Contracts. Each FCM Omnibus SwapClear Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Swaps Client Segregated Depository Account. The Clearing House will establish FCM Client Sub-Accounts within each FCM Omnibus SwapClear Client Account with LCH.

“FCM Omnibus Swaps Client Account with LCH”

means either an FCM Omnibus SwapClear Client Account with LCH or an FCM Omnibus ForexClear Client Account with LCH.

“FCM Option Contract”

means an FCM Exchange Contract or an FCM Listed Interest Rates Contract that is a contract for an Option.

“FCM Over-25 NDF Transaction”

means a FCM ForexClear NDF Transaction that has a notional amount greater than USD 25 million.

“FCM Portfolio Margined Contract”

has the meaning assigned to it in the FCM Procedures.

“FCM Portfolio Margining Arrangements”

has the meaning assigned to it in the FCM Procedures.

“FCM Portfolio Margining Calculation Tool”

has the meaning assigned to it in the FCM Procedures.

“FCM Portfolio Margining Eligibility Criteria”

has the meaning assigned to it in the FCM Procedures.

“FCM Portfolio Margining Eligible FCM Listed Interest Rates Contract”

means those FCM Listed Interest Rates Contracts meeting the eligibility criteria to be FCM Portfolio Margined Contracts as set out from time to time in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

“FCM Rulebook”	means the FCM Regulations, the Other Specific Regulations, the FCM Procedures and such other rules of the Clearing House, which are applicable to FCM Clearing Services, as published and amended from time to time.
<u>“FCM Sub-25 NDF DTV Transaction”</u>	<u>means in respect of a FCM Designated Trading Venue, a Sub-25 NDF Transaction that is executed on such FCM Designated Trading Venue.</u>
<u>“FCM Sub-25 NDF Transaction”</u>	<u>means a FCM ForexClear NDF Transaction that has a notional amount of equal to, or less than, USD 25 million.</u>
“FCM SwapClear Clearing Services”	means the services provided by an FCM Clearing Member in connection with FCM SwapClear Contracts cleared on behalf of its FCM Clients.
“FCM SwapClear Contract”	means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM SwapClear Contract Terms, and which is governed by these FCM Regulations.
“FCM SwapClear Contract Terms”	means the terms applicable to each FCM SwapClear Contract as set out from time to time in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.
“FCM SwapClear Product Eligibility Criteria”	means the product criteria set out in paragraphs 1.1(a), 1.1(b) or 1.1(c), and paragraph 3 of Part B of Schedule 1 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.
“FCM SwapClear Suspension Sub-Account”	means the FCM Client Sub-Account of a Pre-Allocation FCM Clearing Member that has been established by the FCM SwapClear Clearing Member with a view to registering Unallocated FCM SwapClear Contracts.
“FCM SwapClear Transaction”	means any transaction the details of which are presented to the Clearing House via an FCM Approved Trade Source System for the purpose of having such transaction registered at the Clearing House as two FCM SwapClear Contracts (or, where a corresponding presentation has been made in respect of the same transaction for registration of a Non-FCM SwapClear Contract, one Non-FCM SwapClear Contract and one FCM SwapClear Contract), regardless of whether (a) such transaction is an existing swap transaction, (b) it was entered into in anticipation of clearing, and (c) it is contingent on clearing.
“FCM Swaps Client Funds”	means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member (<i>i.e.</i> , not furnished to the Clearing House) on

	modified by FCM Regulation 46(q) or FCM Regulation 49(r).
“Reference Currency Buyer”	has the meaning assigned to it in the UK General Regulations or FCM Contract Terms, as applicable.
“Reference Currency Seller”	has the meaning assigned to it in the UK General Regulations or FCM Contract Terms, as applicable.
“Reference Price”	means a price (howsoever called) by reference to which an FCM Contract is marked to market or valued in accordance with the FCM Regulations and FCM Procedures.
“Registration Time”	means, in respect of an FCM Contract, the applicable time at which the Clearing House registers such FCM Contract, as prescribed in the FCM Procedures.
“Regulatory Body”	means the Secretary of State, The Financial Services Authority or professional body designated under Part 20 of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Bank of England, the CFTC or any department, agency, office, court or tribunal of a nation, state, province or any other body or authority which exercises a regulatory or supervisory function under the laws of the United Kingdom or under any foreign law.
“Rejecting Compression Clearing Member”	has the meaning assigned to it in Regulation 46(n).
<u>“Rejection Election”</u>	<u>has the meaning assigned to it in the FCM Procedures.</u>
“Required Margin”	means, with respect to a particular account or accounts of an FCM Clearing Member with the Clearing House, the amount of Initial Margin required by the Clearing House (in accordance with the FCM Rulebook) to be held in such account or accounts from time to time.
“Resignation Effective Date”	means the date on which the termination of a Resigning Member's FCM Clearing Member status in respect of a specific FCM Clearing Service becomes effective as specified in FCM Regulation 5(a).
“Resigning Member”	means at any time any FCM Clearing Member: (i) who has given notice to the Clearing House for the purposes of resigning from a particular FCM Clearing Service; or (ii) in respect of whom the Clearing House has given notice for the purposes of requiring such FCM Clearing Member to resign from a particular FCM Clearing Service.

“Retirement Date”	Effective	means the date on which the termination of a Retiring Member's FCM Clearing Member status becomes effective in accordance with Section 17 of the FCM Clearing Membership Agreement and the FCM Procedures as specified in FCM Regulation 5(e).
“Retiring Member”		means at any time any FCM Clearing Member or, as the context may require, any former FCM Clearing Member: (i) who has given notice to terminate its FCM Clearing Member status to the Clearing House; or (ii) in respect of whom the Clearing House has terminated or given notice to terminate its FCM Clearing Member status, in each case in accordance with Section 17 of the FCM Clearing Membership Agreement and the FCM Procedures.
“Risk Neutralisation”		has the meaning assigned to it in either (i) the Rates Service DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
<u>“Risk Status”</u>		<u>means a status that the Clearing House designates an FX FCM based on (i) the Clearing House’s assessment of the FX FCM’s collateral and liabilities in respect of the ForexClear service, and its creditworthiness, and (ii) whether the FX FCM is a Defaulter.</u>
“Rules Change Committee”		means the decision-making body of the Clearing House that will oversee and implement all material alterations, amendments or extensions to the FCM Rulebook or the FCM Clearing Membership Agreement in accordance with its terms of reference
“Second Listed Interest Rates Clearing Member”		has the meaning assigned to it in FCM Regulation 54(c)(ii).
“Securities Collateral”		means Collateral that is in the form of securities.
“Seller”		means an FCM Clearing Member (or the Clearing House where the context so requires) who is a seller under the terms of, as applicable, an FCM Option Contract, a Physically-Settled FCM Contract or an FCM Contract Subject to Delivery Notice.
<u>“Separate Risk Check”</u>		<u>has the meaning assigned to it in the FCM Procedures.</u>
“Settlement Finality Regulations”		means the Clearing House's Settlement Finality Regulations from time to time in force.
“Settlement Payment”		has the meaning assigned to it in FCM Regulation 47(d).