

VIA CFTC PORTAL

11 August 2016

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

**LCH.Clearnet Limited Self-Certification: expansion of the Listed interest Rate clearing service**

Dear Mr Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (the "CFTC") Regulation §40.6(a), LCH.Clearnet Limited ("LCH"), a derivatives clearing organization registered with the CFTC, is submitting for self-certification changes to its rules in respect of the expansion of its Listed Interest Rate clearing service.

**Part I: Explanation and Analysis**

LCH operates a Listed Rates clearing service, an on-exchange interest rate derivatives clearing service, which currently clears contracts traded on NASDAQ OMX NLX ("NLX"); the current LCH rules are specific to NLX. LCH will soon extend its Listed Rates clearing service to another trading venue, Curve Global, an LSE plc regulated market, and therefore proposes to amend its rules to remove specific references to NLX and instead make them applicable to any eligible trading venue cleared by this service.

LCH has recently implemented its Portfolio Margining Service, an optional service which enables eligible Clearing Members and Clients to portfolio margin certain economically correlated Listed Interest Rates Contracts (short term interest rate futures ("STIRS")) with OTC SwapClear Contracts. The rule changes have been drafted to note that any Listed Rate product which has been approved for portfolio margining with OTC Interest Rate Swaps will be eligible regardless of trading venue and such portfolio margining will take place using the same processes. The proposed rule changes affect the parts of the LCH's rules not applicable to Future Commission Merchants ("FCMs") and their Clients. LCH has, separately of this self certification, made a request for an order under section 4d(f)(3)(B) of the CEA, to permit LCH to extend the Portfolio Margining service to qualifying FCMs and their FCM Clients. Should this request be granted, LCH will submit for self-certification further changes to its rules.

The changes will go live on, or after, August 26, 2016.

## Part II: Description of Rule Changes

The rule changes affect the following parts of the LCH's rules:

- General Regulations
- Procedures Section 2J (renamed Listed Interest Rates clearing service)
- Product Specific Contract Terms and Eligibility Criteria Manual

### General Regulations

A number of sections and definitions have been updated throughout the General Regulations to change references from NLX to Listed Interest Rates. The definitions specific to the NLX service have been removed as redundant, while new definitions reflecting the extension of the Listed Rates service to other trading venues have been added. The amendments also include cross references to the Procedures Section 2J and to newly added sections in this part of the LCH's rules.

A number of regulations have been added; these are Regulations 97 to 103:

- Regulation 97 and 98 deal with the LCH's process for registration of Listed Rates contracts via open offer and novation, respectively, outlining the requirements and conditions to be met by the Clearing Members;
- Regulation 99 deals with the calculation and settlement of daily settlement amounts arising from the profit/loss of cleared Listed Rates contracts;
- Regulation 100 regards the netting of fungible Listed Rates contracts, as part of the clearing process, entered into by both Clearing Members and their Clients;
- Regulation 101 describes the process to be followed by LCH and its Listed Rates Clearing Members in the event that a dispute arise between such parties; it also notes the right and obligations of such parties, including the limitation of liability of LCH;
- Regulation 102 and 103 clarify that LCH may suspend and terminate, respectively, at its discretion Listed Rates contracts submitted to it for clearing.

### Procedures Section 2J

A number of sections have been updated throughout the Procedures to change references from NLX to Listed Interest Rates. The majority of the changes in section 1 add clarity to certain current provisions, making them applicable to any trading venue served, and outline the rights and obligations of the Clearing Members in respect to the use of the Listed Rates clearing service.

Section 1.3.5 includes a new paragraph explaining how LCH may register Listed Interest Rates contracts via open offer, in addition to novation. The two registration arrangements are explained in detail in Regulation 97 and 98, as noted above. The main difference is that in the case of open offer two contracts entered into by two Clearing Members will arise immediately on the relevant exchange following matching and the contracts will be registered with the CCP simultaneously (indeed this process assumes that both the exchange's and the CCP's eligibility criteria are met); whereas, in the case of novation, the contracts entered into by two Clearing Members on the relevant exchange are presented to the CCP subsequent to execution and the CCP will then register them provided the relevant registration and eligibility criteria are met, or reject them if otherwise. Section 1.3.5 sets out the triggers for the rejection of Listed Interest Rate contracts that are presented to the CCP via novation.

Section 1.6 has been added to clarify the current process involved with clearing Listed Rates contracts, concerning the allocation, give-up, take-up and position transfers of the contracts; and the new subparagraph 1.9.1 deals with delivery failures, where the seller does not deliver the deliverable bond futures or the buyer fails to make a payment.

*Product Specific Contract Terms and Eligibility Criteria Manual*

The amendments in Schedule 7 cover all the products eligible for clearing under the Listed Interest Rates service; these are:

- 3-Month EURIBOR Futures
- 3-Month Short Sterling Futures
- Euro-Schatz Futures
- Euro-Bobl Futures
- Euro-Bund Futures
- Long Gilt Futures

The texts of the changes to the General Regulations are attached hereto as **Appendix I**, the Procedures Section 2J as **Appendix II** and the Product Specific Contract Terms and Eligibility Criteria Manual as **Appendix III**.

**Part III: Core Principle Compliance**

LCH has reviewed the changes to its rules on portfolio transfers against the Core Principles and finds that these will continue to comply with all the requirements and standards therein.

**Part IV: Public Information**

LCH has posted a notice of pending certification with the CFTC and a copy of the submission on LCH's website at:

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

**Part V: Opposing Views**

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

**Certification**

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

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

Yours sincerely



Julian Oliver

Chief Compliance Officer

LCH.Clearent Limited

**Appendix I**  
**General Regulations**



**GENERAL REGULATIONS OF  
LCH.CLEARNET LIMITED**

## Scope

Save where expressly stated to the contrary in these Regulations or the Procedures, these Regulations govern clearing services provided by LCH.Clearnet Limited. They do not cover clearing services provided by LCH.Clearnet SA which are governed by a separate set of rules.

For the purposes of these Regulations, LCH.Clearnet Limited is referred to as the "**the Clearing House**". The terms "**Member**" or "**Clearing Member**" are used to refer to an undertaking which is entitled to receive clearing services from LCH.Clearnet Limited (see "Definitions"). They do not mean "shareholder" of LCH.Clearnet Limited or of any other undertaking in the LCH.Clearnet Group.

Any Regulation or group of Regulations expressly stated not to apply to a category, or categories, of Contract shall not apply to such category, or categories, of Contract.

Regulation 54 to Regulation 60 (inclusive) apply only to SwapClear Contracts. Save as provided in Regulation 54, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to SwapClear Contracts.

Regulation 61 to Regulation 66 (inclusive) apply only to RepoClear Contracts. Save as provided in Regulation 61, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to RepoClear Contracts.

Regulation 67 to Regulation 72 (inclusive) apply only to EquityClear Contracts. Save as provided in Regulation 67, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to EquityClear Contracts.

Regulation 73 to Regulation 75 (inclusive) apply only to LCH EnClear Contracts. Save as provided in Regulation 73, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to LCH EnClear Contracts.

Regulation 76 to Regulation 87 (inclusive) apply only to LSE Derivatives Markets Cleared Exchange Contracts which are eligible for clearing pursuant to these Regulations and the LSE Derivatives Markets Rules. Save as provided in Regulation 76, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to LSE Derivatives Markets Cleared Exchange Contracts.

Regulation 91 applies only to Nodal Contracts. Save as provided in Regulation 89, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to Nodal Contracts.

Regulation 90 to Regulation 93 (inclusive) apply only to ForexClear Contracts. Save as provided in Regulation 90, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to ForexClear Contracts.

~~Regulation 95 applies only to NLX Contracts. Save as provided in Regulation 95, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to NLX Contracts.~~

Regulation 95 to Regulation 104 (inclusive) apply only to Listed Interest Rates Contracts. Save as provided in Regulation 95, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to Listed Interest Rates Contracts.

**"Affiliated Omnibus Segregated Clearing Clients"**

means certain Omnibus Segregated Clearing Clients of a Clearing Member (i) whose identities have been recorded by the Membership-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.

**"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

**"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.

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| "Backup Clearing Member"        | means the Clearing Member(s) indicated by a Clearing Client as acting as such and notified to the Clearing House from time to time  |
| "Backup Client"                 | means an Indirect Segregated Account Clearing Client identified by a Clearing Member to the Clearing House for the purposes of a transfer of Related Contracts and Collateral pursuant to a Client to Client Porting  |
| "Backload Registration Cycle"   | has the meaning assigned to it in the Procedures  |
| "Backloaded Registration Trade" | has the meaning assigned to it in the Procedures  |
| "Block IRS Trade"               | Means a trade the notional amount of which is at or above the minimum block size established by the CFTC pursuant to CFTC Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such trade to the Clearing House for registration   |
| "Board"                         | means the board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange  |
| "Bond Trade"                    | means a trading activity in which a RepoClear Participant offers to sell RepoClear Eligible Securities, and another RepoClear Participant offers to purchase those RepoClear Eligible Securities, and a trade subsequently ensues   |
| "Business"                      | means any transactions, liabilities or obligations arising out of any contract and includes, in relation to the relevant Services, Commodities Business, Equities Business, ForexClear Business, RepoClear Business and Rates Service Business.   |
| "business day"                  | means in respect of a Cleared Exchange Contract, an OTC Contract (except where specified otherwise in the relevant OTC Contract Terms), an LCH EnClear Contract (except where specified otherwise in the LCH EnClear Contract Terms), <del>and</del> an EquityClear Contract, <u>and a Listed Interest Rates Contract (except where specified otherwise in the Listed Interest Rates Contract Terms)</u> a day on which the Clearing House is open for business |



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| <b>"buyer"</b>                     | means a Member (or the Clearing House where the context so requires) who is a buyer under the terms of an exchange contract, a Cleared Exchange Contract, a LSE Derivatives Markets Cleared Exchange Contract, a RepoClear Transaction, a RepoClear Contract, a RepoClear GC Transaction, a RepoClear GC Contract, an EquityClear ATP Match, an EquityClear Novation Transaction, <u>a Rates Exchange Match, a Listed Interest Rates Novation Transaction</u> or an Eligible EnClear Trade, as the case may be |
| <b>"Capped Amount"</b>             | has the meaning as described in Default Rule 15(c)   |
| <b>"Carrying Clearing Member"</b>  | means (a) a SwapClear Clearing Member that has a Client Account in respect of one or more SwapClear Clearing Clients, and from which Relevant SwapClear Contracts and the relevant Associated Collateral Balance(s) may be transferred to a Receiving Clearing Member pursuant to Regulation 60 of these Regulations and in accordance with the Procedures or (b) in respect of a transfer as described in sub-paragraph (ii) of the definition of "Receiving Clearing Member", an FCM Clearing Member         |
| <b>"CEA"</b>                       | has the meaning assigned to it in the Default Rules  |
| <b>"CFTC"</b>                      | has the meaning assigned to it in the Default Rules  |
| <b>"CFTC Regulations"</b>          | has the meaning assigned to it in the FCM Regulations  |
| <b>"Cleared Exchange Contract"</b> | means a Contract entered into by the Clearing House on the terms of an exchange contract   |
| <b>"Clearing Agreement"</b>        | means in relation to Client Clearing Business entered into by a Clearing Member in respect of any Service, suitable contractual arrangements between the Clearing Member and its Clearing Client in relation to the relevant Client Clearing Service   |
| <b>"Clearing Client"</b>           | means any RepoClear Clearing Client, SwapClear Clearing Client, EquityClear Clearing Client, LCH EnClear Clearing Client, LSE Derivatives Market Clearing Client, Nodal Clearing Client, ForexClear Clearing Client or <u>Listed Interest Rates</u> <del>NLX</del> Clearing Client. For the avoidance of doubt, the reference to LCH EnClear Clearing Client includes a Customer (as such term is defined in Procedure 2E 1.4 in respect of LCH EnClear Services)  |
| <b>"Clearing House"</b>            | means LCH.Clearnet Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom  |

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|  | <p><b>"Client Clearing Business"</b> means each of RepoClear Client Clearing Business, SwapClear Client Clearing Business, EquityClear Client Clearing Business, LCH EnClear Client Clearing Business, LSE Derivatives Markets Client Clearing Business, NODAL Client Clearing Business, ForexClear Client Clearing Business and <u>Listed Interest Rates</u><del>NLX</del> Client Clearing Business</p>   |
|  | <p><b>"Client Clearing Default Management Process"</b> means the processes of the Clearing House outlined in the Client Clearing Annex to the Default Rules and includes the Rates Service DMP in relation to any Contract which is a SwapClear Contract and/or Listed Interest Rates Contract in respect of Rates Service Client Clearing Business, the RepoClear DMP in relation to any Fixed Income Contract in respect of RepoClear Client Clearing Business and the ForexClear DMP in relation to any Contract which is a ForexClear Contract in respect of ForexClear Client Clearing Business</p> |
|  | <p><b>"Client Clearing End-User Notice"</b> means the Client Clearing End-User Notice as specified by the Clearing House from time to time</p>   |
|  | <p><b>"Client Clearing Entitlement"</b> has the meaning assigned to it in the Client Clearing Annex to the Default Rules</p>   |
|  | <p><b>"Client Clearing Services"</b> means SwapClear Client Clearing Services, RepoClear Client Clearing Services, EquityClear Client Clearing Services, LCH EnClear Client Clearing Services, LSE Derivatives Markets Client Clearing Services, NODAL Client Clearing Services, ForexClear Client Clearing Services, <u><del>NLX-FCM Clearing Services</del> and/or Listed Interest Rates</u> Client Clearing Services <del>or FCM Clearing Services</del></p>  |

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| <b>"Compression Proposal"</b>     | means, in relation to any Multilateral Compression Cycle, the final statement as to the proposed set of Terminating SwapClear Contracts and the proposed set of resulting Post-Multilateral Compression Contracts, and, in relation to a SwapClear Clearing Member, references to Compression Proposal shall relate to such of the Terminating SwapClear Contracts and Post-Multilateral Compression Contracts as that SwapClear Clearing Member is or will become party to  |
| <b>"Compression Time"</b>         | means, on the date designated by the Clearing House for a Multilateral Compression Cycle, the time at which the Clearing House effects a Multilateral Compression by terminating the Terminating SwapClear Contracts and simultaneously registering the Post-Multilateral Compression Contracts in the names of the SwapClear Clearing Members participating in that Multilateral Compression Cycle in accordance with the Compression Proposal  |
| <b>"confirmed contract"</b>       | means an original exchange contract which has been confirmed to the Clearing House by or on behalf of a buyer and a seller pursuant to Regulation 13 or 14 and the Procedures, save that where one or more allocations of an original exchange contract have taken place in accordance with Regulation 14 and the Procedures a <b>"confirmed contract"</b> shall only arise when the last allocation of such original exchange contract has been made and confirmed by a Member pursuant to Regulation 14 and the Procedures   |
| <b>"Continuing Member "</b>       | has the meaning as described in Default Rule 26  |
| <b>"Contract"</b>                 | means (i) a contract subject to the Regulations entered into by the Clearing House with a Member for the purposes of or in connection with the provision of clearing services including, without limitation, an open contract, settlement contract, re-opening contract or closing-out contract; and also (ii) in the case of the Default Rules (including the Rates Service DMP Annex, RepoClear DMP Annex and ForexClear DMP Annex), the FCM Default Fund Agreement, and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM Contract and an ATS Contract |
| <b>"contract for differences"</b> | means a Cleared Exchange Contract, an LSE Derivatives Markets Cleared Exchange Contract, an OTC Contract, <del>or</del> an LCH EnClear Contract <u>or a Listed Interest Rates Contract</u> which is to be performed by cash settlement only  |

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| <b>"Cross-Border Re-registration"</b>       | means the re-registration of LSE Derivatives Markets Cleared Exchange Contracts from an account of a Linked Member maintained with a Co-operating Exchange to an account of a Member with the Clearing House in accordance with Regulation 87   |
| <b>"Cross-Border Transfers"</b>             | means the automatic transfers of LSE Derivatives Markets Cleared Exchange Contracts from an account of a Linked Member maintained with a Co-operating Exchange to an account of a Member with the Clearing House  |
| <b>"Crossing Transaction"</b>               | has the meaning assigned to it in Chapter XIV(l)  |
| <b>"Cross-ISA Client Excess Deduction "</b> | means, where a Total Required Margin Amount relates to an Individual Segregated Account held by a Clearing Member on behalf of an Individual Segregated Account Clearing Client, if and to the extent that Client Excess is available in one or more other Individual Segregated Accounts held by such Clearing Member on behalf of the same Individual Segregated Account Clearing Client, a deduction by the Clearing House from the other Individual Segregated Account(s) of that Client Excess |
| <b>"Cumulative Net Present Value"</b>       | has the meaning assigned to it in Regulation 57A  |
| <b>"daily settlement amounts"</b>           | means amounts due to the Clearing House from a Member or to a Member from the Clearing House, as the case may be, arising out of settlement of open contracts pursuant to Regulation 23 <del>or</del> Regulation 75, <u>or Regulation 99</u> and the Procedures   |
| <b>"Dealer"</b>                             | means a ForexClear Dealer, RepoClear Dealer and/or SwapClear Dealer, as the context may require   |
| <b>"Dealer Clearing Agreement"</b>          | means a ForexClear Dealer Clearing Agreement, RepoClear Dealer Clearing Agreement, and/or SwapClear Dealer Clearing Agreement, as the context may require   |
| <b>"Dealer Register"</b>                    | means one or more of the Register of ForexClear Dealers, the Register of RepoClear Dealers and/or the Register of SwapClear Dealers, as the context may require   |
| <b>"Deed of Charge"</b>                     | means a deed of charge entered into between a Clearing Member and the Clearing House in respect of all non-cash Collateral transferred to the Clearing House by that Clearing Member  |
| <b>"Default"</b>                            | means the issue, in respect of a Clearing Member, of a Default Notice as provided for by Default Rule 3 or the occurrence, in respect of a Clearing Member, of an Automatic Early Termination Event   |

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| "Defaulter"  | has the meaning assigned to it in Default Rule 4   |
| "Defaulting Clearing Member"                               | means a Clearing Member who is a Defaulter   |
| "Defaulting FXCCM"   | means a FXCCM who is a Defaulter   |
| "Defaulting Listed Interest Rates Clearing Member"         | means a Listed Interest Rates Clearing Member who has defaulted  |
| "Defaulting Rates Service Clearing Member"                 | means a Rates Service Clearing Member who is a Defaulter   |
| "Defaulting RCM"   | means a RCM who is a Defaulter   |
| "Defaulting SCM "  | means a SCM who is a Defaulter   |
| "Default Loss"   | has the meaning assigned to it in Default Rule 16(b)   |
| "Default Management Process Agreement Amendment Agreement" | has the meaning assigned to it in Regulation 11(r)   |
| "Default Notice"   | has the meaning assigned to it in Default Rule 3   |
| "Default Rules"  | means the Clearing House's Default Rules including the Supplements from time to time in force pursuant to Part IV of The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 which, for the avoidance of doubt, form a part of these General Regulations  |
| "delivery contract"  | <p>means a Cleared Exchange Contract <del>or</del> LSE Derivatives Markets Cleared Exchange Contract <u>or Listed Interest Rates Contract</u> between the Clearing House and a Member:</p> <p>(a) for the immediate sale and purchase of a <u>reference asset or</u> commodity arising on the exercise of an option pursuant to these Regulations; or</p> <p>(b) for the sale and purchase of a <u>reference asset or</u> 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</p> |

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| <b>"delivery month"</b>                                    | means in respect of an exchange contract, the meaning ascribed to it in the Exchange Rules governing such contract or, in respect of an LCH EnClear Contract, the meaning ascribed to it in the LCH EnClear Procedures, or in respect of an LSE Derivatives Markets Cleared Exchange Contract, an expiration month as defined in the LSE Derivatives Markets Rules, <u>or in respect of a Listed Interest Rates Contract, the meaning ascribed to such Contract in the Listed Interest Rates Contract Terms</u> |
| <b>"Derived Data"</b>                                      | has the meaning assigned to it in Chapter XIV(g)(i)   |
| <b>"Designated Group Member"</b>                           | has the meaning assigned to it in Chapter XIV(k)  |
| <b><u>"Designated Rates Exchange"</u></b>                  | <u>has the meaning assigned to it in Regulation 100(a)</u>  |
| <b><u>"Designated Listed Interest Rates Contract "</u></b> | <u>has the meaning assigned to it in Regulation 100(b)</u>  |
| <b>"Determination Date"</b>                                | means the date for calculation of a Contribution other than an Unfunded Contribution or a Supplementary Contribution, as provided for in a Supplement, and includes a Commodities Determination Date, an Equities Determination Date, a ForexClear Determination Date, a Listed Interest Rates Determination Date, a RepoClear Determination Date and a SwapClear Determination Date  |
| <b>"Determined Omnibus Net Segregated Clients"</b>         | has the meaning assigned to it in the Client Clearing Annex to the Default Rules  |
| <b>"Economic Terms"</b>                                    | means that part of the SwapClear Contract Terms, RepoClear Contract Terms, RepoClear GC Contract Terms, EquityClear Contract Terms, LCH EnClear Contract Terms, <del>or</del> ForexClear Contract Terms, <u>or, in respect of a Designated Listed Interest Rates Contract, the Listed Interest Rates Contract Terms</u> as the case may require, designated as Economic Terms by the Clearing House from time to time   |
| <b>"Eligible EnClear Trade"</b>                            | means a trade eligible for registration in the LCH EnClear Services   |
| <b>"Eligible Listed Interest Rates Contracts"</b>          | means those Listed Interest Rates Contracts meeting the eligibility criteria in respect of Portfolio Margined Contracts as set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time  |

**"€GC Trade"**

means a trading activity in which a RepoClear Participant ("**the First Participant**") offers to sell (or buy) an agreed value of securities comprised in a €GC Basket (as defined in the Procedures), to be allocated in accordance with the RepoClear Procedures applicable to RepoClear €GC Contracts, and another RepoClear Participant ("**the Second Participant**") offers to buy (or sell, as the case may be) the securities so allocated, on the conditions that:

- (a) at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) Equivalent Securities (as such term is used in the RepoClear €GC Contract Terms) and the First Participant buys (or sells, as the case may be) those Equivalent Securities; and
- (b) the understanding of the parties is that their obligations during the term of the transaction will be represented by a series of overnight repurchase transactions affected either through CBL's service under the AutoAssign Supplement, Euroclear's AutoSelect service or any other equivalent service provided by a triparty agent, as the case may be, as contemplated by the RepoClear Procedures applicable to RepoClear €GC Contracts,

and a trade subsequently ensues

**"Excess Loss"**

means in relation to any Relevant Business and any Default, the net sum or aggregate of net sums certified to be payable by the Defaulter by a Rule 19 Certificate in respect of the Relevant Business, less (a) the proportion of the Capped Amount applicable to the Relevant Business under Rule 15(c) and (b) any sums then immediately payable in respect of Default Losses for that Relevant Business by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House, and includes, in relation to the relevant Services, a Commodities Excess Loss, an Equities Excess Loss, a ForexClear Excess Loss, a Listed Interest Rates Excess Loss, a RepoClear Excess Loss and a Rates Service Excess Loss

**"Exchange"**

means an organisation (whether an exchange, association, company or otherwise) responsible for administering a futures, options, stock or other market, to which the Clearing House provides clearing services. The term "Exchange" shall include a Rates Exchange, as the case may be, save where the context otherwise requires.

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| <b>"Exchange Closed-out Contracts"</b>                  | has the meaning assigned to it in the Rates Service DMP Annex  |
| <b>"exchange contract"</b>                              | means a class of contract (1) on the terms published from time to time by an Exchange and permitted to be made by a member of such Exchange on the market administered by that Exchange or otherwise in accordance with Exchange Rules, or (2) eligible for submission to the Clearing House for registration pursuant to the Exchange Rules. For the purposes of these Regulations <b>"exchange contract"</b> shall not include any class of contract capable of being made on the London Stock Exchange, <del>or</del> on any ATP, <u>or on any Rates Exchange</u>                                   |
| <b>"Exchange Product Specific Eligibility Criteria"</b> | Means <del>as applicable,</del> the relevant <del>the relevant</del> Nodal Contract Terms <del>or the relevant NLX Contract Terms</del>  |
| <b>"Exchange Rules"</b>                                 | means the rules, regulations, administrative procedures, Memorandum and Articles of Association or by-laws which regulate an Exchange and the market administered by it as notified from time to time to the Clearing House and, without prejudice to the generality of the foregoing, any regulations or directions made by the Board and any procedures, practices and administrative requirements of the Exchange. The term <b>"Exchange Rules"</b> shall include the LSE Derivatives Markets Rules <u>and Rates Exchange Rules</u> , as the case may be, save where the context otherwise requires |
| <b>"Exchange Transaction"</b>                           | means an LSE Derivatives Markets Transaction, <u>or</u> a Nodal Transaction <del>or a NLX Transaction</del> (as applicable)  |
| <b>"Executing Party"</b>                                | means each person described as a party to a SwapClear Transaction or a FCM SwapClear Transaction (as applicable) in the details submitted to the Clearing House via the relevant Approved Trade Source System or FCM Approved Trade Source System (as applicable)  |
| <b>"Execution Terms"</b>                                | means the terms (if any) that apply to a SwapClear Transaction relating to the registration or non-registration of such SwapClear Transaction  |
| <b>"Exempt Client Clearing Member"</b>                  | means a Clearing Member to which, in the sole determination of the Clearing House, an Exempting Client Clearing Rule would apply upon such Clearing Member becoming a defaulter  |



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| <b>"Exempting Client Clearing Rule"</b>                       | means, in relation to a Clearing Member, any law, regulation or statutory provision (having the force of law) of a Governmental Authority the effect of which, in the determination of the Clearing House in its absolute discretion, is to protect the operation of the Client Clearing Annex of the Default Rules from challenge under the insolvency laws applicable to that Clearing Member |
| <b>"expiry date or month"</b>                                 | means a date or month prescribed by Exchange Rules <a href="#">or, where relevant, the Product Specific Contract Terms and Eligibility Criteria Manual</a> , in respect of an option contract   |
| <b>"FCM Approved Trade Source System"</b>                     | has the meaning assigned to it in the FCM Regulations   |
| <b>"FCM Buffer"</b>   | has the meaning assigned to it in the FCM Regulations   |
| <b>"FCM Clearing Member"</b>                                  | has the meaning assigned to it in the FCM Regulations   |
| <b>"FCM Clearing Membership Agreement"</b>                    | has the meaning assigned to it in the FCM Regulations   |
| <b>"FCM Client"</b>   | has the meaning assigned to it in the FCM Regulations   |
| <b>"FCM Client Segregated Sub-Account"</b>                    | has the meaning assigned to it in the FCM Regulations   |
| <b>"FCM Contract"</b>   | has the meaning assigned to it in the FCM Regulations   |
| <b>"FCM Default Fund Agreement"</b>                           | has the meaning assigned to it in the FCM Regulations   |
| <b>"FCM EnClear Contract"</b>                                 | has the meaning assigned to it in the FCM Regulations   |
| <b>"FCM ForexClear Client Clearing Services"</b>              | has the meaning assigned to it in the FCM Regulations   |
| <b>"FCM ForexClear Contract"</b>                              | has the meaning assigned to it in the FCM Regulations   |
| <b>"FCM ForexClear Transaction"</b>                           | has the meaning assigned to it in the FCM Regulations   |
| <b>"FCM Omnibus Clearing Product Client Account with LCH"</b> | has the meaning assigned to it in the FCM Regulations   |
| <b>"FCM Omnibus EnClear Client Account with LCH"</b>          | has the meaning assigned to it in the FCM Regulations   |
| <b>"FCM Omnibus ForexClear Client Account with LCH"</b>       | has the meaning assigned to it in the FCM Regulations   |

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| <b>"ForexClear Service"</b>                      | means the service provided by the Clearing House under the ForexClear Regulations   |
| <b>"ForexClear Transaction"</b>                  | means a contract, meeting the ForexClear Eligibility Criteria for registration as a ForexClear Contract, entered into between two ForexClear Participants, of which particulars are presented to the Clearing House for registration in the name of ForexClear Clearing Members in accordance with the Regulations. In addition, a ForexClear Transaction shall include an FCM ForexClear Transaction where the relevant ForexClear Clearing Member is an executing party |
| <b>"ForexClear Unfunded Contribution"</b>        | has the meaning assigned to it in Rule F8 of the ForexClear Default Fund Supplement   |
| <b>"ForexClear Unfunded Contribution Notice"</b> | has the meaning assigned to it in Rule F8 of the ForexClear Default Fund Supplement   |
| <b>"ForexClear Voluntary Payment"</b>            | has the meaning assigned to it in Rule F10 of the ForexClear Default Fund Supplement  |
| <b>"ForexClear Voluntary Payment Notice"</b>     | has the meaning assigned to it in Rule F10 of the ForexClear Default Fund Supplement  |
| <b>"Fund Amount"</b>                             | in relation to the Commodities Business and the Equities Business <u>and the Listed Interest Rates Business</u> , has the meaning given to the term "Fund Amount" in the Supplement relating to each such Business and includes such amounts and the ForexClear Fund Amount, the General Fund Amount, the RepoClear Segregated Fund Amount and/or the Rates Service Fund Amount as applicable   |
| <b>"GC Trade"</b>                                | means a €GC Trade or a Term £GC Trade   |
| <b>"Governmental Authority"</b>                  | means any: <ul style="list-style-type: none"> <li>(a) governmental, inter-governmental, parliamentary or supranational body, entity, agency or department; or</li> <li>(b) regulatory, self-regulatory or other authority,</li> </ul> in each case, which has jurisdiction over the Clearing House and/or, in respect of a Clearing Member, the relevant Clearing Member.   |
| <b>"Group Member"</b>                            | has the meaning assigned to it in Chapter XIV(c)(i)   |
| <b>"Hedged Account"</b>                          | has the meaning assigned to it in the FCM Regulations   |

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| <b>"House Clearing Business"</b>                            | means, in respect of SwapClear, SwapClear Clearing House Business and FCM SwapClear Clearing House Business, in respect of ForexClear, ForexClear Clearing House Business and FCM ForexClear Clearing House Business, in respect of RepoClear, RepoClear Clearing House Business and in respect of any other Service, Contracts entered into by a Clearing Member with the Clearing House on a proprietary basis and for its own account   |
| <b>"House Excess"</b>                                       | means in relation to a Service, that part of the Clearing Member Current Collateral Balance maintained by a Clearing Member with the Clearing House on a proprietary basis and for its own account which is in excess of the relevant Total Required Margin Amount   |
| <b>"Identified Client Omnibus Net Segregated Account"</b>   | means, in relation to a Relevant Client Clearing Business, (i) an account opened within the Clearing House by the relevant Clearing Member on behalf of its Identified Omnibus Segregated Clearing Clients which is designated by the Clearing House as an Identified Client Omnibus Net Segregated Account; together with (ii) for the purposes of the Default Rules, any Omnibus Segregated Account comprising Determined Omnibus Net Segregated Clients   |
| <b>"Identified Client Omnibus Segregated Account"</b>       | means (i) an Identified Client Omnibus Net Segregated Account or (ii) an Omnibus Gross Segregated Account opened on behalf of a group of Identified Omnibus Segregated Clearing Clients  |
| <b>"Identified Omnibus Net Segregated Clearing Clients"</b> | means Identified Omnibus Segregated Clearing Clients in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Identified Client Omnibus Net Segregated Account   |
| <b>"Identified Omnibus Segregated Clearing Clients"</b>     | means, in relation to a Relevant Client Clearing Business, (i) certain Omnibus Segregated Clearing Clients of the relevant Clearing Member or FCM whose identities have been recorded by the <del>Membership Onboarding</del> department of the Clearing House and who are grouped together in a single Omnibus Segregated Account of the Clearing Member but who are not Affiliated Omnibus Segregated Clearing Clients; together with (ii) for the purposes of the Default Rules, any Determined Omnibus Net Segregated Clearing Clients who are grouped together in a single Omnibus Segregated Account |
| <b>"Index"</b>  | has the meaning assigned to it in Chapter XIV(a)   |

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| <b>"Insufficient Resources Determination"</b> | has the meaning assigned to it in Rule C10 of the Commodities Default Fund Supplement, Rule E10 of the Equities Default Fund Supplement, Rule <del>CS5</del> - <del>CS6</del> of the Rates Service Default Fund Supplement, Rule F11 of the ForexClear Default Fund Supplement, or Rule R11 of the RepoClear Default Fund Supplement, as applicable   |
| <b>"Intellectual Property Rights"</b>         | has the meaning assigned to it in Chapter XIV(j)  |
| <b>"IRS FCM SwapClear Contract"</b>           | has the meaning assigned to it in the FCM Regulations   |
| <b>"IRS SwapClear Contract"</b>               | means a SwapClear Contract of the type of Contracts which are identified as being IRS SwapClear Contracts in the Product Specific Contract Terms and Eligibility Criteria Manual, which includes, in the case of the Default Rules (including the Rates Service DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an IRS FCM SwapClear Contract |
| <b>"Joint Rates Service Clearing Member"</b>  | means, for purposes of the Portfolio Margining Service, a clearing member who is both a SwapClear Clearing Member and a Listed Interest Rates Clearing Member   |
| <b>"Key Tenors"</b>                           | means the Key Tenors as set out in the Inflation Swaps Operational Specifications   |
| <b>"Key Tenors Market Data"</b>               | has the meaning assigned to it in Regulation 60A(l)   |
| <b>"LCH Approved Outsourcing Party"</b>       | means a party approved for these purposes by the Clearing House, as set out in the FCM Procedures   |
| <b>"LCH.Clearnet Group"</b>                   | means the group of undertakings consisting of LCH.Clearnet Limited, LCH.Clearnet Group Limited, LCH.Clearnet LLC, LCH.Clearnet (Luxembourg) S.a.r.l, LCH.Clearnet Service Company Limited and Banque Centrale de Compensation S.A. trading as LCH.Clearnet SA. (any references to a " <b>member</b> " of LCH.Clearnet Group Limited within these Regulations is to be construed accordingly)  |
| <b>"LCH EnClear Clearing Client"</b>          | means, in respect of LCH EnClear Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client  |
| <b>"LCH EnClear Clearing House Business"</b>  | means LCH EnClear Contracts entered into by a LCH EnClear Clearing Member with the Clearing House on a proprietary basis and for its own account  |

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| <b>"Link Agreement"</b>                                 | means an agreement entered into between the Clearing House and a Co-operating Clearing House and if applicable, an Exchange for the purposes of a Link  |
| <b>"Linked Member"</b>                                  | means an member of a Co-operating Exchange  |
| <b>"Listed Interest Rates Business"</b>                 | means any transaction, obligation or liability arising out of a Listed Interest Rates Contract (which, for the avoidance of doubt, does not include for purposes of the Rates Service DMP Annex any Listed Interest Rates Contracts that are Portfolio Margined Contracts)  |
| <b><u>"Listed Interest Rates Clearing Client"</u></b>   | <u>means, in respect of Listed Interest Rates Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client</u>   |
| <b>"Listed Interest Rates Clearing House Business"</b>  | means Listed Interest Rates Contracts entered into by a Listed Interest Rates Clearing Member with the Clearing House on a proprietary basis and for its own account  |
| <b>"Listed Interest Rates Clearing Member"</b>          | means <del>an NLX Clearing Member</del> <u>a Clearing Member that engages in Listed Interest Rates Business</u>   |
| <b>"Listed Interest Rates Client Clearing Business"</b> | means the provision of Listed Interest Rates Client Clearing Services by a Listed Interest Rates Clearing Member  |
| <b>"Listed Interest Rates Client Clearing Services"</b> | means the entering into of Listed Interest Rates Contracts by a Listed Interest Rates Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients   |
| <b>"Listed Interest Rates Contract"</b>                 | means any listed interest rate derivative contract cleared by the Clearing House  |
| <b><u>"Listed Interest Rates Contract Terms"</u></b>    | <u>means: (i) in respect of a Listed Interest Rates Contract other than a Designated Listed Interest Rates Contract, the terms set out from time to time in the relevant Rates Exchange Rules; or (ii) in respect of a Designated Listed Interest Rates Contract, the terms applicable to each Listed Interest Rates Contract as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual</u> |
| <b>"Listed Interest Rates Contribution"</b>             | means the amount of a Listed Interest Rates Clearing Member's Contribution determined in accordance with Part B of the Rates Service Default Fund Supplement – Listed Interest Rates and shall include any relevant Unfunded Contributions and any relevant Supplementary Contribution deposited and made by the Listed Interest Rates Clearing Member with the Clearing House  |

"Listed Interest Rates Default Period" has the meaning ascribed to it in Rule L2 of Part B of the Rates Service ~~Default-Default~~ Fund Supplement – Listed Interest Rates

"Listed Interest Rates Determination Date" has the meaning assigned to "Determination Date" in Rule L2(c) of the Rates Service Default Fund Supplement – Listed Interest Rates

"Listed Interest Rates Eligible Product" means a product traded under the rules of a Rates Exchange which such Rates Exchange has agreed from time to time with the Clearing House to be cleared by the Clearing House pursuant to these Regulations

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

~~"Listed Interest Rates Fund Amount"~~ ~~means the amount of the listed Listed interest Interest rate Rates default fund established from time to time pursuant to the Listed Interest Rates Default Fund Supplement~~

"Listed Interest Rates Novation Transaction" means the matched Rates Exchange Particulars representing a bilateral transaction and either:

(a) concluded other than through the order book of a relevant Rates Exchange which is capable of being cleared in accordance with the relevant Rates Exchange Rules and the Regulations; or

(b) concluded through an order book of a Rates Exchange, where the relevant Rates Exchange Rules specify that transactions executed there will be cleared via novation, and

in either case is submitted for registration by, or on behalf of, one Listed Interest Rates Clearing Member identified as, or as acting as a clearing member for, the buyer and the same or another Listed Interest Rates Clearing Member identified as, or as acting as clearing member for, the seller

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| <b><u>"Listed Interest Rates Open Offer"</u></b>                      | <u>means the open offer made by the Clearing House in respect of a Rates Exchange Match meeting the Listed Interest Rates Open Offer Criteria</u>   |
| <b><u>"Listed Interest Rates Open Offer Eligibility Criteria"</u></b> | <u>has the meaning set out in Regulation 97(c)</u>  |
| <b><u>"Listed Interest Rates Regulations"</u></b>                     | <u>means those Regulations which apply to Listed Interest Rates Contracts as specified in Regulation 96</u>   |
| <b>"Listed Interest Rates Service"</b>                                | means the <del>NLX</del> -Service <u>provided by the Clearing House under the Listed Interest Rates Regulations</u>   |
| <b>"lot"</b>  | means the standard unit or quantity prescribed by an Exchange, with the approval of the Clearing House, as the trading unit of an exchange contract.<br><br>In relation to a contract other than an exchange contract, the standard unit or quantity prescribed by the relevant contract terms                  |
| <b>"LSE"</b>  | means the London Stock Exchange plc or any successor in title   |
| <b>"LSE Derivatives Markets Account"</b>                              | means an account maintained in the name of LSE plc by the Clearing House pursuant to Regulation 10 in which LSE Derivatives Markets Cleared Exchange Contracts may be registered pursuant to Regulation 77 or in such other circumstances as may be agreed between LSE and the Clearing House from time to time |
| <b>"LSE Derivatives Markets Clearing Client"</b>                      | means, in respect of LSE Derivatives Markets Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client  |
| <b>"LSE Derivatives Markets Clearing House Business"</b>              | means LSE Derivatives Markets Cleared Exchange Contracts entered into by a LSE Derivatives Markets Clearing Member with the Clearing House on a proprietary basis and for its own account   |
| <b>"LSE Derivatives Markets Client Clearing Business"</b>             | means the provision of Turquoise Client Clearing Services by a LSE Derivatives Markets Clearing Member  |
| <b>"LSE Derivatives Markets Client Clearing Services"</b>             | means the entering into of LSE Derivatives Markets Cleared Exchange Contracts by a LSE Derivatives Markets Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients  |
| <b>"LSE Derivatives Markets Cleared Exchange Contract"</b>            | means a Contract entered into by the Clearing House in accordance with the LSE Derivatives Markets Regulations  |

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| <b>"LSE Derivatives Markets Clearing Member"</b>                    | means a Member authorised by the Clearing House to participate in the LSE Derivatives Markets Service   |
| <b>"LSE Derivatives Markets Contract Specification"</b>             | means in respect of an LSE Derivatives Markets Eligible Product, the relevant contract specification set out in the LSE Derivatives Markets Rules.  |
| <b>"LSE Derivatives Markets Eligible Product"</b>                   | means a product traded under the rules of the London Stock Exchange Derivatives Market which LSE has agreed from time to time with the Clearing House is to be cleared by the Clearing House pursuant to these Regulations, <u>but does not, for the avoidance of doubt, include any products traded under the rules of the London Stock Exchange Derivatives Market which are subject to the Listed Interest Rates Regulations</u> |
| <b>"LSE Derivatives Markets Orderbook"</b>                          | means the electronic orderbook operated by LSE for the trading of LSE Derivatives Markets Eligible Products   |
| <b>"LSE Derivatives Markets Orderbook Match or Orderbook Match"</b> | means a match made on the LSE Derivatives Markets Orderbook of two sets of LSE Derivatives Markets Trade Particulars submitted by or on behalf of two Members or a match made on the Combined LSE Derivatives Markets Orderbook of two sets of LSE Derivatives Markets Trade Particulars submitted by or on behalf of a Member and a Linked Member  |
| <b>"LSE Derivatives Markets OTC Trade"</b>                          | means an OTC trade reported to LSE in accordance with its Rules for its OTC Service   |
| <b>"LSE Derivatives Markets Platform"</b>                           | means LSE in its capacity as a recognised investment exchange   |
| <b>"LSE Derivatives Markets Regulations"</b>                        | means those Regulations which apply to LSE Derivatives Markets Eligible Products as specified in Regulation 76  |
| <b>"LSE Derivatives Markets Rules"</b>                              | means the rules, practices, procedures, trading protocols and arrangements of the LSE Derivatives Markets Platform as may be prescribed from time to time relating to LSE Derivatives Markets Eligible Products   |
| <b>"LSE Derivatives Markets Service"</b>                            | the service provided by the Clearing House under the LSE Derivatives Markets Regulations  |
| <b>"LSE Derivatives Markets Trade Particulars"</b>                  | means the trade particulars of an order submitted to the LSE Derivatives Markets Orderbook by or on behalf of a Member or, in the case of a Member which is a Co operating Clearing House, submitted to the Combined LSE Derivatives Markets Orderbook by or on behalf of a relevant Linked Member  |



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| <b>"Net Recovery"</b>                               | means any sum received by the Clearing House from or for the account of a Defaulter after the issue by the Clearing House of a Rule 19 Certificate in respect of losses arising upon the Defaulter's Default less any amount payable to any insurer or provider of analogous services in respect of any amount due from but not previously paid by the Defaulter |
| <b>"New Member"</b>                                 | means, on the day as at which any Contribution is to be calculated, any Clearing Member which either has become a Clearing Member, or has commenced clearing in respect of the relevant Service, since the immediately preceding day prescribed for calculating similar Contributions  |
| <del><b>"NLX"</b></del>                             | <del>NASDAQ OMX NLX Limited of 131 Finsbury Pavement, London EC2A 1NT</del>  |
| <del><b>"NLX Clearing Client"</b></del>             | <del>means, in respect of NLX Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client</del>  |
| <del><b>"NLX Clearing House Business"</b></del>     | <del>means NLX Contracts entered into by a NLX Service Clearing Member with the Clearing House on a proprietary basis and for its own account</del>  |
| <del><b>"NLX Client Clearing Business"</b></del>    | <del>means the provision of NLX Client Clearing Services by a NLX Service Clearing Member</del>  |
| <del><b>"NLX Client Clearing Services"</b></del>    | <del>means the entering into of NLX Contracts by a NLX Service Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients</del>   |
| <del><b>"NLX Contract"</b></del>                    | <del>A Contract entered into by the Clearing House with an NLX Service Clearing Member pursuant to the NLX Regulations</del>   |
| <del><b>"NLX Contract Terms"</b></del>              | <del>means the terms of a NLX Contract as set out from time to time in the NLX contract specification provided in the NLX Rules</del>  |
| <del><b>"NLX Eligible Derivative product"</b></del> | <del>A derivative product prescribed from time to time by the Clearing House as eligible for the NLX Service</del>   |
| <del><b>"NLX Reference Price"</b></del>             | <del>A Reference Price in respect of an NLX Contract</del>   |
| <del><b>"NLX Regulations"</b></del>                 | <del>means those Regulations which apply to NLX Contracts as specified in Regulation 95</del>  |

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| <b>"NLX Rules"</b>                         | <del>the rules, practices, procedures, trading protocols and arrangements of the NLX Trading Facility as the case may be and as may be prescribed from time to time relating to NLX Eligible Derivative Products</del> |
| <b>"NLX Service"</b>                       | <del>the service provided by the Clearing House under the NLX Regulations</del>  |
| <b>"NLX Service Clearing Member"</b>       | <del>a Member who is designated by the Clearing House as eligible to clear NLX Contracts</del>   |
| <b>"NLX Trading Facility"</b>              | <del>the facility, trading system or systems operated directly or indirectly by NLX on which NLX Eligible Derivative Products may be traded</del>  |
| <b>"NLX Transaction"</b>                   | <del>a contract in an NLX Eligible Derivative Product between NLX Service Clearing Members arising or registered on an NLX Trading Facility meeting the requirements of the Regulations and the Procedures</del>       |
| <b>"Nodal"</b>                             | means Nodal Exchange, LLC of 8065 Leesburg Pike, Suite 700, Vienna, VA 22182, United States of America   |
| <b>"Nodal Clearing Client"</b>             | means, in respect of NODAL Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client   |
| <b>"Nodal Clearing House Business"</b>     | means Nodal Contracts entered into by a Nodal Service Clearing Member with the Clearing House on a proprietary basis and for its own account   |
| <b>"Nodal Client Clearing Business"</b>    | means the provision of NODAL Client Clearing Services by a Nodal Service Clearing Member   |
| <b>"Nodal Client Clearing Services"</b>    | means the entering into of Nodal Contracts by a Nodal Service Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients                          |
| <b>"Nodal Contract"</b>                    | means a Contract entered into by the Clearing House with a Nodal Service Clearing Member pursuant to the Nodal Regulations   |
| <b>"Nodal Contract Terms"</b>              | means the terms of a Nodal Contract as set out from time to time in the Nodal contract specification provided in the Nodal Rules   |
| <b>"Nodal Eligible Derivative Product"</b> | means a derivative product prescribed from time to time by the Clearing House as eligible for the Nodal Service  |
| <b>"Nodal Reference Price"</b>             | means a Reference Price in respect of a Nodal Contract   |

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| <b>"Non-Eligible Listed Interest Rates Contract"</b>          | means those Listed Interest Rates Contracts other than Eligible Listed Interest Rates Contracts   |
| <b>"Non-Identified Client Omnibus Net Segregated Account"</b> | means, in relation to a Relevant Client Clearing Business, an account opened within the Clearing House by the relevant Clearing Member on behalf of its Non-Identified Omnibus Segregated Clearing Clients which is designated by the Clearing House as a Non-Identified Client Omnibus Net Segregated Account but, for the avoidance of doubt, does not include any Omnibus Segregated Account comprising Determined Omnibus Net Segregated Clients  |
| <b>"Non- Identified Omnibus Segregated Clearing Client"</b>   | means, in relation to a Relevant Client Clearing Business, certain Omnibus Segregated Clearing Clients of the relevant Clearing Member or FCM whose identities are not recorded by the <u>Membership-Onboarding</u> department of the Clearing House and who are grouped together in an Omnibus Segregated Account which is not an Identified Client Omnibus Segregated Account or an Affiliated Client Omnibus Segregated Account of the Clearing Member but, for the avoidance of doubt, does not include any Determined Omnibus Net Segregated Clients |
| <b>"Non-Member Market Participant ("NCP")"</b>                | means, in respect of a particular Service, a person, other than a Clearing Member in such Service, who meets the criteria set out in Procedure 1 ( <i>Clearing Member, Non-Member Market Participant and Dealer Status</i> ) and has been notified to the Clearing House in accordance with Regulation 7 (Non-Member Market Participant Status)   |
| <b>"Non-Performance Notice"</b>                               | has the meaning assigned to it in Chapter XIV(m)  |
| <b>"Non-Performer"</b>  | has the meaning assigned to it in Section 2C1.27.4 of the Procedures  |
| <b>"NPV Reset"</b>  | has the meaning assigned to it in Regulation 57A  |
| <b>"Off-Market Provider"</b>                                  | has the meaning assigned to it in Section 2C1.27.4 of the Procedures  |
| <b>"official quotation"</b>                                   | means a price determined by the Clearing House under Regulation 22  |

**"Open Contract or open contract"**

means a Contract made with a Member on the terms (subject to variation of such terms as provided in the Regulations) of an original contract or a Contract made with a Member on the terms set out in the Regulations and/or any agreement entered into with the Member, which, in either case, has not been closed-out, settled or invoiced back in accordance with the Regulations and the Procedures. The term "open contract" shall include, where relevant, an option contract and a delivery contract, but shall not include a settlement contract, a re-opening contract or a closing-out contract

**"open contract subject to tender"**

means either (i) a Cleared Exchange Contract made with a Member on the terms (unless otherwise provided in the Regulations) of an original exchange contract or (ii) a Listed Interest Rates Contract, in either case in respect of which a tender has been given, which has not been closed out, settled or invoiced back in accordance with the Regulations and the Procedures, and shall include, except where the context otherwise requires, a delivery contract

**"Open Offer for LSE Derivatives Markets"**

means the open offer contained in Regulation 77 in relation to Orderbook Matches

**"option"**

means a right to enter into a contract for the sale and purchase of a commodity for future delivery, a contract for differences, or a delivery contract

**"option contract"**

means a contract for an option on the terms of (i) an exchange contract or (ii) a Listed Interest Rates Contract

**"original contract"**

means an original exchange contract, EquityClear Novation Transaction, Eligible EnClear Trade, ~~or~~ an OTC Transaction other than a Repo Trade, Bond Trade or GC Trade, or a Listed Interest Rates Novation Transaction

**"original exchange contract"** means a contract including, where relevant, an option contract on the terms of an exchange contract which:

- (a) has been entered into on a market or otherwise under or in accordance with Exchange Rules and subject to Exchange Rules of which particulars are to be presented to the Clearing House for registration in the name of members in accordance with Exchange Rules, the Regulations or the Procedures; or
- (b) by agreement with a Co-operating Clearing House is to be registered in the name of a Co-operating Clearing House in accordance with the terms of any agreement made with a Participating Exchange.

Where any such contract is for more than one lot there shall be deemed to be a separate contract in respect of each lot and the term **"original exchange contract"** shall be construed accordingly. The term **"original exchange contract"** shall include a confirmed contract, except where the context otherwise requires. For the avoidance of doubt, the term **"original exchange contract"** shall not include any ATP Match made pursuant to the rules of an Approved EquityClear Trading Platform or any Rates Exchange Match

**"OTC Contract"** means a Contract entered into by the Clearing House with a Member on the relevant OTC Contract Terms, as prescribed by the Clearing House from time to time, in accordance with the Regulations and the Procedures and/or any agreement entered into with the Member

**"OTC Contract Terms"** means the SwapClear Contract Terms in respect of SwapClear Contracts, the RepoClear Contract Terms in respect of RepoClear Contracts, the RepoClear Term £GC Contract Terms in respect of the RepoClear Term £GC Contracts, the RepoClear €GC Contract Terms in respect of RepoClear €GC Contracts and the ForexClear Contract Terms in respect of ForexClear Contracts

**"OTC market"** means any dealings in an investment (as defined in section 22(1) and Schedule 2 Part II of the Financial Services and Markets Act 2000) which are entered into otherwise than on or subject to the rules of an Exchange

**"OTC Service"** means a service provided by the Clearing House for the clearing of a category of OTC Contract

**"Post-Multilateral Compression Contracts"**

means, in relation to a Compression Proposal, the SwapClear Contracts registered as a result of Multilateral Compression in accordance with such Compression Proposal

**"premium"**

means the consideration for the selling of an option payable by the buyer in accordance with these Regulations and the Procedures

**"Price"**

means in the case of:

- (a) a contract on the terms of an exchange contract or Listed Interest Rates Contract which is to be performed by delivery of a reference asset or commodity, the consideration to be paid by the buyer in cash in the currency prescribed by the terms of the exchange contract or Listed Interest Rates Contract, and in the case of an exchange contract or Listed Interest Rates Contract which is a contract for differences, the valuation quoted as a price under its terms:-; or
- (b) an OTC Contract, the price calculated by the Clearing House in accordance with the Regulations and the Procedures; or
- (c) an EquityClear Contract, the consideration to be paid by the buyer in cash in the currency as set out in the ATP Match or EquityClear Novation Transaction information received by the Clearing House or its relevant approved agent; or
- (d) an LCH EnClear Contract, the price calculated by the Clearing House in accordance with the Regulations and Procedures

**"Price Alignment Amount"**

has the meaning assigned to it in Regulation 57A

**"Price Alignment Amount Rate"**

has the meaning assigned to it in Regulation 57A

**"Procedures"**

means Section 1 (*Clearing Member, Non-Member Market Participant and Dealer Status*), Section 2B (*RepoClear Service*) to Section 2J (*~~NLX-Listed Interest Rates~~ Service*) and Sections 3 (*Financial Transactions*) to 8 (*Complaints*) of the Rulebook and the procedures for application for and regulation of membership of the Clearing House and in respect of SwapClear Dealers, RepoClear Dealers, and ForexClear Dealers respectively, for:

- (a) application for admission to the Register of SwapClear Dealers and regulation of SwapClear Dealers admitted to the Register;
- (b) application for admission to the Register of RepoClear Dealers and regulation of RepoClear Dealers;
- (c) application for admission to the Register of ForexClear Dealers,

and shall also include FCM Procedures where the term "Procedures" is used in the Default Rules. For the avoidance of doubt, a reference to "Procedures" is not intended to refer to procedures provided for or required by any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any Governmental Authority

**"Product"**

has the meaning assigned to it in the FCM Regulations

**"Product Specific Contract Terms and Eligibility Criteria Manual"**

means the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time

**"prompt date"**

has, in respect of (i) an exchange contract, the meaning ascribed to it in the Exchange Rules governing such contract or (ii) a Listed Interest Rates Contract, the meaning ascribed to it in the Product Specific Contract Terms and Eligibility Criteria Manual

**"Proprietary Account"**

means an account opened within the Clearing House by a Clearing Member in respect of such Clearing Member's House Clearing Business and/or for the purpose of holding Client Buffer

**"Protest"**

has the meaning given to it in Exchange Rules

**"Quarter Start Date"**

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

**"Rate X" and Rate "Y"**

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

**"Rates Exchange"**

means any trading platform approved as such from time to time by the Clearing House in respect of the Listed Interest Rates Service

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| <b><u>"Rates Exchange Match"</u></b>                                   | <u>means a match where the relevant Rates Exchange Rules permit the matching of Rates Exchange Particulars that consist of the sale or purchase of an Listed Interest Rates Eligible Product and the corresponding purchase or sale, as the case may be, of an Listed Interest Rates Eligible Product</u> |
| <b><u>"Rates Exchange Particulars"</u></b>                             | <u>means the orders or other trade particulars submitted in respect of the sale or purchase of Listed Interest Rates Eligible Products, to an Rates Exchange in accordance with the relevant Rates Exchange Rules by, or on behalf of, an Listed Interest Rates Clearing Member</u>                       |
| <b><u>"Rates Exchange Rules"</u></b>                                   | <u>means the rules, regulations, administrative procedures, Memorandum and Articles of Association of by-laws which regulate a Rates Exchange and the market administered by it as notified from time to time to the Clearing House</u>   |
| <b>"Rates Service"</b>   | means the SwapClear Service and the Listed Interest Rates Service   |
| <b>"Rates Service Business"</b>  | means SwapClear Business and/or Listed Interest Rates Business (as applicable)  |
| <b>"Rates Service Clearing House Business"</b>                         | means SwapClear Clearing House Business and/or Listed Interest Rates Clearing House Business (as applicable)  |
| <b>"Rates Service Clearing Member"</b>                                 | means a Clearing Member which is a SwapClear Clearing Member and/or a Listed Interest Rates Clearing Member   |
| <b>"Rates Service Client Clearing Business"</b>                        | means SwapClear Client Clearing Business and/or Listed Interest Rates Client Clearing Business (as applicable)  |
| <b><u>"Rates Service Default Fund"</u></b>                             | <u>means the combined service default fund established pursuant to the Rates Service Default Fund Supplement – SwapClear and the Rates Service Default Fund Supplement – Listed Interest Rate</u>   |
| <b>"Rates Service Default Fund Supplement – Listed Interest Rates"</b> | means the Supplement relating to Listed Interest Rates Business   |
| <b>"Rates Service Default Fund Supplement – SwapClear"</b>             | means the Supplement relating to the SwapClear Business   |
| <b>"Rates Service Default Management Disclosure Notice"</b>            | means the Rates Service Default Management Disclosure Notice as specified by the Clearing House from time to time   |
| <b>"Rates Service Default Management Process"</b>                      | has the meaning assigned to it in the Rates Service DMP Annex in the Default Rules  |



**"Register of SwapClear Dealers"**

means the register which lists SwapClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as SwapClear Contracts by the Clearing House

**"Registration Time"**

- (i) in respect of SwapClear Contracts shall have the meaning given in Regulation 55(f);
- (ii) in respect of Nodal Contracts and ~~NLX-Listed~~ Interest Rates Contracts shall have the meaning given in the Procedures; and
- (iii) in respect of RepoClear Contracts, RepoClear Term £GC Contracts, RepoClear ~~€GC~~ Contracts, EquityClear Contracts, LCH EnClear Contracts, LSE Derivatives Markets Cleared Exchange Contracts and ForexClear Contracts, shall have the meaning given in the Procedures,

in each case subject to Regulation 16(e)

**"Regulations"**

means the Clearing House's General Regulations which include the Default Rules, and Clearing House Settlement Finality Regulations, from time to time in force

**"Regulatory Body"**

means the Bank of England, the Secretary of State, the Prudential Regulation Authority, the Financial Conduct Authority or professional body designated under Part XX of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Commodity Futures Trading Commission of the United States (CFTC) or any other body or authority, in each case, that has jurisdiction to exercise in relation to the provision or use of clearing services a regulatory or supervisory function over the Clearing House and/or, in respect of a Clearing Member, the relevant Clearing Member under the laws of the United Kingdom, the United States or any other applicable jurisdiction

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| <b>"Related Contract"</b>                  | 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 LCH EnClear Service, a Related LCH EnClear Contract (as such term is defined in the Procedures); (vi) in relation to the LSE Derivatives Markets Service, a Related LSE Derivatives Markets Cleared Exchange Contract (as such term is defined in the Procedures); (vii) in relation to the Nodal Service, a Related Nodal Contract (as such term is defined in the Procedures); and (viii) in relation to the <del>Listed Interest RatesNLX</del> Service, a Related <del>Listed Interest RatesNLX</del> Contract (as such term is defined in the Procedures) |
| <b>"Relevant Auction Contract"</b>         | has the meaning given to the term in the Client Clearing Annex   |
| <b>"Relevant Business"</b>                 | has the meaning as described in Default Rule 15(c)   |
| <b>"Relevant Client Clearing Business"</b> | means the Client Clearing Business conducted by a particular Clearing Member in a particular Service   |
| <b>"Relevant Contract"</b>                 | has the meaning assigned to it in the Client Clearing Annex  |
| <b>"Relevant Default"</b>                  | 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   |
| <b>"Relevant SwapClear Contracts"</b>      | means those SwapClear Contracts registered with a Carrying Clearing Member on behalf of one or more SwapClear Clearing Clients that are subject to a request to be transferred to a Receiving Clearing Member and includes, in the case of a transfer as described in subparagraph (ii) of the definition of "Receiving Clearing Member", FCM SwapClear Contracts  |

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| "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, an LSE Derivatives Markets Cleared Exchange Contract, a RepoClear Transaction, a RepoClear GC Transaction, a RepoClear Contract, a RepoClear GC Contract, an EquityClear ATP Match, an EquityClear Novation Transaction, an EquityClear Contract, <del>or</del> an LCH EnClear Contract, <a href="#">a Rates Exchange Match, or a Listed Interest Rates Novation Transaction</a> , 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 LCH EnClear Regulations and under the FCM Regulations in respect of FCM EnClear Contracts; (vi) under the LSE Derivatives Markets Regulations; (vii) under the Nodal Regulations; <del>or</del> (viii) under the ForexClear Regulations and under the FCM Regulations in respect of FCM ForexClear Contracts; <a href="#">or (ix) under the Listed Interest Rates Regulations</a> |
| "settlement contract" | means a contract between the Clearing House and a Member arising pursuant to Regulation 23(b) <del>or</del> Regulation 75(b) <a href="#">or Regulation 99(a)</a>   |
| "settlement price"    | means one or more prices determined and issued by an Exchange in accordance with its Exchange Rules in respect of a delivery month or prompt date<br><br>In relation to a Contract other than an exchange contract, one or more prices determined in accordance with the Regulations or the Procedures.  |
| "SONIA"               | means the overnight rate as calculated by the Wholesale Market Broker's Association and appearing on the Reuters Screen SONIA Page (or, if such a rate is not available, such SONIA-linked rate as may be determined in light of market conditions at such time by the Clearing House and notified by the Clearing House to Clearing Members)  |

**"Special Member"**

means:

- (a) an organisation which has the necessary licences, authorisations and approvals to act as a clearing house or otherwise provide clearing services or an organisation which has the necessary licences, authorisations and approvals to administer a futures, options, stock or other market and also to act as a clearing house in respect of such market or markets; or
- (b) an organisation carrying on comparable activities, as the Clearing House may determine from time to time,

which has concluded a Clearing Membership Agreement with the Clearing House in such form as the parties may agree, pursuant to which such organisation clears specific types of Contract and agrees to be bound by these Regulations as a Member, to the extent and subject to any variations agreed in such Clearing Membership Agreement

**"Specified Exchange"**

means London Stock Exchange plc, Nodal Exchange LLC, Hong Kong Mercantile Exchange Limited or any Exchange succeeding to any such person

**"Standard Terms"**

means that part of the SwapClear Contract Terms, the RepoClear Contract Terms, the LCH EnClear Contract Terms, ~~or~~ 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

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| <b>"SwapClear Transaction"</b>                  | means any transaction the details of which are presented to the Clearing House via an Approved Trade Source System for the purpose of having such transaction registered at the Clearing House as two SwapClear Contracts or one SwapClear Contract and one FCM SwapClear Contract (as the case may be), regardless of whether such transaction (a) is an existing swap transaction, (b) was entered into in anticipation of clearing, or (c) is contingent on clearing |
| <b>"SwapClear Unfunded Contribution"</b>        | has the meaning assigned to it in Rule S7 of Part A of the Rates Service Default Fund Supplement – SwapClear  |
| <b>"SwapClear Unfunded Contribution Notice"</b> | has the meaning assigned to it in Rule S7 of Part A of the Rates Service Default Fund Supplement – SwapClear  |
| <b>"SwapClear Voluntary Payment"</b>            | has the meaning assigned to it in Rule S10 of the SwapClear Default Fund Supplement   |
| <b>"SwapClear Voluntary Payment Notice"</b>     | has the meaning assigned to it in Rule S10 of the SwapClear Default Fund Supplement   |
| <b>"TARGET2"</b>                                | means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007  |
| <b>"Target Settlement Day"</b>                  | means any day on which TARGET2 is open for the settlement of payments in euro   |
| <b>"tender"</b>                                 | means a notice given by or on behalf of a seller (or buyer where Exchange Rules so require) pursuant to Exchange Rules, these Regulations and the Procedures, <u>as applicable,</u> of an intention to make (or take) delivery of a <u>reference asset or</u> commodity   |

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| <b>"Trading Platform Particulars"</b>   | means the orders or other trade particulars submitted in respect of the sale or purchase of EquityClear Eligible Equities or EquityClear Eligible ccCFD(s), to an ATP in accordance with the relevant ATP Market Rules by, or on behalf of, an EquityClear Clearing Member or, in the case of an EquityClear Mixed Member Match, by, or on behalf of a member of a relevant Co-operating Clearing House           |
| <b>"Trading System"</b>                 | means the Nodal Trading Facility <del>or the NLX Trading Facility (as applicable)</del>   |
| <b>"Treasury Account"</b>               | means any accounting process under which an amount due under a Treasury Contract from a member to the Clearing House is set off against any amount due from the Clearing House to that Member   |
| <b>"Treasury Contract"</b>              | means any contract, including a contract of deposit, entered into by the Clearing House with that Member for purposes of, in connection with or otherwise in the course of its treasury management activities (and excluding, for the avoidance of doubt, ATS Contracts)  |
| <b>"Unallocated Excess"</b>             | has the meaning assigned to it in the FCM Regulations   |
| <b>"Unallocated Excess Sub-Account"</b> | has the meaning assigned to it in the FCM Regulations   |
| <b>"Undertaking to Pay or Deliver"</b>  | has the meaning ascribed to such term in Regulation 11(c)   |
| <b>"Unfunded Contribution"</b>          | means the unfunded Contribution of a Clearing Member referable to a specific Service provided by the Clearing House   |
| <b>"US Trading Venue"</b>               | means a swap execution facility or designated contract market registered as such with the CFTC which the Clearing House has approved for the purposes of having transactions executed thereon submitted to the Clearing House for registration. For the avoidance of doubt, a US Trading Venue need not be an Approved Trade Source System  |
| <b>"US Trading Venue Transaction"</b>   | means, in respect of a Clearing Member, a transaction recorded in the Clearing House's systems (via applicable messaging from the relevant US Trading Venue, Approved Trade Source System or otherwise) as a transaction that was executed on a swap execution facility or designated contract market that, as at the time of such execution, was an Eligible US Trading Venue in respect of such Clearing Member |

### **REGULATION 3 PERFORMANCE BY THE CLEARING HOUSE OF ITS OBLIGATIONS UNDER THE TERMS OF AN OPEN CONTRACT**

The Clearing House's obligations under the terms of an open contract shall be performed (a) in the manner and form and by such day and time as may be prescribed in Exchange Rules (where applicable), these Regulations or the Procedures, and (b) in the case of an open contract to which the Clearing House is party with a Member which is a Co-operating Clearing House, in accordance with the terms of any agreement made with such Member, save that (i) where Exchange Rules specify a time by which the seller or the buyer shall perform its obligations under the terms of an exchange contract, the Clearing House shall be deemed to have complied with Exchange Rules if it performs its obligations under the terms of an open contract, as seller or buyer, as the case may be, promptly after such time, unless Exchange Rules expressly provide that performance must be made by the Clearing House by such time; and (ii) where the Economic Terms of an OTC Contract, or the SwapClear STM Terms, or the EquityClear Contract Terms, ~~or the LCH EnClear Contract Terms,~~ or the Listed Interest Rates Contract Terms specify a time by which a party thereto shall perform its obligations, the Clearing House shall be deemed to have complied with the Economic Terms, or the SwapClear STM Terms, or the EquityClear Contract Terms or the LCH EnClear Contract Terms, as applicable, if it performs its obligations promptly after such time.

## REGULATION 7 NON-MEMBER MARKET PARTICIPANT STATUS

- (a) In accordance with this Regulation 7 and the Procedures, an NCP may submit instructions and present Exchange Transactions ~~or~~, EquityClear trades or Listed Interest Rates trades to the Clearing House on behalf of a Clearing Member.
- (b) A Clearing Member must, in accordance with the Procedures, notify the Clearing House of the appointment of an NCP as the Clearing Member's agent.
- (c) The Clearing House shall be entitled to rely on information and instructions received from an NCP. The Clearing Member remains fully responsible for meeting all obligations to the Clearing House in respect of all Contracts arising from such instructions delivered by or on behalf of an NCP.
- (d) The termination by the Clearing Member of its arrangement with an NCP shall be without prejudice to the Clearing Member's obligations arising from or in relation to any Exchange Transaction, EquityClear trades, Listed Interest Rates trades or Contracts arising prior to such termination.



#### REGULATION 14 ALLOCATION OF ORIGINAL ~~EXCHANGE~~ CONTRACTS

- (a) Any Member proposing to allocate an original contract to another Member or to a member of an Exchange who is not a Member shall do so in such manner and form and by such time as may be prescribed by the Procedures. Allocation of an original contract by or on behalf of a Member pursuant to the Procedures shall constitute confirmation of the original contract by such Member.
- (b) Unless it is intended that an original contract be allocated in accordance with the Procedures to another Member or to a member of an Exchange who is not a Member, any contract allocated to a Member or to a member of an Exchange who is not a Member shall be confirmed or, where the Procedures so prescribe, shall be deemed to have been confirmed to the Clearing House by or on behalf of such Member or, as the case may be, the Member who acts as the clearing member for such member of the Exchange, in such manner and form and by such time as may be prescribed by the Procedures. If such contract is allocated on by or on behalf of such Member to another Member or to a member of an Exchange who is not a Member, such act of allocation shall constitute confirmation of the contract by such Member.
- (c) Where an original contract is allocated to a Member or to a member of an Exchange who is not a Member pursuant to paragraph (a) or (b) above and the Clearing House does not receive confirmation of such contract from that Member or the Member acting as clearing member for such member, as the case may be, within the relevant time prescribed by the Procedures, the Clearing House shall, subject to Regulation 16, register such contract in the name of the Member who sought to allocate the contract.
- (d) Notwithstanding paragraph (c) above, a Member may from time to time agree in writing with the Clearing House that he shall accept for registration in his name any original contract allocated to him in accordance with paragraphs (a) or (b) above and such Member shall be deemed to have confirmed such contract in accordance with the Procedures.
- (e) No original contract on the terms of an exchange contract may be allocated under this Regulation 14 to any Member who is not authorised under Exchange Rules to have original contracts on the terms of that exchange contract registered in his name.
- (f) Notwithstanding the provisions of the Procedures, the Clearing House may, without assigning any reason, make any allocation of an original contract subject to any conditions stipulated by it.

## REGULATION 16 REGISTRATION

- (a) The Clearing House shall not register an original exchange contract in the name of a Member unless such contract has been confirmed or deemed confirmed pursuant to Regulation 12, 14 or 27 by or on behalf of a Member as a buyer and a Member as a seller who thereby have consented to such contract being registered in his name. For the avoidance of doubt, the same Member may act in a capacity of seller and buyer in respect of such registration of a contract. The Clearing House shall register a contract in the name of a Member which is a Co-operating Clearing House in accordance with the terms of any agreement made with the Co-operating Clearing House and none of the following paragraphs shall apply in respect of a Member which is a Co-operating Clearing House.
- (b) Where the Procedures so provide the Clearing House may require the Members in whose names one or more contracts are to be registered to transfer Collateral to the Clearing House in respect of their initial and variation margin obligations as a condition of registration of such contract or contracts, and such Collateral shall be transferred to the Clearing House in accordance with Regulation 20 and, if applicable, the SwapClear Regulations, the RepoClear Regulations, the EquityClear Regulations, the LCH EnClear Regulations, the ForexClear Regulations ~~and~~, the LSE Derivatives Markets Regulations and the Listed Interest Rates Regulations.
- (c) The Clearing House may decline to register a contract in the name of a Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any contract subject to any conditions stipulated by the Clearing House including, without limitation, the transfer of sufficient Collateral by both Members in whose name any such contract is to be registered.
- (d) No original exchange contract for a commodity shall be registered in the name of a Member who is not entitled under Exchange Rules to have original exchange contracts for such commodity registered in his name.
- (e) The Clearing House shall be deemed to register in the name of a Member an original contract or RepoClear Transaction at the Registration Time in respect of the relevant type of Contract, provided that, in the case of a Contract registered by the Clearing House pursuant to Rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this Regulation 16 shall take effect.
- (f) Without prejudice to the Clearing House's rights under paragraph (g) of this Regulation, a Clearing Member shall be bound by a Contract registered in its name pursuant to the presentation of particulars of an Exchange Transaction, an OTC Transaction, an Eligible EnClear Trade ~~or~~, an EquityClear Novation Transaction, or a Listed Interest Rates Novation Transaction, as the case may be, by him or on his behalf, including: (i) in the case of a RepoClear Transaction or RepoClear GC Transaction, where such particulars are presented by a RepoClear Dealer with whom it is party to a RepoClear Dealer Clearing Agreement; (ii) in the case of a ForexClear Transaction, where such particulars are presented by a ForexClear Dealer with whom it is party to a FDC Agreement; (iii) in the case of an Eligible EnClear Trade, where such particulars are presented by an Approved Broker or otherwise on the Clearing

Member's behalf; ~~and~~ (iv) in the case of an EquityClear Novation Transaction, where such particulars are submitted by an NCP; and (v) in the case of a Listed Interest Rates Novation Transaction, where such particulars are submitted by an NCP.

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

no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a contract as a Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as the relevant type of Contract.

- (j) An Exchange Transaction, EquityClear Novation Transaction, Eligible EnClear, ~~Trade or~~ OTC Transaction or Listed Interest Rates Novation Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as two Contracts, one between the First Clearing Member as the seller, Reference Currency Seller or party paying a Fixed Price (as the case may be) and the Clearing House as the buyer, Reference Currency Buyer or party paying a Floating Price (as the case may be) as principals to such contract, and the other between the Clearing House as the seller, Reference Currency Seller or party paying a Fixed Price (as the case may be) and the Second Clearing Member as the buyer, Reference Currency Buyer or party paying a Floating Price (as the case may be) as principals to such contract. For the purposes of this Regulation 16:

(i) "First Clearing Member" is a Clearing Member who:

- (A) was, before registration of the Contract party to the corresponding Exchange Transaction, Eligible EnClear Trade or OTC Transaction as the seller or the party paying a Fixed Price (as the case may be), or, if appropriate, who has Accepted such Eligible EnClear Trade in accordance with the relevant Procedures;
- (B) in the case of a Repo Transaction, has a subsisting RepoClear Dealer Clearing Arrangement with a RepoClear Dealer who was party to the corresponding Repo Transaction as the seller;
- (C) in the case of a ForexClear Transaction, was, before registration of the ForexClear Contract, party to the corresponding ForexClear Transaction as the Reference Currency Seller, or who has a subsisting FDC Agreement with the ForexClear Dealer who was party to the corresponding ForexClear Transaction as the Reference Currency Seller; ~~or~~

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

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

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

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

if appropriate, who has Accepted such Eligible EnClear Trade in accordance with the relevant Procedures;

- (B) in the case of a Repo Transaction, has a subsisting RepoClear Dealer Clearing Arrangement with a RepoClear Dealer who was party to the corresponding Repo Transaction as the buyer;
- (C) in the case of a ForexClear Transaction, was, before registration of the ForexClear Contract, party to the corresponding ForexClear Transaction as the Reference Currency Buyer, or who has a subsisting FDC Agreement with the ForexClear Dealer who was party to the corresponding ForexClear Transaction as the Reference Currency Buyer; ~~or~~

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

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

- (iii) In the case of an EquityClear Novation Transaction which is an EquityClear Mixed Member Match, Regulation 69(c) applies.
- (iv) For the purposes of this Regulation 16(j), "Accepted" shall mean that the relevant LCH EnClear Clearing Member has agreed, by such means as may be prescribed from time to time by the Procedures, to become counterparty with the Clearing House to such LCH EnClear Contract.

(k) With effect from registration of an Exchange Transaction, EquityClear Novation Transaction, Eligible EnClear Trade~~or,~~ OTC Transaction or Listed Interest Rates Novation Transaction as two Contracts under paragraph (i) of this Regulation 16:

- (i) the parties to the corresponding Eligible EnClear Trade (to the extent that they are bound by these Regulations), Exchange Transaction, EquityClear Novation Transaction~~or,~~ OTC Transaction or Listed Interest Rates Novation Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time; where the parties to the corresponding Eligible EnClear Trade are not bound by these Regulations, such trade shall be dealt with according to the terms agreed by the parties to that trade;
- (ii) each Contract registered under paragraph (j) of this Regulation 16 shall be governed by the relevant Contract Terms applicable to that Contract and the General Regulations and Procedures;
- (iii) subject always to sub-paragraph (ii) above, the First Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the respective Contract to which it is a party as the seller, Reference Currency Seller or party paying a Fixed Price (or the person

identified as acting as clearing member for that person) had and owed in respect of its counterparty under the corresponding Exchange Transaction, Eligible EnClear Trade, EquityClear Novation Transaction~~—or—~~ OTC Transaction or Listed Interest Rates Novation Transaction; and

- (iv) subject always to sub-paragraph (ii) above, the Second Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the respective Contract to which it is a party as the buyer, Reference Currency Buyer or party paying a Floating Price (or the person identified as acting as clearing member for that person) had and owed in respect of its counterparty under the corresponding Exchange Transaction, Eligible EnClear Trade, EquityClear Novation Transaction~~—or—~~ OTC Transaction or Listed Interest Rates Novation Transaction.

In sub-paragraphs (iii) and (iv) above, a reference to the "same" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the corresponding Exchange Transaction or the Economic Terms of the corresponding OTC Transaction, Eligible EnClear Trade~~—or—~~ EquityClear Novation Transaction or, where applicable, Listed Interest Rates Novation Transaction (it being assumed, for this purpose, that such Exchange Transaction, EquityClear Novation Transaction, Eligible EnClear Trade~~—or—~~ OTC Transaction or Listed Interest Rates Novation Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and, in the case of an EquityClear Novation Transaction, Eligible EnClear Trade~~—or—~~ OTC Transaction or, where applicable, a Listed Interest Rates Novation Transaction, that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them and subject to any changes thereto as a result of the operation of the Standard Terms or of the EquityClear Contract Terms, as applicable.

- (l) If an Exchange Transaction, Eligible EnClear Trade, EquityClear Novation Transaction~~—or—~~ OTC Transaction or Listed Interest Rates Novation Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any Contract unless otherwise determined by the Clearing House.
- (m) In the case of a Repo Transaction, the Clearing House may, with the agreement of RepoClear Clearing Members party to corresponding RepoClear Contracts (excluding ATS Contracts) or RepoClear GC Contracts (excluding ATS Contracts), set aside or take such other steps with respect to such Contracts on such terms as may be agreed if either or both RepoClear Clearing Members consider that they have entered into a Contract in error or have agreed to certain terms of the Contract in error.
- (n) In the case of ATS Contracts, the Clearing House and the RepoClear Clearing Member may agree to set aside or take such other steps with respect to such ATS Contracts on such terms as may be agreed if both the Clearing House and the RepoClear Clearing Member consider that they have entered into an ATS Contract in error or have agreed to certain terms of the ATS Contract in error.

## CHAPTER V – COLLATERAL AND VALUATIONS

### REGULATION 20 MARGIN AND COLLATERAL

- (a) The Clearing House may in accordance with the Procedures require a Member to transfer Collateral to the Clearing House, and to maintain a Clearing Member Current Collateral Balance, in an amount or of a value determined by the Clearing House, as security for the performance by such Member of its obligations to the Clearing House in respect of all contracts from time to time to be registered in his name as open contracts pursuant to these Regulations. The obligation upon a Member to transfer Collateral to the Clearing House pursuant to this paragraph shall be in addition to any other obligation of the Member to transfer Collateral or make any other payment to the Clearing House pursuant to these Regulations or any OTC Contract Terms.
- (b) The Clearing House may in accordance with the Procedures require a Member to transfer Collateral to the Clearing House in respect of initial or variation margin in circumstances prescribed by the Regulations and the Procedures in respect of any open contract registered in the Member's name, such Collateral to be transferred by the Member in such form and manner and by such time or times as may be prescribed by the Procedures.
- (c) If insufficient Collateral is standing to the credit of a Member's account, or if any assets or monies transferred by a Member to the Clearing House as Collateral are determined by the Clearing House in accordance with the Procedures to be insufficient, such Collateral as the Member is required to transfer to the Clearing House pursuant to paragraph (b) above or Regulation 16 or the SwapClear Regulations, the RepoClear Regulations, the EquityClear Regulations, the LCH EnClear Regulations, or LCH EnClear Regulations, the LSE Derivatives Markets Regulations ~~or~~, the ForexClear Regulations or the Listed Interest Rates Regulations, as applicable, shall be transferred to the Clearing House by the Member in such form and manner and by such time or times as may be prescribed by the Procedures.
- (d)
- (i) The Clearing House shall be entitled to assume that all securities and other assets transferred by a Member to the Clearing House as Collateral pursuant to these Regulations or under the terms of any agreement made with the Member are the sole legal and beneficial property of the Member or are transferred for the purposes of these Regulations with the legal and beneficial owner's unconditional consent and free of such owner's interest. A Member may not transfer securities or other assets to the Clearing House as Collateral otherwise than in conformity to this paragraph. It shall be accepted by every person dealing on the terms of these Regulations that a Member has such person's unconditional consent to transfer to the Clearing House as Collateral for the purposes of these Regulations any securities or other assets of such person in the Member's possession, free of such person's interest.
- (ii) Each Member represents and warrants to the Clearing House as at each date on which such Member transfers securities or other assets to the Clearing House as Collateral pursuant to these Regulations (a) that such Member is the sole legal and beneficial owner of those securities or other assets or, as the case may be, those securities or other assets are so transferred with the legal

and beneficial owner's unconditional consent and free of such owner's interest and (b) that the provision to the Clearing House of such securities or other assets pursuant to these Regulations will not constitute or result in a breach of any trust, agreement or undertaking whatsoever.

(iii) The Clearing House may, in its absolute discretion and at any time require a Member to transfer other securities or assets to the Clearing House in substitution of any securities or assets transferred to the Clearing House pursuant to this Regulation 20.

- (e) The rate of initial margin in respect of each exchange contract and each Listed Interest Rates Contract (other than a Designated Listed Interest Rates Contract) shall be determined from time to time by the Clearing House after consultation with the relevant Exchange and such rate shall be published from time to time by the Clearing House. Subject to paragraph (g) below, any alteration of the rate so determined shall take effect on the expiry of such period of notice to Members as shall from time to time be agreed with the relevant Exchange. Any such notice shall be given to Members in accordance with the Procedures.
- (f) The rate of initial margin in respect of each category of OTC Contract shall be determined from time to time by the Clearing House, and such rate shall be published from time to time by the Clearing House. The rate of initial margin in respect of EquityClear Contracts ~~and~~ LCH EnClear Contracts and Designated Listed Interest Rates Contracts respectively shall be determined from time to time by the Clearing House and such rate shall be published from time to time by the Clearing House.
- (g) Notwithstanding paragraph (e) or paragraph (f) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to a Member or, where applicable, to an Exchange, to modify the rate of initial margin applicable to an exchange contract, ~~to an OTC Contract or to~~ EquityClear Contracts, ~~or to~~ LCH EnClear Contracts or to Listed Interest Rates Contracts, or to demand larger or additional amounts of Collateral in respect of the initial margin obligations of a Member, either before registration of a contract or at any time after registration. Any Collateral demanded by the Clearing House pursuant to this paragraph shall be transferred by the Member to the Clearing House on demand and in such form as the Clearing House may require.
- (h) The Clearing House shall be entitled at any time to demand from a Member the immediate transfer of Collateral in respect of that Member's margin obligations in an amount deemed necessary by the Clearing House without reference to official quotations or Reference Prices in respect of any open contract in the Member's name, if, in the opinion of the Clearing House, the transfer to the Clearing House of such Collateral by the Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the Member's performance of its obligations under the terms of such contracts or under the terms of any original or confirmed contract to which the Member is party.
- (i) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and published on the Clearing House's website, in respect of any non-cash Collateral (other than Clearing Member Returned Collateral



or Clearing Member Applied Collateral) transferred to the Clearing House. Any alteration in the basis of calculating the rates of accommodation charge shall become effective in respect of all current and future business by the time as published on the Clearing House's website.

- (j) Without prejudice to the requirements of paragraph (e) or (f) above, the Clearing House may at its absolute discretion accept Collateral to an agreed amount in a form other than those specified in the Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of Collateral in accordance with its standard risk management procedures and to any special arrangements which the Clearing House may prescribe in each case (including as to valuation and haircut). The Clearing House may at its discretion make an accommodation charge at a special rate.
- (k) If, in the opinion of the Clearing House, any asset which has been transferred to it by a Member as Collateral pursuant to these Regulations is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further Collateral from such Member. Such Collateral shall be transferred by such Member to the Clearing House on demand in a form prescribed by the Procedures, **provided that** at any time the Clearing House shall be entitled to require the Member to transfer Collateral to the Clearing House in a specified form and to demand that the Member replace the whole or part of any asset transferred to the Clearing House by that Member pursuant to these Regulations with Collateral in the form of cash.
- (l) Any request by a Clearing Member (including, for the avoidance of doubt, a Resigning Member or a Retiring Member) for the release or return of excess Collateral shall be dealt with in accordance with the Procedures.
- (m) If the Clearing House takes any step or steps under the Default Rules in relation to a Member, any sum (including without limitation the price due to be paid by the Clearing House in respect of the delivery of any property or currency by or on behalf of the Member) standing to the credit of any of the Member's accounts shall be treated as Collateral.
- (n) Unless the Clearing House otherwise agrees in writing or as expressly contemplated by the Rulebook, no Member may assign or otherwise transfer its right to the return of any Collateral or Contributions transferred to the Clearing House in the form of cash. Any such purported assignment or transfer by a Member (whether by way of security or otherwise) shall be void. A Member shall not otherwise encumber (or seek to encumber) its right to the return of any cash Collateral or Contributions transferred to the Clearing House.
- (o) Where the Clearing House is party to a Link Agreement with a Co-operating Clearing House:
  - (i) the Clearing House may request collateral from that Co-operating Clearing House in whatever form may be stipulated in the terms of that Link Agreement; and

## REGULATION 21 PREMIUM UNDER OPTION CONTRACTS

- (a) The premium payable by a buyer under the terms of an option contract shall be paid by the buyer to the Clearing House in the form and manner prescribed in the Procedures and by the time specified in Exchange Rules or the Procedures with respect to the relevant ~~exchange~~ contract.
- (b) The Clearing House shall pay to a seller under the terms of an option contract his premium in accordance with the Procedures and by the time specified in Exchange Rules or the Procedures with respect to the relevant ~~exchange~~ contract.

## CHAPTER VI – OPTIONS, OPEN CONTRACTS SUBJECT TO TENDER AND DELIVERY CONTRACTS

### REGULATION 26 EXERCISE OF OPTIONS

- (a) An option may, subject to paragraph (d) below, be exercised, or deemed to be exercised, or abandoned in accordance with paragraph (b) or (c) below on the day and by the time prescribed by Exchange Rules; ~~or, if there is no such prescribed day or time, by the day and time specified in the~~ where relevant, the Procedures. If any prescribed day is not a business day, an option may be exercised, deemed to be exercised, or abandoned on such day as may be prescribed by the relevant Exchange Rules, or, where relevant, the Procedures, or if no such day is so prescribed, on the next business day.
- (b) Subject to Exchange Rules or, where relevant, the Procedures, an option may be exercised by notice in writing or in such other form as may be prescribed by Exchange Rules or the Procedures and in the manner prescribed by the Procedures, and if not so exercised by the day and time referred to in paragraph (a) above, the option shall either expire or, if Exchange Rules or, where relevant, the Procedures, so provide, be deemed to have been exercised in accordance with Exchange Rules or, where relevant, the Procedures.
- (c) Subject to Exchange Rules or, where relevant, the Procedures, an option may be abandoned by notice in writing or in such other form as may be prescribed by Exchange Rules or, where relevant, the Procedures and in the manner prescribed by the Procedures and if not so abandoned by the day and time referred to in paragraph (a) above, the option shall be deemed to have been exercised in accordance with the Exchange Rules or, where relevant, the Procedures.
- (d) If permitted under Exchange Rules or, where relevant, the Procedures, an option may be exercised or abandoned by or on behalf of a Member prior to the day and time referred to in paragraph (a) above in accordance with Exchange Rules or, where relevant, the Procedures.
- (e) The Clearing House shall be entitled to rely and act upon any form of exercise or abandonment made in accordance with paragraphs (b), (c) or (d) above without making any enquiry, investigation or check as to whether it complies with the Exchange Rules or, where relevant, the Procedures, or as to the authority of any person purporting to exercise or abandon an option on behalf of a Member save that the Clearing House may reject any notice of exercise or abandonment (or exercise or abandonment made in such other prescribed form, as the case may be) if it does not appear to comply with Exchange Rules or the Procedures notwithstanding that it may as buyer have passed on such notice or other prescribed form of exercise or abandonment to a seller.
- (f) Subject to paragraph (e) above, no notice (or other form) of exercise or abandonment once received by the Clearing House may be cancelled or withdrawn.
- (g) Where the Clearing House is a buyer under the terms of an option contract, the Clearing House may exercise or abandon an option in accordance with Exchange Rules or the Procedures, as applicable, and in accordance with Regulation 3.

- | (h) Upon the exercise or deemed exercise of an option pursuant to ~~this~~ Regulation 12(c) and Regulation 26 shall come into effect.

## REGULATION 27 DELIVERY CONTRACT ARISING UPON THE EXERCISE OF AN OPTION

- (a) Subject to these Regulations open contracts which are delivery contracts shall be fulfilled in accordance with Exchange Rules or, where relevant, the Procedures. No delivery contract shall be for a unit or quantity smaller than one lot and the amount or quantity to be delivered shall be one lot or such other amount or quantity as may be specified for the commodity in (i) Exchange Rules from time to time after agreement with the Clearing House- or (ii) where relevant, the Product Specific Contract Terms and Eligibility Criteria Manual.
- (b) Where an open contract which is a delivery contract arises by novation pursuant to Regulation 12(c) upon the exercise or deemed exercise of an option, the buyer under the terms of the delivery contract shall give to the Clearing House such information as may be prescribed by Exchange Rules or, where relevant, the Procedures by the time and in the manner specified in Exchange Rules or the Procedures. The Clearing House as buyer under the terms of a delivery contract shall, in accordance with Regulation 3, give to the seller under the terms of such contract, such information as may be prescribed by Exchange Rules or the Procedures.
- (c) The seller under the terms of a delivery contract shall deliver the commodity to the Clearing House as buyer in such manner and at such time as may be prescribed in Exchange Rules or, where relevant, the Procedures, and the Clearing House as seller under the terms of a delivery contract shall, in accordance with Regulation 3, deliver the commodity the subject of such contract to a Member as buyer under the terms of such contract.
- (d) The buyer shall pay the price and such other amounts to the Clearing House as may be required by Exchange Rules or, where relevant, the Procedures in the form and manner and by the time prescribed in Exchange Rules or the Procedures, and the Clearing House shall, in accordance with Regulation 3, pay the seller his price and such other amounts as may be required by Exchange Rules or, where relevant, the Procedures.
- (e) Notwithstanding paragraphs (c) and (d) above, the Clearing House may in its absolute discretion in accordance with the Procedures:
- (i) direct a Member who is a seller under a delivery contract to deliver the commodity the subject matter of such contract to such other Member, being a buyer under a delivery contract, as the Clearing House may appoint; and
  - (ii) direct a Member who is a buyer under a delivery contract to pay the price and any other amounts payable pursuant to such contract to such other Member, being a seller under a delivery contract, as the Clearing House may appoint;

and delivery or payment in accordance with such direction shall constitute the due performance of such obligations of such buyer or seller as the case may be towards the Clearing House. Each Member agrees that it will accept delivery of a commodity, or as the case may be, payment of the price, from a Member directed in accordance with (i) or (ii) above, in satisfaction of the obligations owed to it by the Clearing

**REGULATION 28 OBLIGATION TO MAKE AND ACCEPT TENDER UNDER CLEARED EXCHANGE CONTRACTS**

- (a) Subject to these Regulations open contracts which are Cleared Exchange Contracts ~~or~~, LSE Derivatives Markets Cleared Exchange Contracts, or Listed Interest Rates Contracts shall be fulfilled in accordance with Exchange Rules or the Procedures. No Cleared Exchange Contract or Listed Interest Rates Contract shall be for a unit or quantity smaller than one lot and the amount or quantity tendered shall be for one lot or such other amount or quantity as may be specified for the commodity in (i) Exchange Rules from time to time after agreement with the Clearing House or (ii) where relevant, the Product Specific Contract Terms and Eligibility Criteria Manual. Where the terms of a Cleared Exchange Contract ~~or~~, LSE Derivatives Markets Cleared Exchange Contract or Listed Interest Rates Contract so permit, the Clearing House may give directions to one or more Members concerning the performance of such contract and in such case each such Member shall be bound by and shall comply with any such direction.
- (b) Paragraphs (c) to (l) below and Regulation 30 and Regulation 31 shall not apply to Cleared Exchange Contracts ~~and~~, LSE Derivatives Markets Cleared Exchange Contracts and Listed Interest Rates Contracts, which are contracts for differences or such option contracts as the Procedures may prescribe. Members shall fulfil their obligations to the Clearing House under the terms of such contracts in the manner and by the time prescribed by Exchange Rules, these Regulations and the Procedures, as applicable. The Clearing House shall fulfil its obligations as seller or buyer, as the case may be, under the terms of such contracts in accordance with Regulation 3. Regulation 29 shall apply and paragraphs (c) to (l) below shall not apply to delivery contracts.
- (c) A Member, as seller in respect of a Cleared Exchange Contract or Listed Interest Rates Contract in his name which is not to be settled pursuant to Regulation 23 or Regulation 25 and the Procedures, shall give a tender to the Clearing House as buyer, together with such other documents as may be required by Exchange Rules or the Procedures by the time specified in Exchange Rules or the Procedures in respect of ~~a~~ Cleared Exchange such Contract for a particular delivery month or prompt date, and in the form and manner prescribed by Exchange Rules or the Procedures. The Clearing House, as seller in respect of a ~~Cleared Exchange~~ Contract for which is not to be settled a tender has been submitted pursuant to this paragraph (c). Regulation 23 or Regulation 25 ~~and the Procedures,~~ shall in accordance with Regulation 3 give a tender to the buyer under the terms of such contract, together with such other documents as may be required by Exchange Rules or the Procedures.
- (d) A seller or buyer shall give to the Clearing House such additional documents or information required by Exchange Rules or, where relevant, the Procedures to be given in respect of an open contract subject to tender by the time prescribed by Exchange Rules or, where relevant, the Procedures and in the form and manner specified therein or in the Procedures. The Clearing House as seller (or buyer) under the terms of an open contract subject to tender shall in accordance with Regulation 3 give such additional documents or information to the buyer (or seller) under the terms of such contract.

- (e) The Clearing House shall be under no obligation to check a tender or documents received from a Member pursuant to paragraph (c) or (d) above. The passing on by the Clearing House of such tender or such documents received from a seller (or buyer as the case may be) pursuant to the terms of an open contract subject to tender, to a buyer (or seller as the case may be) pursuant to the terms of an open contract subject to tender, shall not constitute acceptance by the Clearing House of such tender or such documents, and if the Member to whom it passed on such tender or such documents rejects the same where permitted by Exchange Rules or, where relevant, the Procedures, the Clearing House shall be entitled to reject the same as against the Member from whom it received such tender or such documents.
- (f) Every buyer (not being the Clearing House) who has a Cleared Exchange Contract or Listed Interest Rates Contract in his name for the current delivery period or prompt date shall be bound to accept in fulfilment of the Clearing House's obligations as seller under paragraph (c) any tender or documents complying with Exchange Rules or, where relevant, the Procedures, which is given to him by the Clearing House in accordance with Regulation 3.
- (g) Subject to paragraph (e), no tender may be withdrawn or substituted by the seller once such tender is received by the buyer except with the consent of such buyer or otherwise in accordance with Exchange Rules or, where relevant, the Procedures.
- (h) Where permitted by Exchange Rules or, where relevant, the Procedures, a tender together with such other documents as may be required by Exchange Rules or the Procedures may be given to the Clearing House by or on behalf of a seller in respect of an original exchange contract or Listed Interest Rates Novation Transaction to which the seller is party, such tender to be given to the Clearing House together with such particulars of the contract as may be required by the Clearing House, including if required the name of the buyer in respect of such contract, by the time specified in Exchange Rules or the Procedures. Registration of such contract in the name of the seller shall be effected as prescribed by the Procedures.
- (i) The Clearing House may give a tender, together with such other documents as may be required by Exchange Rules or the Procedures, to a buyer in respect of an original exchange contract or Listed Interest Rates Novation Transaction to which the buyer is party. Such particulars of the contract as the Clearing House may require shall be furnished by or on behalf of the buyer to the Clearing House in accordance with Exchange Rules or the Procedures. Registration of such contract in the name of the buyer shall be effected as prescribed by the Procedures.
- (j) The Clearing House may give a tender and documents received from a seller pursuant to paragraph (h) above to a buyer in respect of an original exchange contract or Listed Interest Rates Novation Transaction to which the buyer is party, and shall do so as agent for the seller. The furnishing of particulars and the registration of such contract in the name of a buyer shall be effected as provided in paragraph (i) above. Upon registration of an original exchange contract or Listed Interest Rates Novation Transaction pursuant to paragraph (h), the giving of the tender and documents by the Clearing House to the buyer pursuant to this paragraph shall be deemed to have been given and accepted by such parties in fulfilment of their obligations under paragraph (c) and (f) above.

- (k) In implementing this Regulation, the Clearing House may effect and register such contracts in a Member's name as may be prescribed in the Procedures at a price determined by the Clearing House in accordance with the Procedures.
- (l) If Exchange Rules or, where relevant, the Procedures require a buyer to give a tender and a seller to receive a tender in respect of a Cleared Exchange Contract or Listed Interest Rates Contract, a reference in this Regulation and in Regulation 30 to a seller giving a tender shall be construed as being a reference to a buyer giving a tender and a reference to a buyer receiving a tender shall be construed as being a reference to a seller receiving a tender.



## REGULATION 29 DELIVERY CONTRACTS

- (a) The obligations of Members under delivery contracts shall be performed in accordance with the terms of such delivery contracts and in the manner and by the time prescribed by Exchange Rules, these Regulations and the Procedures, as applicable. The Clearing House shall fulfil its obligations as seller or buyer, as the case may be, under the terms of a delivery contract in accordance with Regulation 3 and the Procedures.
- (b) Where the terms of an open contract so permit, the Clearing House may give directions to one or more Members concerning the performance of such open contract and in such case each such Members shall be bound by and shall comply with any such direction.

## REGULATION 30 OPEN CONTRACTS SUBJECT TO TENDER

- (a) Without prejudice to the provisions of Regulation 31(a), under an open contract subject to tender or a delivery contract:
- (i) the buyer shall be obliged to pay his buying price to the Clearing House as seller in the manner and by the time prescribed by Exchange Rules or the Procedures;
  - (ii) the Clearing House as buyer shall be obliged to pay the seller his selling price in the manner and by the time prescribed by Regulation 3;
  - (iii) subject to Exchange Rules or, where relevant, the Procedures, any compensation, adjusting payment, or other allowance payable by or to either the buyer or seller under the terms of the open contract shall be paid to or by the Clearing House;
- (b) Notwithstanding that open contracts may have been settled under Regulation 23 a seller may, with the agreement of the Clearing House and by the time specified in the Procedures, give the Clearing House a tender in respect of any such contract so settled. Upon receipt of such tender, the Clearing House shall (unless the Procedures otherwise allow) effect on the Member's behalf re-opening contracts (that is a sale by the Member to the Clearing House and a purchase by the Member from the Clearing House of one lot, each on the same terms (including delivery) as the settled contract except as to price) and register such contracts as open contracts in the Member's name, the re-opening contracts to be effected at a price determined by the Clearing House or the Exchange as prescribed by the Procedures. The submission of a tender in accordance with the Procedures shall constitute confirmation of any such re-opening contracts and the seller's tender (or buyer's as the case may be) shall be deemed to have been made pursuant to his sale (or purchase) under the respective re-opening contract.
- (c) Notwithstanding that an open contract may have been settled under Regulation 23, the Clearing House may in accordance with the Procedures give a tender to a buyer under Regulation 28 as if the contract were still open and on so doing the Clearing House shall effect on the Member's behalf re-opening contracts (defined as in paragraph (b) above and to be effected as there described) and register such contracts as open contracts in the Member's name. The receipt by the Buyer of such tender shall constitute confirmation of the re-opening contract and shall be deemed to occur pursuant to the Member's purchase under the respective re-opening contract.
- (d) In implementing this Regulation, the Clearing House may effect and register such contracts in a Member's name as it may deem necessary for the purposes hereof or as may be prescribed in the Procedures and at a price determined by the Clearing House in accordance with the Procedures.

## REGULATION 31 ARRANGEMENTS FOR DELIVERY AND PAYMENT OF PRICE

- (a) In respect of its obligations under the terms of any open contract as seller to deliver a commodity to the buyer or as buyer to pay the price and any other payments required to be made under the terms of such contract to the seller, the Clearing House may in its absolute discretion in accordance with the Procedures:
- (i) direct a Member who is a seller under an open contract to deliver the commodity the subject matter of such contract to such other Member, being a buyer under an open contract as the Clearing House may appoint; and
  - (ii) direct a Member who is a buyer under an open contract to pay the price and any other amounts payable pursuant to such contract to such other Member, being a seller under an open contract as the Clearing House may appoint,

and delivery or payment in accordance with such direction shall constitute the due performance of such obligations of such buyer or seller as the case may be towards the Clearing House. Each Member agrees that it will accept delivery of a commodity or, as the case may be, payment of the price, and such other amounts from another Member in accordance with such direction in satisfaction of the obligations owed to it by the Clearing House to make payment of the price or such other amounts or to deliver the commodity under the terms of an open contract.

- (b) If an invoice is not ready when payment becomes due, payment shall be made and received on account.
- (c) A Member may from time to time agree in writing with the Clearing House in respect of such ~~exchange eC~~ contracts as are prescribed in the Procedures that he shall pay to and receive from the Clearing House in accordance with the Procedures a net amount in respect of his obligations to make or take delivery (as the case may be) of a commodity where such commodity is a currency and to make or receive payment (as the case may be) of the buying or selling price.
- (d) If a buyer where permitted by Exchange Rules or, where relevant, the Procedures, rejects the reference asset or commodity delivered to it pursuant to the Clearing House's obligations to make delivery of the reference asset or commodity under the terms of an open contract subject to tender, the Clearing House shall be entitled to reject the same as against the seller from whom it took delivery of the same under the terms of an open contract subject to tender, and the Clearing House shall not be deemed to have accepted a commodity delivered to it by a seller which it delivers on to a buyer until such buyer has accepted the commodity.

## REGULATION 32 RESTRICTIONS ON CLEARING HOUSE'S OBLIGATIONS AND LIABILITY

- (a) This Regulation shall apply to open contracts subject to tender and delivery contracts and shall not apply to contracts for differences or option contracts.
- (b) The Clearing House (or any other member of the LCH.Clearnet Group) shall not be liable in respect of a claim made against it in respect of an open contract subject to tender or a delivery contract by a Member concerning:
  - (i) a tender given by the Clearing House; or
  - (ii) any documents accompanying a tender as required by Exchange Rules or Procedures; or
  - (iii) the performance by the Clearing House of its obligations under an open contract to make delivery of a commodity or to pay the price; or
  - (iv) any other dispute or matter arising under the terms of such contract;

unless the conditions set out in paragraphs (c), (d) and (e) below are satisfied.

- (c) The Member shall (without prejudice to his taking any other steps which may be required of or open to him under the relevant Exchange Rules or the Procedures, as applicable) give written notice and particulars of his claim to the Clearing House not later than 17:00 hours (such time to be of the essence) on the seventh business day following the day on which, in accordance with the relevant Exchange Rules or the Procedures, as applicable, documents must be taken up and paid for by the buyer (whether or not a buyer fulfils such obligation), or if there are no such documents, not later than 17.00 hours (such time to be of the essence) on the seventh business day following the last day on which the buyer, in accordance with the relevant Exchange Rules or the Procedures, as applicable, must take delivery of the commodity (whether or not the buyer fulfils such obligation).
- (d) Where the relevant Exchange Rules or the Regulations provide for arbitration, the Member shall refer all disputes referred to in paragraph (b) above in respect of the contract to arbitration under the relevant Exchange Rules or the Regulations, as applicable, shall give to the Clearing House notice of such referral ~~pursuant to Exchange Rules~~ and details of any award made.
- (e) The Member shall promptly provide the Clearing House with such further particulars of his claim, as the Clearing House may from time to time require in writing.

**CHAPTER VIII – DEFAULT, DISORDER, IMPOSSIBILITY AND FORCE  
MAJEURE**

**REGULATION 35 DELIVERY (OR OTHER) FAILURES**

- (a) Without prejudice to the Default Rules and the Procedures, if a RepoClear Clearing Member, an EquityClear Clearing Member, a Listed Interest Rates Clearing Member or a Clearing Member acting in respect of an LSE Derivatives Markets Cleared Exchange Contract as seller fails to deliver securities or other instruments to the Clearing House under a RepoClear Contract, RepoClear GC Contract, EquityClear Contract, Listed Interest Rates Contract or LSE Derivatives Markets Cleared Exchange Contract by the due time therefor, the Clearing House may issue directions, in accordance with the Procedures, to the seller and to a Clearing Member as buyer under a corresponding Contract regarding the performance of such Contracts and such directions shall be binding on such Clearing Members.
- (b) The Clearing House shall be entitled to demand Collateral in respect of a Member's margin obligations in such amounts and in such form as it may require in accordance with the Procedures:
- (i) from a Clearing Member who has failed to deliver securities under a RepoClear Contract, RepoClear GC Contract or EquityClear Contract by the due time therefor and from the buying Clearing Member under the corresponding Contract; ~~and~~
- (ii) from a Clearing Member where it has failed to deliver securities or other instruments or pay the Price under an LSE Derivatives Markets Cleared Exchange Contract by the due time therefor; ~~and~~
- ~~(ii)(iii)~~ from a Listed Interest Rates Clearing Member where it has failed to deliver instrument or pay the Price under a Listed Interest Rates Contract by the due time therefor.
- (c) A Clearing Member who has failed to deliver securities or other instruments to the Clearing House under a RepoClear Contract, RepoClear GC Contract, EquityClear Contract, Listed Interest Rates Contract or LSE Derivatives Markets Cleared Exchange Contract, or to pay the Price shall indemnify the Clearing House in respect of all losses, costs, taxes and expenses suffered or incurred by the Clearing House in taking any steps under this Regulation 35.
- (d) Without prejudice to the Default Rules, if a selling Clearing Member acts in such a manner (which could, without limit, include persistent failure to deliver securities to the Clearing House under RepoClear Contracts, RepoClear GC Contracts, EquityClear Contracts, Listed Interest Rates Contracts or LSE Derivatives Markets Cleared Exchange Contracts (other than in circumstances where Regulation 37 and/or Regulation 38 apply)), and the Clearing House in its reasonable opinion (and, in the case of the LSE Derivatives Markets Service, after consultation with LSE) determines that the reputation of the relevant Service is being, or has been, undermined, the Clearing House shall be entitled to terminate, on written notice, either summarily or at the expiry of the period specified in the notice, the Clearing Member's ability to have RepoClear Contracts, RepoClear GC Contracts, EquityClear Contracts, Listed Interest

| [Rates Contracts](#) and/or LSE Derivatives Markets Cleared Exchange Contracts (as the case may be) registered in his name and to require him to liquidate or transfer under Regulation 18 open contracts, being RepoClear Contracts, RepoClear GC Contracts, EquityClear Contracts, [Listed Interest Rates Contracts](#) and/or LSE Derivatives Markets Cleared Exchange Contracts (as the case may be) registered in his name.

**REGULATION 37 MARKET DISORDERS, IMPOSSIBILITY OF PERFORMANCE, TRADE EMERGENCY**

- (a) Paragraph (c) of this Regulation 37 shall not apply to open contracts which are option contracts.
- (b) In relation to Cleared Exchange Contracts ~~and~~, LSE Derivatives Markets Cleared Exchange Contracts, and Listed Interest Rates Contracts (other than Designated Listed Interest Rates Contracts), if a Board, after consultation with the Clearing House, or the Clearing House, if it deems it impracticable to consult with the Board with respect to sub-paragraph (i) below only, or if the Clearing House, in relation to OTC Contracts ~~or~~, EquityClear Contracts, ~~or~~ LCH EnClear Contracts or Designated Listed Interest Rates Contracts determines that one of the following conditions is satisfied, namely:
- (i) a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under a Contract; or
  - (ii) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under a Contract; or
  - (iii) the EU or any international organisation, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under a Contract; or has given notice of its intention to do so or appears to be about to do so;

then:

- (iv) in respect of such open contracts which are OTC Contracts ~~or~~, EquityClear Contracts ~~or~~, LCH EnClear Contracts or Designated Listed Interest Rates Contracts as specified by the Clearing House, and notified to the affected Members, the Clearing House shall be entitled to invoice back such contracts in accordance with Regulation 39 and the Procedures at a price determined by the Clearing House or to require such Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such contracts; and
- (v) such open contracts which are Cleared Exchange Contracts or Listed Interest Rates Contracts (other than Designated Listed Interest Rates Contracts), for such delivery months, prompt dates or other delivery periods as the Board in consultation with the Clearing House or (where the Clearing House so determines without consultation with the Board) as the Clearing House shall specify (which may include open contracts under which tender or a notice or some other prescribed form of exercise has been given) shall, (unless the relevant Exchange Rules otherwise provide) upon the Board's (or the Clearing House's, as the case may be) formal announcement that such condition is

satisfied, be invoiced back in accordance with Regulation 39 and the Procedures at a price determined by the Board (or the Clearing House as the case may be). In the event that a price falls to be determined by the Clearing House it shall, adopt the settlement price which in the opinion of the Clearing House was last determined or announced by the Board pursuant to Exchange Rules.

Accounts shall be made up by the Clearing House in accordance with the Procedures for each Member who is a party to open contracts invoiced back pursuant to this paragraph. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such contracts invoiced back notwithstanding any further change of circumstances.

- (c) If, in the opinion of the Clearing House (and, in respect of Cleared Exchange Contracts, LSE Derivatives Markets Cleared Exchange Contracts, and Listed Interest Rates Contracts other than Designated Listed Interest Rates Contracts, after consultation with the relevant Board), a seller's complete performance of an open contract becomes impossible for any reason whatsoever (except in such circumstances as are set out in paragraph (b) above), the affected contract may at the Clearing House's option thereupon be closed by invoicing back at a price determined by the Clearing House (or, in respect of Cleared Exchange Contracts, LSE Derivatives Markets Cleared Exchange Contracts, and Listed Interest Rates Contracts other than Designated Listed Interest Rates Contracts, the Board), and such price shall be binding on all affected parties. Accounts shall be made up by the Clearing House in accordance with the Procedures.
- (d) If an Exchange determines in accordance with its Exchange Rules that an excessive position or unwarranted speculation or any other undesirable situation or practice is developing or has developed which is affecting or capable of affecting a market in a commodity, the Clearing House may take such action as is requested of it by such Exchange in respect of one or more open contracts for such commodity in a Member's name as may be provided by Exchange Rules, or as may be agreed between the Exchange and the Clearing House.

Any formal announcement made under this Regulation shall be made by notice posted up on the floor of the market or as prescribed by the Procedures.



## REGULATION 38 FORCE MAJEURE

- (a) Neither the Clearing House (nor any other member of the LCH.Clearent Group) nor a Member shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the terms of these Regulations or of any Contract if such failure, hindrance or delay arises out of events or circumstances beyond its control. Such events or circumstances may include, but are not limited to, acts of God or the public enemy, acts of a civil or military authority other than the acts referred in Regulation 37(b)(i), (ii) or (iii) above, terrorist or other criminal action, civil unrest, embargoes, fire, flood, labour dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, and any other causes beyond the parties reasonable control including, without prejudice to the foregoing, any causes specified in Exchange Rules.
- (b) On the happening of any one or more of the events or circumstances referred to in paragraph (a) above, which shall immediately be notified by the party prevented, hindered or delayed from performing any of the obligations referred to in paragraph (a) above to the other:
- (i) in respect of affected Cleared Exchange Contracts, ~~and~~ LSE Derivatives Markets Cleared Exchange Contracts and Listed Interest Rates Contracts other than Designated Listed Interest Rates Contracts, the Clearing House shall be entitled at the time prescribed in the relevant Exchange Rules or if no such time is prescribed at any time after receipt of such notice, to invoice back in accordance with Chapter IX, some or all Contracts in the Member's name at a price determined by the relevant Exchange, or where Exchange Rules permit, to take such other action as it deems necessary or desirable in respect of some or all Contracts in the Member's name or require the Member to take such action as the Clearing House may direct in respect of the same; and
  - (ii) in respect of affected OTC Contracts, affected EquityClear Contracts, affected LCH EnClear Contracts and affected ~~LCH EnClear~~ Designated Listed Interest Rates Contracts, the Clearing House shall be entitled to require any of the affected Contracts to be performed in accordance with directions issued by the Clearing House or invoiced back in accordance with Regulation 39, or shall be entitled to require the Member to take such action as the Clearing House may direct in respect of such Contracts.

## CHAPTER IX – INVOICING BACK AND CURRENCY CONVERSION

### REGULATION 39 INVOICING BACK

- (a) Invoicing back of a Member's Contracts pursuant to Regulation 37 or 38 or the Default Rules or otherwise shall be carried out by the Clearing House effecting and registering pursuant to the Procedures opposite contracts between itself and the Member at the price referred to in the relevant Regulation or, where applicable, in paragraph (d) below, and thereupon settling such Contracts against such opposite contracts.
- (b) The Clearing House shall, in addition to carrying out the process referred to in paragraph (a) above, register opposite contracts between itself and such other Members as the Clearing House may select in its absolute discretion in proportion to the net position of open contracts in their names for the same commodity and delivery month or prompt date as the Contracts invoiced back under paragraph (a) above to the nearest whole number of lots, or in the case of option contracts on the terms ~~of the exchange contracts~~ specified in the Procedures, for the same expiry month and strike price as the Contracts invoiced back under paragraph (a) above, or in the case of OTC Contracts on the same OTC Contract Terms as the Contracts invoiced back under paragraph (a) above, or in the case of EquityClear Contracts on the same EquityClear Contract Terms as the Contracts invoiced back under paragraph (a) above, or in the case of LCH EnClear Contracts on the same LCH EnClear Contract Terms, or in the case of Listed Interest Rates Contracts on the same Listed Interest Rates Contract Terms (as the case may be) as the Contracts invoiced back under paragraph (a) above, and thereupon settling such open contracts against such opposite contracts.
- (c) Where open contracts are invoiced back pursuant to Regulation 37(b) or Regulation 37(c) the Clearing House shall credit or debit (as the case may be) the Member's accounts affected by such invoicing back in accordance with Regulation 37(b) or Regulation 37(c), as applicable. Where a Contract is invoiced back under the Default Rules, the account of such other Member as may be affected under paragraph (b) above shall be made up in accordance with that paragraph.
- (d) Opposite contracts effected and registered by the Clearing House pursuant to:
- (i) paragraph (a) and (b) above, other than where done pursuant to the Default Rules, shall, subject to Regulation 37(b) or Regulation 37(c), be at a price or, where applicable, a premium fixed or determined by the relevant Board or, in the case of OTC contracts ~~or~~, EquityClear Contracts ~~or~~, LCH EnClear Contracts, or Designated Listed Interest Rates Contracts, at a price determined by the Clearing House, and, shall be binding as a final settlement upon the parties affected by invoicing back.
- (ii) paragraph (a) pursuant to the Default Rules shall be at a price or, where applicable, a premium fixed or determined by the Clearing House, and, shall be binding as a final settlement upon the parties affected by invoicing back except that this paragraph shall be without prejudice to any further liability of the defaulting Member to the Clearing House or to any additional rights which the Clearing House may have against the defaulting Member whether under these Regulations, at law or otherwise.

(e) In this Regulation:

(i) "**net position**" means: in respect of open contracts which are Cleared Exchange Contracts ~~or~~, LSE Derivatives Markets Cleared Exchange Contracts or Listed Interest Rates Contracts other than Designated Listed Interest Rates Contracts, one or more of such Cleared Exchange Contracts ~~or~~, LSE Derivatives Markets Cleared Exchange Contracts or Listed Interest Rates Contracts as the case may be, against which the Member in whose name they are registered has no matching Cleared Exchange Contracts, ~~or~~ LSE Derivatives Markets Cleared Exchange Contracts or Listed Interest Rates Contracts as the case may be for the same delivery month, expiry month or prompt date; in respect of open contracts which are SwapClear Contracts, means one or more of such SwapClear Contracts against which the Member in whose name they are registered has no matching SwapClear Contracts on the same Economic Terms; in respect of RepoClear Contracts, means one or more of such RepoClear Contracts against which the Member in whose name they are registered has no matching RepoClear Contracts on the same Economic Terms; in respect of EquityClear Contracts, means one or more of such EquityClear Contracts against which the Member in whose name they are registered has no matching EquityClear Contracts on the same EquityClear Contract Terms; in respect of LCH EnClear Contracts, means one or more of such LCH EnClear Contracts against which the Member in whose name they are registered has no matching LCH EnClear Contracts on the same LCH EnClear Contract Terms, as the case may be; in respect of open contracts which are ForexClear Contracts, means one or more of such ForexClear Contracts against which the Member in whose name they are registered has no matching ForexClear Contracts on the same Economic Terms; and in respect of open contracts which are Designated Listed Interest Rates Contracts, means one or more of such Designated Listed Interest Rates Contracts against which the Member in whose name they are registered has no matching Designated Listed Interest Rates Contracts on the same Economic Terms;

(ii) "**opposite contract**" means a contract on the same terms (except as to price or premium), as the Contract to be invoiced back in accordance with this Regulation, but:

(A) where a Member is a seller, in respect of the Cleared Exchange Contract, the LSE Derivatives Markets Cleared Exchange Contract, the RepoClear Contract, the EquityClear Contract ~~or~~, the LCH EnClear Contract or the Listed Interest Rates to be invoiced back, such Member shall be a buyer in respect of the opposite contract and vice versa;

(B) where a SwapClear Clearing Member is a floating rate payer, in respect of a SwapClear Contract to be invoiced back, such SwapClear Clearing Member shall be a fixed rate payer in respect of the opposite contract and vice versa;

(C) where a ForexClear Clearing Member is a Reference Currency Buyer in respect of a ForexClear Contract to be invoiced back, such

## REGULATION 51 GOVERNING LAW AND JURISDICTION

- (a) These Regulations and the Procedures, an OTC Contract, an LSE Derivatives Markets Cleared Exchange Contract, an EquityClear Contract, an LCH EnClear Contract, a Nodal Contract and ~~an NLXa Designated Listed Interest Rates~~ Contract and all non-contractual or other obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.
- (b) Any dispute arising from or in relation to any Contract or in relation to these Regulations shall, unless resolved between the Clearing House and a Member or otherwise provided for in the Regulations, be referred to arbitration under the Relevant Rules in accordance with Regulation 33. Any right of the Clearing House or the Member to bring or maintain any action, suit or other legal procedures against the other shall be conditional upon the obtaining of an arbitration award. Notwithstanding the foregoing, the Clearing House shall have an unconditional right to maintain proceedings to obtain security for a claim. This paragraph is subject to Regulation 33(k) and shall not apply to any action, suit or other legal procedure concerning a dispute there referred to.
- (c) The Clearing House and every Member hereby irrevocably agree for the benefit of the Clearing House that the courts of England shall have exclusive jurisdiction to hear and determine any claim or matter arising from or in relation to any Contract or in relation to these Regulations which does not fall to be referred to arbitration under paragraph (b), or to be dealt with under the ATS Rules (as defined in Regulation 63(a)) pursuant to the provisions of Regulation 64 and each Member irrevocably submits to such jurisdiction and to waive any objection which it might otherwise have to such courts being a convenient and appropriate forum, save that this submission to the exclusive jurisdiction of the English courts shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the taking of action in any other jurisdiction, whether concurrently or not.
- (d) Each Member irrevocably waives, with respect to itself and its revenues and assets, all immunity on the grounds of sovereignty or other similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets (whether before or after judgement) and execution or enforcement of any judgement to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees that it will not claim any such immunity in any proceedings.
- (e) Subject to paragraph (a) above and Exchange Rules, a Cleared Exchange Contract and a Listed Interest Rates Contract other than a Designated Listed Interest Rates Contract shall, after registration in the name of a Member, continue to be governed by and construed in accordance with the law governing it prior to registration.

**CHAPTER XXII – LISTED INTEREST RATES~~NLX~~ REGULATIONS**

**REGULATION 95 – [INTENTIONALLY LEFT BLANK]**

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~~Regulation 95~~ **REGULATION 96 APPLICATION OF LISTED INTEREST RATES REGULATIONS**

**General**

- (a) The Clearing House shall provide the Listed Interest Rates NLX Service subject to and in accordance with the terms of ~~this Regulation~~ these Listed Interest Rates Regulations and the Procedures.
- (b) Listed Interest Rates Clearing Members ~~which are NLX Service Clearing Members, and applicants to become NLX Service Clearing Members,~~ shall be bound by these Listed Interest Rates ~~this~~ Regulations. Applications to become a Listed Interest Rates Clearing Member shall be made in accordance with Regulation 96(d) and (e). Other than as expressly and the other Regulations specified in this Regulation 96, to apply to the NLX Service. Other than as specified in this Regulation, the remainder of the Regulations shall not apply to the Listed Interest Rates NLX Clearing Service. A summary table of those Regulations which apply to the Listed Interest Rates Clearing Service as described in Regulation 96(a) to Regulation 96(t) is provided at Regulations 96(u).
- (c) Regulations 2 and 3 of the Regulations apply to the Listed Interest Rates Clearing NLX Service.

**Listed Interest Rates NLX Service Clearing Membership**

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- (d) A Clearing Member may apply to become a Listed Interest Rates NLX Service Clearing Member in accordance with the Procedures.
- (e) Regulation 4 applies to Listed Interest Rates NLX Service Clearing Membership Service and applications ~~therefor~~ for such membership.
- (f) Regulation 5 applies to a Listed Interest Rates NLX Service Clearing Member.
- (g) In the event of any inconsistency between ~~NLX's Rules~~ Rates Exchange Rule and the Listed Interest Rates NLX Regulations, the Listed Interest Rates NLX Regulations shall prevail.

**Accounts**

- (h) Regulation 10 applies to the opening and operation of accounts with respect to a Listed Interest Rates NLX Service Clearing Member. Such accounts shall be designated in accordance with Regulation 15.

**Client Clearing**

- (i) Regulation 11 applies to those Listed Interest Rates NLX Service Clearing Members who provide (or wish to provide) Client Clearing Services.

***Formation, registration and transfers of Listed Interest Rates ~~NLX~~ Contracts***

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- (j) ~~NLX's Rules govern~~ Regulation 16(b), (c) and (e) to (l), Regulation 17, Regulation 98 and Regulation 99 apply to the formation ~~of a NLX Transaction~~ and registration of a Listed Interest Rates Contract.
- (k) ~~Regulation 13 (except Regulation 13(d)) and Regulation 16 govern the registration and formation of a NLX Contract.~~ Regulation 96 to Regulation 104 apply to the Listed Interest Rates Service.
- (l) Regulation 18 (and, insofar as relevant, Regulation 12(b)) apply to a Listed Interest Rates ~~NLX~~ Contract which is an open contract.

***Margin and Collateral***

- (m) Regulation 20 applies to a Listed Interest Rates ~~NLX Service~~ Clearing Member.

***Daily settlement***

- ~~(n) Regulation 20(w), Regulation 21, Regulation 22, Regulation 23 and Regulation 24 apply to the daily settlement to market of open NLX Contracts.~~

***Options***

- ~~(n)~~ Regulation 21, Regulation 26 and Regulation 27 apply to Listed Interest Rates ~~NLX~~ Contracts which are options.

***Reference Prices and Revaluation***

- (o) Regulation 22 applies to open Listed Interest Rates Contracts.

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***Physical settlement***

- (p) Regulation 28 to 32 (inclusive) and Regulation 36 apply to Listed Interest Rates ~~NLX~~ Contracts.

***Arbitration*** ~~***Delivery Failure***~~

- (q) ~~Regulation 33~~ Regulation 35 and ~~Regulation 34~~ apply ~~applies~~ to Listed Interest Rates ~~NLX~~ Contracts.

***Market disorders; force majeure; invoicing back; currency conversion; disclosure; fees and other charges; records; Procedures; alteration of Regulations and Procedures; interpretation; waiver; validity; governing law and jurisdiction; exclusion of liability; netting***

- (r) Regulation 36 to Regulation 50 (inclusive), Regulation 51(a) and (c) to (e) and Regulation 52 (inclusive) apply to Listed Interest Rates ~~NLX Service~~ Clearing Members and Listed Interest Rates ~~NLX~~ Contracts.

***Portfolio Margining Service***

- (s) Regulation 59 applies to ~~NLX Service~~Listed Interest Rates Clearing Members that are also SwapClear Clearing Members and have opted in to the Portfolio Margining Service in accordance with the Procedures.

**Default Rules**

- (t) The Default Rules apply to Listed Interest Rates ~~NLX Service~~ Clearing Members and Listed Interest Rates ~~NLX~~ Contracts.

**Clearing House Settlement Finality Regulations**

- (u) The Clearing House Settlement Finality Regulations apply in relation to Listed Interest Rates ~~NLX Service~~ Clearing Members and Listed Interest Rates ~~NLX~~ Contracts.

**Summary ~~table~~ Table of Regulations which apply to the Listed Interest Rates ~~NLX~~ Service**

- (v) The Regulations listed in this Regulation 96(v) apply to the Listed Interest Rates ~~NLX~~ Service as described under Regulation 96(a) to Regulation 96(u).

| <b>Regulation</b>                                  | <b>Title</b>  |
|--|---|
| Regulation 2                                       | Obligation to the Clearing House to each Member   |
| Regulation 3                                       | Performance by the Clearing House of its Obligations under the Terms of an Open Contract                              |
| Regulation 4                                       | Clearing Member Status of the Clearing House  |
| Regulation 5                                       | Resigning and Retiring Members  |
| Regulation 7                                       | Non-Member Market Participant Status  |
| Regulation 9                                       | Service Withdrawal  |
| Regulation 10                                      | Accounts  |
| Regulation 11                                      | Client Clearing Business  |
| Regulation 12(b)                                   | Novation  |
| <del>Regulation 13 (except Regulation 13(d))</del> | <del>Presentation of Particulars of Original Exchange Contracts and Confirmation of Original Exchange Contracts</del> |
| Regulation 14(a) to (d), (f)                       | Allocation of Original <del>Exchange</del> Contracts  |
| Regulation 15                                      | Designation   |



| <b>Regulation</b>                                | <b>Title</b>   |
|--|--|
| Regulation 16 <del>(b), (c) and (e) to (l)</del> | Registration   |
| Regulation 17                                    | Trading Information  |
| Regulation 18                                    | Transfer   |
| Regulation 20                                    | Margin and Collateral  |
| Regulation 21                                    | Premium under Option Contracts   |
| Regulation 22                                    | Official Quotations and Reference Price  |
| <del>Regulation 23</del>                         | <del>Daily Settlement or Marking to Market</del>   |
| <del>Regulation 24</del>                         | <del>Settlement and Revaluation: Clearing Processing System</del>  |
| Regulation 26                                    | Exercise of Options  |
| Regulation 27                                    | Delivery Contract Arising upon the Exercise of an Option   |
| Regulation 28                                    | Obligation to Make and Accept Tender under Cleared Exchange Contracts  |
| Regulation 29                                    | Delivery Contracts   |
| Regulation 30                                    | Open Contracts Subject to Tender   |
| Regulation 31                                    | Arrangements for Delivery and Payment of Price   |
| Regulation 32                                    | Restrictions on Clearing House's Obligations and Liability   |
| <del>Regulation 33</del>                         | <del>Arbitration: Cleared Exchange Contracts, LSE Derivatives Markets Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear Contracts (for Physical Delivery)</del> |
| <del>Regulation 34</del>                         | <del>Collateral in Event of a Claim</del>  |
| Regulation 36                                    | Default of a Member: Substituted Obligation  |
| Regulation 37                                    | Market Disorders, Impossibility of Performance, Trade Emergency  |
| Regulation 38                                    | Force Majeure  |
| Regulation 39                                    | Invoicing Back   |
| Regulation 40                                    | Currency Conversion  |

| <b>Regulation</b>                           | <b>Title</b>  |
|---|---|
| Regulation 41                               | Disclosure and Reporting                                |
| Regulation 42                               | Fees and Other Charges                                  |
| Regulation 43                               | Records   |
| Regulation 44                               | Alteration of Regulations and the Procedures            |
| Regulation 45                               | Netting   |
| Regulation 46                               | Distribution of Assets                                  |
| Regulation 47                               | Procedures  |
| Regulation 48                               | Interpretation of these Regulations                     |
| Regulation 49                               | Waiver  |
| Regulation 50                               | Validity of Regulations and Action                      |
| Regulation <u>51(a),<br/>and (c) to (e)</u> | Governing Law and Jurisdiction                          |
| Regulation 52                               | Exclusion of Liability                                  |
| Regulation 59                               | Portfolio Margining Service                             |
| Regulation <u>96 to<br/>Regulation 104</u>  | <u>Listed Interest Rates</u> <del>NLX</del> Regulations |
| Default Rules                               | Default Rules   |
| Settlement Finality<br>Regulations          | Settlement Finality Regulations                         |

**REGULATION 97 LISTED INTEREST RATES OPEN OFFER FOR RATES EXCHANGE MATCHES**

- (a) This Regulation 97 applies to Rates Exchange Matches arising pursuant to Rates Exchange Particulars submitted by or on behalf of an Listed Interest Rates Clearing Member. In the event of any inconsistency between the Regulations, (including the terms of any agreement entered into between the Listed Interest Rates Clearing Member and the Clearing House) and any relevant Rates Exchange Rules, the Regulations shall prevail.
- (b) If a Listed Interest Rates Clearing Member has been given approval by the Clearing House to clear eligible Rates Exchange Matches in respect of the Rates Exchange specified in such approval and such approval has not been withdrawn by the Clearing House the Clearing House will enter into Listed Interest Rates Contracts with that Listed Interest Rates Clearing Member pursuant to such approval in accordance with and subject to the following provisions of this Regulation. The terms of a registered Listed Interest Rates Contract shall be as received by the Clearing House, or its relevant approved agent, from the relevant Rates Exchange or the relevant Listed Interest Rates Clearing Member, as applicable, and otherwise subject to the Regulations (and the Clearing House and the Listed Interest Rates Clearing Member party to the registered Listed Interest Rates Contract shall be obliged to perform their obligations thereunder in accordance with such terms and the Regulations).
- (c) The Clearing House makes an open offer to Listed Interest Rates Clearing Members to enter into a Listed Interest Rates Contract in respect of a Rates Exchange Match in accordance with paragraph (e) of this Regulation 97, as applicable, pursuant to the submission of Rates Exchange Particulars by or on behalf of those Listed Interest Rates Clearing Members provided that the following requirements (the "**Listed Interest Rates Open Offer Eligibility Criteria**") shall have been satisfied:
- (i) at the relevant times the Listed Interest Rates Clearing Member was party to a valid and subsisting Clearing Membership Agreement;
  - (ii) at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under subparagraph (iv) of this paragraph (c) the Listed Interest Rates Clearing Member had not been declared a Defaulter, by default notice or otherwise, by the Clearing House or the Rates Exchange, where applicable;
  - (iii) the financial instruments the subject of the Rates Exchange Matches are Listed Interest Rates Eligible Products;
  - (iv) all necessary details as required by the Clearing House from time to time in respect of the Rates Exchange Matches shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;
  - (v) the Listed Interest Rates Eligible Product, which is the subject of the Rates Exchange Match, is not subject to any trading halts, suspension of dealings or

any other action having equivalent effect published by the relevant Rates Exchange;

(vi) at the relevant times, the Listed Interest Rates Clearing Service or any relevant part of the Listed Rates Rate Clearing Open Offer in respect of Rates Exchange Matches made on such Rates Exchange had not been suspended or withdrawn; and

(vii) the Listed Interest Rates Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the Listed Interest Rates Clearing Service.

(d) For the avoidance of doubt, Rates Exchange Particulars are deemed to have been submitted by or on behalf of the Listed Interest Rates Clearing Member if the details of the Rates Exchange Matches received by the Clearing House identify, in accordance with any relevant Rates Exchange Rules, the Regulations or the Procedures, the Rates Exchange Matches as having been made by or on behalf of that Listed Interest Rates Clearing Member.

(e) If Rates Exchange Particulars have been input into the relevant Rates Exchange by or on behalf of an Listed Interest Rates Clearing Member, as seller (the "**selling Listed Interest Rates Clearing Member**") (or buyer (the "**buying Listed Interest Rates Clearing Member**")) and have been matched by, or in accordance with the Rates Exchange Rules with Rates Exchange Particulars input into such Rates Exchange by or on behalf of another Listed Interest Rates Clearing Member, as buyer (the "**buying Listed Interest Rates Clearing Member**") (or seller (the "**selling Listed Interest Rates Clearing Member**")), and the resulting Rates Exchange Match satisfies the Listed Interest Rates Open Offer Eligibility Criteria, two Listed Interest Rates Contracts shall arise immediately on the Rates Exchange Match being made, as follows:

(i) the Clearing House shall be the buyer under one Listed Interest Rates Contract to the selling Listed Interest Rates Clearing Member; and

(ii) the Clearing House shall be the seller under one Listed Interest Rates Contract to the buying Listed Interest Rates Clearing Member.

(f) Any Listed Interest Rates Contract which is entered into by the Clearing House with Listed Interest Rates Clearing Members pursuant to paragraph (e) shall be registered in the name of each relevant Listed Interest Rates Clearing Member.

(g) Listed Interest Rates Contracts shall be on the terms received by the Clearing House pursuant to paragraph (c)(iv) and otherwise on the relevant Listed Interest Rates Contract Terms and any other terms specified in these Regulations and the Procedures. The Clearing House and the Clearing Member party to an Listed Interest Rates Contract shall be obliged to perform their obligations thereunder in accordance with such terms and the Regulations.

(h) If the details required by the Clearing House pursuant to paragraph (c)(iv) are not provided to the Clearing House in accordance with the Clearing House's requirements, by the time prescribed by the Clearing House from time to time, or the

Clearing House is not able to access such details, the Clearing House may decree that neither the Clearing House nor the Listed Interest Rates Clearing Member(s) party thereto shall be obliged to perform their respective obligations under the Listed Interest Rates Contracts in question. If the Clearing House so decrees, such Listed Interest Rates Contracts shall be performed in accordance with any directions given by the Clearing House which may, without limitation, impose a change to the terms of an affected Listed Interest Rates Contract. Any directions given by the Clearing House under this paragraph (h) shall be binding on all affected Listed Interest Rates Clearing Members.

- (i) Without prejudice to Regulation 52, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall not be liable to any Listed Interest Rates Clearing Member or anyone else for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any Listed Interest Rates Contract to which this Regulation 97 applies if the Clearing House does not receive the relevant details referred to in paragraph (c)(iv) by the time referred to in such paragraph (c)(iv) in respect of such Listed Interest Rates Contract.
- (j) Subject to its rights to suspend the Listed Interest Rates Open Offer and/or the Listed Interest Rates Clearing Service generally or in respect of one or more Rates Exchanges or to withdraw the Listed Interest Rates Clearing Service in whole or in part, as set out in these Regulations or the Procedures, the Clearing House undertakes to keep open the offer made by it in this Regulation 97 until such Listed Interest Rates Clearing Member is no longer eligible to have Listed Interest Rates Contracts registered in its name or has withdrawn from trading through each Rates Exchange notified to the Clearing House under paragraph (b). Any such intended withdrawal from trading through an Rates Exchange must be notified to the Clearing House in accordance with the Procedures.
- (k) Without prejudice to Regulation 35, a Listed Interest Rates Clearing Member shall be bound by Listed Interest Rates Contract registered in its name in respect of a Rates Exchange Match under these Regulations and notwithstanding that the requirements of paragraph (c) may not have been satisfied in respect of the Listed Interest Rates Clearing Member.
- (l) Notwithstanding any other provision in this Regulation 97, the Clearing House may with the agreement of the Listed Interest Rates Clearing Member(s) party to corresponding Listed Interest Rates Contracts set aside or take such other steps with respect to such contracts on such terms as may be agreed if either or both Listed Interest Rates Clearing Members consider that they have entered into a contract in error or that certain terms of the contract have been agreed by them, or on their behalf, in error.

## **REGULATION 98 LISTED INTEREST RATES NOVATION TRANSACTIONS**

- (a) Details of any Listed Interest Rates Novation Transaction in respect of a Rates Exchange which is to be submitted for registration must be submitted in accordance with the Procedures by or on behalf of the Listed Interest Rates Clearing Member who is party to, or is providing clearing services to a party to, such Listed Interest Rates Novation Transaction. For the avoidance of doubt, where the particulars of an Listed Interest Rates Novation Transaction submitted by or on behalf of a Listed Interest Rates Clearing Member and received by the Clearing House identify, in accordance with the relevant Rates Exchange Rules or the Procedures, that Listed Interest Rates Clearing Member as buyer or seller, or as acting as clearing member for the buyer or seller, in respect of the Listed Interest Rates Novation Transaction, the Clearing House will enter into a Listed Interest Rates Contract with that Listed Interest Rates Clearing Member in accordance with and subject to the following provisions of this Regulation 98.
- (b) Without prejudice to the Clearing House's rights under Regulation 16(i), a Listed Interest Rates Novation Transaction, particulars of which are submitted for registration as an Listed Interest Rates Contract by or on behalf of an Listed Interest Rates Clearing Member, must meet the following eligibility criteria at the time when the particulars of such Listed Interest Rates Novation Transaction are presented to the Clearing House and must continue to meet such criteria at all times thereafter up to and including the Registration Time (each such time, for the purposes of this Regulation 98, the "relevant times") in order to be registered as a Listed Interest Rates Contract:
- (i) the financial instruments the subject of the Listed Interest Rates Novation Transaction are, at the relevant times, Listed Interest Rates Eligible Products;
  - (ii) all necessary details as required by the Clearing House from time to time in respect of the Listed Interest Rates Novation Transaction shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;
  - (iii) the Listed Interest Rates Clearing Eligible Product, which is the subject of the Listed Interest Rates Novation Transaction, is not subject to any trading halts, suspension of dealings or any other action having equivalent effect published by or on behalf of the Rates Exchange;
  - (iv) at the relevant times, the Listed Interest Rates Clearing Services for the relevant Rates Exchange has not been suspended or withdrawn, generally or in relation to the relevant Listed Interest Rates Clearing Eligible Product or Listed Interest Rates Clearing Member; and
  - (v) the Listed Interest Rates Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the Listed Interest Rates Clearing Service.

- (c) Every Listed Interest Rates Novation Transaction presented for registration in the name of a Listed Interest Rates Clearing Member in accordance with paragraph (a) above shall be confirmed by or on behalf of such Listed Interest Rates Clearing Member, in such manner and form and by such times as are prescribed by the Procedures or, where the Clearing House has so agreed with a Rates Exchange, as prescribed in the Rates Exchange Rules.
- (d) Notwithstanding paragraph (c) above, a Listed Interest Rates Novation Transaction may, subject to the Regulations and the Procedures, be allocated by or on behalf of a Listed Interest Rates Clearing Member to another Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not a Listed Interest Rates Clearing Member and shall thus be confirmed pursuant to Regulation 14(a) instead of paragraph (c) above.
- (e) If a Listed Interest Rates Novation Transaction is not confirmed by or on behalf of a Listed Interest Rates Clearing Member pursuant to paragraph (c) above, or is not allocated by or on behalf of such Listed Interest Rates Clearing Member within the prescribed time pursuant to Regulation 14, the Clearing House may in accordance with the Procedures deem such contract as having been confirmed pursuant to paragraph (c) above.
- (f) Any changes to the prescribed methods, forms and times set out in the Procedures in respect of presentation of particulars of Listed Interest Rates Novation Transactions and confirmation of such Listed Interest Rates Novation Transactions shall be made by the Clearing House only after consultation with the relevant Rates Exchange(s), save that the Clearing House may at its absolute discretion make such changes without such consultation where it deems it necessary in the circumstances then prevailing.
- (g) Confirmation of a Listed Interest Rates Novation Transaction by or on behalf of a Member pursuant to this Regulation 98 or Regulation 14 and the Procedures shall be effective immediately (unless otherwise specified in the Procedures) and shall constitute the consent of the Member to such contract being registered in his name in accordance with these Regulations.

## REGULATION 99 DAILY SETTLEMENT TO MARKET

- (a) The Clearing House shall, in accordance with the Procedures, in respect of each open Listed Interest Rates Contract in a Listed Interest Rates Clearing Member's name, effect and register a settlement contract, being a contract on the same terms (except as to price or premium), including the strike price where applicable, as the open Contract, save that where the Listed Interest Rates Clearing Member is a buyer under the terms of the open Contract the Listed Interest Rates Clearing Member shall be a seller under the terms of the settlement contract and vice-versa, such settlement contract to be effected in accordance with the Procedures at the relevant official quotation or Reference Price for that day. The Clearing House shall thereupon settle each open contract against the respective settlement contract in accordance with the Procedures.
- (b) The Clearing House shall, upon completion of the process set out in paragraph (a) above, calculate the daily settlement amounts in accordance with the Procedures and shall thereafter debit or credit (as the case may be) the Listed Interest Rates Clearing Member's account and upon the Clearing House so doing, the Listed Interest Rates Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising as follows:
- (i) any profit arising to a Listed Interest Rates Clearing Member shall: (A) be credited to the applicable account; and (B) subject to the Clearing House's right to retain such profit pursuant to these Regulations, be paid to the Member on the Member's request; and
  - (ii) any loss arising to a Listed Interest Rates Clearing Member shall be debited from the applicable account of the Member to the extent that there is an available balance in such account and, in accordance with these Regulations, the Member shall pay the amount of any shortfall in respect of such loss to the Clearing House forthwith on demand.
- (c) The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph (b) above, in the manner prescribed by the Procedures, in respect of those open Contracts in a Listed Interest Rates Clearing Member's name which have been settled pursuant to paragraph (a) above, register at the official quotation or Reference Price referred to in paragraph (a) above, contracts in the Member's name as open Contracts on the same terms (except as to price or premium), including the strike price where applicable, as the settled open Contracts, save that no contract for the purchase and no contract for the sale of the same commodity or other reference asset, for the same delivery month, or expiry month and strike price, where applicable, shall be registered in the Member's name.



**REGULATION 100 TERMINATION OF FUNGIBLE LISTED INTEREST RATES CONTRACTS**

- (a) The Clearing House may from time to time designate a Rates Exchange in respect of one or more Listed Interest Rates Eligible Products for purposes of these Regulations (such Rates Exchange, a “Designated Rates Exchange”). A Rates Exchange seeking designation as a Designated Rates Exchange must submit a written request to the Clearing House in the form and manner required by the Clearing House. Such designation, once made effective by the Clearing House, shall remain in effect until such time as the Clearing House agrees, in its sole and absolute discretion, to terminate, modify or suspend such designation.
- (b) The Clearing House may from time to time determine that Listed Interest Rates Eligible Products listed for trading on two or more Designated Rates Exchanges have substantially the same economic terms. Such determination may be made where the Clearing House Risk Committee considers, in its sole discretion and in accordance with applicable risk governance requirements, that such Listed Interest Rates Eligible Products have substantially the same fundamental economic attributes. Following such determination, the Clearing House shall designate all Listed Interest Rates Contracts registered in respect of such Listed Interest Rates Eligible Products as “Designated Listed Interest Rates Contracts”.
- (c) Notwithstanding any other provision of these Regulations, where:
- (i) two or more Designated Listed Interest Rates Contracts are registered for the account of a Listed Interest Rates Clearing Member; and
  - (ii) all such Designated Listed Interest Rates Contracts are either: (a) registered on the Listed Interest Rates Clearing Member’s own behalf; or (b) registered on behalf of the same Listed Interest Rates Clearing Client;

then the Clearing House shall compress and combine all such Designated Listed Interest Rates Contracts by terminating the relevant existing Designated Listed Interest Rates Contracts and compressing them into one Designated Listed Interest Rates Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of such original Designated Listed Interest Rates Contracts. For the avoidance of doubt, in no circumstances can a Designated Listed Interest Rates Contract registered in the Proprietary Account of a Listed Interest Rates Clearing Member be compressed pursuant to this Regulation 100 with a Designated Listed Interest Rates Contract registered in the Client Account of that Listed Interest Rates Clearing Member.

## REGULATION 101 DISPUTES AND LIMITATION OF LIABILITY

- (a) A dispute arising from or in relation to any Listed Interest Rates Contract or in relation to these Regulations relating to the clearing of a Listed Interest Rates Contracts shall, unless resolved between the Clearing House and the Listed Interest Rates Clearing Member, be finally resolved by arbitration under the LCIA Rules, which rules are deemed to be incorporated by reference into this clause, by three arbitrators, the seat of the arbitration to be England, with any hearings to be held in London in the English language. The Clearing House shall be entitled, at its option, to call upon a Listed Interest Rates Clearing Member who is a buyer and a Listed Interest Rates Clearing Member who is a seller, under the terms of the Listed Interest Rates Contracts to conduct the arbitration accordingly.
- (b) In the event that the Clearing House elects, pursuant to paragraph (a) above, to call upon a seller and a buyer to arbitrate between them, the following process shall apply:
- (i) the Clearing House shall give notice of such election to the buyer, the seller and, where applicable, to the relevant Rates Exchange;
  - (ii) the seller shall at its own expense have the conduct of the Clearing House's case against the buyer, and the buyer shall at its own expense have the conduct of the Clearing House's case against the seller, in either case, subject to the provisions of this Regulation;
  - (iii) copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the seller and the buyer;
  - (iv) the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and
  - (v) the arbitrators shall issue two awards, one between the seller and the Clearing House and one between the buyer and the Clearing House which shall determine the rights of each of the seller and the buyer against the Clearing House and vice versa.
- (c) If the Clearing House is found liable to one of the parties to the arbitration ("**the first party**") in respect of a breach of a Listed Interest Rates Contract and the other party to the arbitration ("**the second party**") is found liable to the Clearing House in respect of such breach of a Listed Interest Rates Contract, the liability of the Clearing House to the first party shall be deemed to be a foreseeable consequence of the breach by the second party and the Clearing House shall be entitled to be indemnified in respect of such liability by the second party.
- (d) If notice of claim and notice of intention to refer a dispute to arbitration is given to the Clearing House pursuant to this Regulation in respect of an open Listed Interest Rates Contract, any or all Collateral (including any Applied Collateral Excess Proceeds) standing to the credit of the account in which the relevant Contract is registered (whether such Collateral is held with respect to the contract under dispute or

otherwise) may be retained by the Clearing House. The Clearing House may at any time and from time to time demand transfer by such Listed Interest Rates Clearing Member of additional Collateral, in such amount as it may deem appropriate in respect of such contract or contracts, to be held by the Clearing House under these Regulations until the claim is finally disposed of. The amount of such Collateral to be transferred by the Member to the Clearing House shall be assessed by reference to such circumstances as the Clearing House in its discretion deems relevant

- (e) Without prejudice to the generality of Regulation 52 or any other provision of the Regulations or Procedures concerning liability of the Clearing House or a Member, any liability of the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) to a Member or to any other person (including, without limitation, any client of a Member) which might otherwise arise in connection with the Listed Interest Rates Clearing Service shall, if and to the extent such liability arises out of any act or omission of any third party upon whom the Clearing House is reliant in any material respect in its provision of the Listed Interest Rates Clearing Service (including, without limitation, a Rates Exchange or any provider of transaction routing functionality), be limited to such amounts as the Clearing House is entitled to recover and is successful in recovering from that third party in respect of that party's acts and/or omissions.
- (f) No person may refer to arbitration any dispute arising from or in connection with the Default Rules or any step taken or proposed to be taken under the Default Rules.

**REGULATION 102 SUSPENSION OF THE LISTED INTEREST RATES CLEARING SERVICE OR THE LISTED INTEREST RATES OPEN OFFER**

The Clearing House may, from time to time, in its absolute discretion suspend the Listed Interest Rates Clearing Service or the Listed Interest Rates Open Offer in respect of Rates Exchange Matches or its service in respect of any Listed Interest Rates Novation Transaction on one or more Rates Exchanges for such period of time as it may determine.

**REGULATION 103 REJECTION OF RATES EXCHANGE MATCHES AND OF LISTED INTEREST RATES NOVATION TRANSACTIONS**

- (a) Any Rates Exchange Match, particulars of which are submitted to the Clearing House, or its relevant approved agent, for registration by the Clearing House as a Listed Interest Rates Contract, which does not meet the relevant Listed Interest Rates Open Offer Eligibility Criteria as published on the Clearing House's website, or which the Clearing House declines to register under any other provision within these Regulations will, subject to paragraph (c), be rejected by the Clearing House and no Listed Interest Rates Contracts shall be deemed to have arisen. Without prejudice to the generality of Regulation 52, or any other provision of the Regulations or Procedures concerning liability of the Clearing House or a Member, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any Member or any other person with regard to the rejection by it of any such Rates Exchange Match.
- (b) Any Listed Interest Rates Novation Transaction, particulars of which are submitted to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an Listed Interest Rates Contract, which does not meet the applicable eligibility criteria as published on the Clearing House's website, or which the Clearing House declines to register under any other provision within these Regulations will, subject to paragraph (c), be rejected by the Clearing House and no Listed Interest Rates Contracts shall be deemed to have arisen. Without prejudice to the generality of Regulation 52, or any other provision of the Regulations or Procedures concerning liability of the Clearing House or a Member, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any Member or any other person with regard to the rejection by it of any such Listed Interest Rates Novation Transaction.
- (c) The Clearing House may, in its absolute discretion, agree to register an Listed Interest Rates Contract, notwithstanding that it does not meet the relevant Listed Interest Rates Open Offer Eligibility Criteria or the eligibility criteria as published on the Clearing House's website (as applicable) or it contains invalid or incomplete message data, in accordance with provisions prescribed by the Clearing House from time to time in the Procedures.

**REGULATION 104 [INTENTIONALLY LEFT BLANK]**

**Appendix II**  
**Procedures Section 2J (Listed Interest Rates clearing service)**



**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 2J**

**[NLX-LISTED INTEREST RATES](#) CLEARING  
SERVICE**

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## 1. THE ~~NLX-LISTED INTEREST RATES~~ CLEARING SERVICE

### 1.1 Introduction

#### 1.1.1 Background

~~These NLX Service p~~rocedures apply to the clearing of ~~NLX-Listed Interest Rates~~ Eligible ~~Derivative~~ Products listed ~~for trading on NLX-Rates~~ Exchanges, ~~and form part of the Rulebook (the Clearing House's General Regulations, Default Rules and Procedures) and must be read in conjunction with the other parts of the Rulebook.~~

~~NLX-Listed Interest Rates Service~~ Clearing Members must inform themselves fully of their obligations under the ~~Clearing House's~~ Rulebook (~~the "Rulebook"~~) and other relevant documentation, such as the Clearing Membership Agreement and the terms of any approval by the Clearing House to extend clearing activities. ~~NLX Service~~Listed Interest Rates Clearing Members should also familiarise themselves with ~~the relevant Rates Exchange~~ NLX's Rules and ~~the Listed Interest Rates~~ Contract Terms.

Please note that both the Rulebook (including these Procedures) and ~~NLX's the Listed Interest Rates~~ ~~Rules and~~ Contract Terms are subject to change from time to time. Enquiries regarding these Procedures or any other aspects of the operation of the ~~Listed Interest Rates~~ ~~NLX~~ Clearing Service should be directed to the ~~Listed Rates~~ Clearing House Operations and Client Servicing ("OCS") Department on ~~+44 7426 7651~~ or ~~ListedRates.Ops.UK@lhclearnet.com~~. Enquiries regarding ~~Listed Interest Rates~~ Clearing Member status should be directed to the ~~Membership Onboarding~~ Department on +44 (0)20 7426 7949 or ~~membership@lhclearnet.com~~.

In the event of any conflict between any provision of these Procedures and any requirement or provision of any third party (including but not limited to any requirement or provision in any Rates Exchange Rules), these Procedures shall prevail.

Enquiries relating to (i) trading Listed Interest Rates Contracts; (ii) Rates Exchange Rules; or (iii) the Listed Interest Rates Contract Terms of any Listed Interest Rates Contract other than a Designated Listed Interest Rates Contract should be directed to the relevant Rates Exchange. Enquiries relating to (i) clearing Listed Interest Rates Contracts; (ii) the Rulebook or Default Rules; or (iii) the Listed Interest Rates Contract Terms of any Designated Listed Interest Rates Contracts should be directed to the Clearing House.

~~Enquiries relating to NLX's Rules and Contract Terms should be directed to NLX.~~

~~Full contact details may be found on the Clearing House website (<http://www.lhclearnet.com>) or NLX's website (<http://www.nasdaqomx.com/trading/nlx/>).~~

#### 1.1.2 Interpretation

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Capitalised terms used in these Procedures not otherwise defined herein have the meanings ascribed to them set out in the ~~NLX Rules and Contract Terms unless otherwise specified~~ Rulebook.

~~"The Clearing House" refers to LCH.Clearnet Limited.~~

~~"NLX" refers to NASDAQ-OMX NLX.~~

**Except where otherwise stated, all times shown are London time and the twenty four hour clock is used.**

1.1.3 *Listed Interest Rates Eligible Products*

Listed Interest Rates Clearing Members are advised for the purposes of the Regulations and these Procedures, that the eligibility criteria for Listed Interest Rates Eligible Products are set out in the Product Specific Contract Terms and Eligibility Criteria Manual, which is available on the Clearing House's website ([www.lch.com](http://www.lch.com)).

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1.1.4 *Use of the Listed Interest Rates Clearing Service*

(a) Where any Clearing Member wishes to participate in any part of the Listed Interest Rates Clearing Service, it must first seek appropriate authorisation from the Clearing House. Clearing Members seeking authorisation to participate in the Listed Interest Rates Clearing Service will be required to seek separate authorisation for business undertaken in relation to the Service provided each Rates Exchange.

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Details of how to obtain such authorisations may be obtained from the Clearing House's Onboarding Department. The Clearing Member must comply with all membership and other requirements of the Clearing House, including requirements relating to settlement. Specifically with regard to settlement each Member must at all times ensure:

- (i) that it has PPS accounts in all relevant currencies to enable clearing and settlement; and
- (ii) that it has settlement accounts with all relevant central securities depositories identified in these Procedures as relevant such Member's Listed Interest Rates Clearing Business.

(b) Failure to meet the requirements set out in sub-paragraph (a) (i)-(ii) above (and other applicable requirements) will result in that Clearing Member not having appropriate settlement arrangements in place and, as a result, any trades submitted by that Member or on its behalf will not fulfil the relevant eligibility criteria for registration of Listed Interest Rates Contracts (see Regulation 97(c) and Regulation 98(b)). In such a case, such trades may be rejected by the Clearing House and no Listed Interest Rates Contracts would arise. The trade would then be governed by any applicable Rates Exchange Rules.

1.1.5 *Suspension of Trading*

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For the avoidance of doubt, any action by a Rates Exchange to suspend, de-list or take any other action with regard to a Listed Interest Rates Eligible Product shall not affect any obligations that a Listed Interest Rates Clearing Member may have to the Clearing House with regard to any open Listed Interest Rates Contracts in such Listed Interest Rates Eligible Product.

#### 1.1.6 Liability

- (a) Listed Interest Rates Clearing Members are asked to note that any statements set out in these Procedures regarding the liability of the Clearing House are made without prejudice to the generality of the provisions set out in Regulation 52.
- (b) The Clearing House does not seek to limit or exclude any liability for personal injury or death caused by its negligence, or for fraud or wilful default on the part of the Clearing House.

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#### 1.1.7 Rates Exchange Status

Application for Rates Exchange status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of Rates Exchanges currently approved by the Clearing House, as well as an indication of whether Listed Interest Rates Eligible Products listed on such Rates Exchange are registered by the Clearing House through an open offer or through novation, shall be made available by the Clearing House. Where the Clearing House approves additional Rates Exchanges, it will notify Listed Interest Rates Clearing Members via a member circular.

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## 1.2 General Information

### 1.2.1 Service Operation

#### (a) Trading and Clearing System Functions

The respective functions of a Rates Exchange's trading system and the Clearing House's clearing system are contained in the relevant Service Description. All enquiries regarding the Listed Interest Rates Clearing Service should be directed to the OCS Department on +44 7426 7651 or [ListedRates.Ops.UK@lch.com](mailto:ListedRates.Ops.UK@lch.com).

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#### (b) Operating Times

The Clearing House will publish by Clearing Member circular and on its website details of the days and times during which the Listed Interest Rates Clearing Service will be operational.

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#### (c) Trade Acceptance Hours

The trade acceptance hours of a given Rates Exchange are set out in the relevant Service Description.

(d) System Requirements

Clearing Members must have in their office, at a minimum, a PC configured to access the Clearing System GUI, a printer and back-up connectivity to the Clearing System as required by the Clearing House.

1.2.2 Member Reporting

The Clearing House makes available appropriate clearing information via reports, real-time confirmations and other means. Full details are contained in the relevant Service Description documentation.

1.2.3 Clearing House Reporting

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

1.2.4 Static Data

Prior to submission of any Listed Interest Rates Eligible Product for registration as a Listed Interest Rates Contract, a Listed Interest Rates Clearing Member is required to provide sufficient information in respect of the Rates Exchange from which such trade will be submitted. This applies also to any Listed Interest Rates Eligible Product traded pursuant to any agency arrangements permitted by the rules of that Rates Exchange.

The format, contents and completion process of the Static Data Form in respect of each Rates Exchange is prescribed from time to time by the Clearing House. Copies of the prescribed forms, for each Rates Exchange, are available from the Clearing House Onboarding Department.

Failure to provide the correct information in respect of the particular Rates Exchange and in respect of the particular type of Listed Interest Rates Eligible Product may result in the rejection of trades.

**1.2 Membership**

~~NLX Service Clearing Members may submit NLX Transactions for registration by the Clearing House.~~

~~A NLX Service Clearing Member must comply with all Clearing House requirements and with any NLX requirements relating to participation in the relevant NLX Trading System.~~

~~It is the responsibility of each NLX Service Clearing Member to keep any report, including, but not limited to, the NLX Service Clearing Member Statement Report, required for its own historic, audit or legal purposes.~~

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~~Details of how to be approved as a NLX Service Clearing Member can be obtained from the Clearing House Membership Department on +44 (0)20 7426 7949 or [membership@lchclearnet.com](mailto:membership@lchclearnet.com).~~

### ~~1.3 Eligible Transactions~~

~~Trades (including EFPs/EFSs, Position Transfers, Give Ups, Contrats and Block trades) executed or registered through the NLX Trading System between Clearing Members which satisfy all LCH.Clearnet Ltd requirements will be designated as NLX Transactions eligible for registration by the LCH.Clearnet Ltd.~~

### ~~1.4 The Clearing Process~~

~~NLX's trading system is responsible for all trade functions ("Trading System"). Trading System will forward to the Clearing House agreed trades for clearing via the Clearing System.~~

#### ~~1.4.1 Trading System Functions~~

~~The following functions are performed within the Trading System:~~

- ~~• trade matching; and~~
- ~~• presentation of trades to the Clearing House for registration.~~

#### ~~1.4.2 Clearing System Functions~~

~~The following functions are performed within the Clearing System:~~

- ~~• designation of trades to a position keeping account, including give ups and take ups;~~
- ~~• auto validation consisting of syntactic/static data and trade limit checks, trade acceptance, rejection and cancellation~~
- ~~• settlement;~~
- ~~• position maintenance, including position transfer and close out;~~
- ~~• margin obligation calculation;~~
- ~~• option exercise assignment processing; and~~
- ~~• reporting.~~

~~All delivery enquiries or issues regarding a Clearing Member's ability to meet its contractual obligations should be directed to Operations and Client Servicing Department on +44 7426 7688 or [Derivative.Ops.Uk@lchclearnet.com](mailto:Derivative.Ops.Uk@lchclearnet.com).~~

~~Clearing Members should refer to the 'Synopsis Derivatives Member User Guide' for operating instructions, full details of enquiries and report facilities and the Synopsis Licence Agreement and Terms of Use.~~

~~1.4.3 The Clearing House System Requirements~~

~~Clearing Members must have in their office, at a minimum, a PC configured to access the Clearing System GUI, a printer and a dedicated back up BT Radianz line connected to the Clearing System.~~

~~1.4.4 Times~~

~~Unless stated otherwise all times are London time.~~

1.4.5 1.3 Registration

~~(a) 1.3.1 Confirmation General~~

Trade data is presented for registration to the Clearing House. Such presentation constitutes confirmation in accordance with the Regulations by the Listed Interest Rates Clearing Member in whose name the ~~data is contracts are~~ presented. However, the Clearing House will only accept for registration as Listed Interest Rates Contracts those particulars submitted from a Rates Exchange in a message format and manner acceptable to the Clearing House. Trades that exceed pre-set trade limits are held within the Clearing System, pending confirmation of acceptance by the Clearing House.

Each Listed Interest Rates Clearing Member authorised to participate in the Listed Interest Rates Clearing Service must be familiar with the operating procedures and deadlines of each Rates Exchange in respect of which it has been approved by the Clearing House.

~~1.3.2 Intra-Day Registration~~

The Clearing House registers all Listed Interest Rates Contracts on an intra-day basis.

~~(b) 1.3.3 Risk Pending Trades~~

Except as otherwise required by applicable law and regulation, Trades presented to the Clearing House for registration can be validated against a number of ~~Risk Parameters~~ risk parameters, including quantity, price, premium, strike price, trade value or mark-to-market profit/loss parameters. ~~Quantity, Price, Premium, Strike Price, Trade Value or Mark to Market Profit/Loss parameters~~ (“Risk Parameters”), can be specified for use for trade validation.

Any trades that fall outside of the validation parameters will enter a pending state (the “Risk Pending Queue”) and require validation by Risk Management before being accepted or rejected by the Clearing House.

The Risk Parameter ranges are set by Risk Management and can be amended during periods of low or high volatility to capture or avoid suspension of trades which are within the day’s trading range.

~~(c) Conditions for Acceptance of Risk Pending Trades~~

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#### 1.3.4 Conditions for Acceptance of Risk Pending Trades

Except as otherwise required by applicable law and regulation, Registration of trades held in the Risk Pending Queue is conditional on the transfer of sufficient Collateral to the Clearing House. The Clearing House will first consider any surplus Collateral held, any surplus Collateral in respect of credit variation margin, and any net credit Collateral in respect of variation margin for new business, before requesting additional Collateral from a Clearing Member. Margin in this case is net debit variation margin in respect of the pending trades, calculated automatically by the system with reference to the previous day's closing price or premium.

If the Clearing House decides that additional Collateral is required it will advise the Listed Interest Rates Clearing Member as soon as possible. The currency and method of funds transfer, or type of Collateral to be provided, will be agreed between the Clearing House and the Listed Interest Rates Clearing Member. Only when the Clearing House has received the Collateral or has received confirmation from the transferring bank that the cash Collateral has been, or is, in the process of being transferred will it accept the pending trade.

The Clearing House will carry out the process of accepting pending trades on an hourly basis throughout the day, or more frequently where possible. The acceptance process will apply to both sides of a trade at the same time.

It is the responsibility of each Listed Interest Rates Clearing Member to ensure that any trades likely to require acceptance are input as early as possible in the day; and that either sufficient surplus Collateral is maintained with the Clearing House (to meet debit variation margin obligations arising from pending trades) or arrangements are in place to meet additional calls for Collateral. Trades not accepted by the Clearing House will not be registered. In order to achieve registration the trade must be re-submitted (in accordance with the relevant Rates Exchange ~~NLX~~ Rules) the next business day, when the same process will apply.

#### 1.3.5 Rejected Listed Interest Rates Novation Transactions

Except as otherwise required by applicable law and regulation, Listed Interest Rates Novation Transactions submitted for registration which:

(a) do not meet the relevant eligibility criteria for Listed Interest Rates Eligible Products or other registration criteria where applicable; or

(b) contain invalid or incomplete message data; or

(c) for any other reason are not eligible for registration,

will be held pending clarification by the Clearing House.

The Clearing House will then contact the Listed Interest Rates Clearing Members concerned and/or the operator of the relevant Rates Exchange in order to seek to rectify the problem. It may be the case that the problem can be resolved and the trade re-submitted for registration. If, however, the trade still falls within any of paragraphs (a) to (c) above, and the Clearing House does not register that trade, the submitting Listed Interest Rates Clearing Members will be contacted and notified of the reason for rejection.

Listed Interest Rates Novation Transactions must be executed, matched and submitted for registration prior to the relevant Rates Exchange deadline for registration. Any Listed Interest Novation Transactions submitted after that time will be rejected.

Listed Interest Rates Clearing Members should note that when a trade is rejected by the Clearing House, no Listed Interest Rates Contracts arise between the Clearing House and the Listed Interest Rates Clearing Members concerned. Subject to Regulation 52(e), the Clearing House has no liability in respect of such rejection.

1.3.6 ~~Novation / Open Offer~~

Novation replaces each Listed Interest Rates Novation Transaction ~~exchange contract~~ executed between Listed Interest Rates Clearing Members with two separate contracts, one between the Listed Interest Rates Clearing Member-seller and the Clearing House and the other between the Listed Interest Rates Clearing Member-buyer and the Clearing House.

The Clearing House may also provide an open offer in respect of Listed Interest Rates Eligible Products listed for trading on one or more Rates Exchanges. Pursuant to this “open offer”, once particulars in respect of any such Product are matched on the Rates Exchange and submitted to the Clearing House, then, subject to the requirements for acceptance set out in the Listed Interest Rates Regulations, a Listed Interest Rates Contract will be registered between the Listed Interest Rates Clearing Member-seller and the Clearing House as buyer and a second Listed Interest Rates Contract will be registered between the Listed Interest Rates Clearing Member-buyer and the Clearing House as seller.

Novation is described in Regulation 12 (*Novation*) and Regulation 98; the Clearing House’s open offer arrangements are described in Regulation 97.

~~1.4.6~~1.3.7 *Notification*

All registered contracts are listed on the Clearing Member Statement available via the Member Reporting website. ~~NLX Service~~Listed Interest Rates Clearing Members participating in the Portfolio Margining Service will also be notified via the Member Reporting website of transfers of Identified Off-Setting Listed Interest Rates Contracts as described more fully in Section 2C (SwapClear) of the Procedures.

~~1.4.7~~1.4 **Proprietary Accounts and Client Accounts**

~~1.4.1~~ ~~1.4.1~~ *Proprietary Accounts*

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A ~~NLX-Listed Interest Rates~~ Service Clearing Member may request that the Clearing House opens one or more Proprietary Accounts in respect of its House Clearing Business.

Each Proprietary Account will map to two sub-accounts

- (i) a position account; and
- (ii) a collateral account.

#### ~~1.4.2~~ ~~1.4.2~~ Client Accounts

##### (i) *Types of Client Account*

Subject to Regulation 11 (*Client Clearing Business*) of the General Regulations and Section 1.10 (~~NLX-Listed Interest Rates~~ *Client Clearing*) below, a ~~NLX-Listed Interest Rates Service~~ Clearing Member may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

- (A) Individual Segregated Accounts;
- (B) Non-Identified Client Omnibus Net Segregated Account;
- (C) Identified Client Omnibus Net Segregated Accounts;  
~~and/or~~
- (D) Affiliated Client Omnibus Net Segregated Accounts;  
and/or
- ~~(D)~~(E) Omnibus Gross Segregated Accounts.

##### (ii) Each Client Account will map to two or more sub-accounts:

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

#### ~~1.4.3~~ Clearing Member Accounts – Position-Keeping Account(s)

For identification purposes, each Listed Interest Rates Clearing Member is assigned a unique three-character mnemonic. A Listed Interest Rates Clearing Member's position and financial information are further identified by a single character code: "C" for Listed Interest Rates Clearing Client Business; and "H" for Listed Interest Rates Clearing House Business.

#### ~~1.4.3~~~~1.4.4~~ Relationship between Position Accounts and Collateral Accounts

Clearing Member position accounts have collateral accounts associated with them. These are, *inter alia*, used to record cash balances, securities/documentary credits and non-realised margin obligations. Information contained within a position-keeping account is consolidated with the associated collateral account, as follows:

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| <u>Account Type</u> | <u>Collateral Account</u> |
|---------------------|---------------------------|
| HOUSE               | H                         |
| MARKET MAKER (H)    | H                         |
| INITIAL ALLOCATION  | C                         |
| MARKET MAKER (C)    | C                         |
| CLIENT              | C                         |

Only the H account is obligatory. The C account will be used in respect of any ~~NLX-Listed Interest Rates Service~~ Clearing Member ~~which-that~~ engages in ~~NLX-Listed Interest Rates~~ Client Clearing Business.

By accepting a trade into a position-keeping account a Listed Interest Rates Clearing Member is also deemed to be designating that trade for the associated collateral account.

Each client "C" position-keeping account and the client "C" collateral account of a ~~NLX-Listed Interest Rates Service~~ Clearing Member may hold any number of segregated sub-accounts. Each Individual Segregated Account of the ~~NLX-Listed Interest Rates Service~~ Clearing Member 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.

~~1.4.9~~1.4.5 Other Accounts

In some cases at the Clearing House's discretion, further accounts may be opened as follows:

|  | <u>Code</u> |
|--|-------------|
| Additional Margin accounts, used for holding House Excess  | B           |
| Additional Margin accounts, used for holding Client Excess | E           |

~~1.4.10~~1.4.6 Default Fund (DF) Account

Each Listed Interest Rates Clearing Member's Default Fund Contribution is held on a separate account. The Default Fund account code is 'F'.

**1.5 Margin and Collateral**

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~~1.4.11~~1.5.1 Initial Margin

Separate initial margin calculations are performed for a Listed Interest Rates Clearing Member's Proprietary Account and for each Client Account. No offset between the Proprietary Accounts and the Client Accounts is allowed and,

except pursuant to a Cross-ISA Client Excess Deduction, no offset is allowed between any Client Accounts.

Margin requirements in respect of each ~~NLX-Listed Interest Rates Contract account~~ are calculated net per account, meaning that if long and short positions are held in the same account in the same delivery month for futures, or the same series for options, the initial margin requirement is calculated by reference to the net position in the Listed Interest Rates Eligible Product. The Clearing House will calculate an account's net position in respect of any Designated Listed Interest Rates Contract by reference to all trading in such Contract on Designated Rates Exchanges.

(a) *Initial Margin Parameters*

Initial margin parameters are set by the Clearing House after consultation with the relevant Rates Exchange(s).~~NLX.~~ However, in accordance with the Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for a Clearing Member's accounts.

Clearing Members will be notified by the Clearing House of alterations to initial margin parameters no later than the day before PPS Calls are made based on the new rates.

(b) *Intra-day Margin Calls*

In accordance with the Regulations the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it considers necessary. Intra-day margin calls will be made via the Protected Payments System (see Section 1.3 of Procedure 3 (*Financial Transactions*)).

(c) *Calculation of Initial Margin*

(i) *Value At Risk (VaR)*

Initial margin obligations are re-calculated at the close of each business day using a VaR algorithm developed to calculate margin requirements on ~~NLX-Listed Interest Rates C~~contracts.

Technical questions about this algorithm should be directed to the Clearing House Risk Management Department on +44 (0)20 7426 7520.

~~1.4.121.5.2~~ *Variation Margin*

All open contracts are marked to market daily by the Clearing House in accordance with the Listed Interest Rates NLX Rules and Contract Terms. The official quotation is used as the market price. Profits or losses are either credited to or debited from a Clearing Member's<sup>1</sup> Propriety Account or Client Account (as applicable) (realised margin) or they form non-realised contingent liabilities or credits.

Separate variation margin calculations are performed for a Clearing Member's Proprietary Account and for each Client Account. No offset between the Proprietary Accounts and the Client Account is allowed and, except pursuant to a Cross-ISA Client Excess Deduction, no offset is allowed between any Client Accounts.

~~1.4.13(a)~~ Realised Margin

Realised margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant official quotations with the value of positions recorded in the Clearing System - i.e. the trade price for new trades and the previous day's official quotation for other positions. Variation margin for the following types of contract is realised into postings to the relevant Proprietary Account or Client Account (as applicable).

~~(b)~~ Variation Margin

Variation margin for the following types of contract is realised into postings to the relevant Proprietary Account or Client Account (as applicable).

~~1.4.14~~ Contingent Variation Margin

Contingent variation margin is calculated with reference to the official quotation at which a contract went to delivery and the underlying asset value or the next nearest futures delivery month official quotation, dependent on the terms of the Listed Interest Rates Contract or these Procedures. Contingent variation margin is calculated for ~~NLX contracts which~~ Listed Interest Rates Contracts that are subject to delivery of an underlying asset.

~~1.4.15~~ Option Variation Margin

Option variation margin is the value of unexpired options, calculated with reference to the official quotation. Bought and sold options generate credit and debit option variation margin respectively.

~~1.4.16~~ 1.5.3 Additional Margin

In accordance with Regulation 20 (*Margin and Collateral*), the Clearing House may call additional amounts of Collateral (on top of the amounts of Collateral previously transferred to the Clearing House in respect of initial margin and variation margin obligations) as security for the performance by a Listed Interest Rates Clearing Member of its obligations to the Clearing House in respect of contracts registered in his name as open contracts. This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in positions held by the Listed Interest Rates Clearing Member is not adequately covered by the Collateral in respect of the initial or variation margin obligations. This may cover instances where stress losses under various scenarios are larger than the pre-defined thresholds of the default fund. The Clearing House may only apply such additional Collateral against the positions

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generating such losses, and may not apply it as a credit in respect of initial margin obligations generally.

~~1.4.17~~1.5.4 Official Quotations

Official quotations are based on the "Daily Settlement Prices (DSP)" and are supplied by ~~NLX~~the relevant Rates Exchange (or, in respect of a Designated Listed Interest Rates Contract, the Clearing House) at the close of business each day. Should ~~NLX~~the relevant Rates Exchange fail to determine DSP's, the Clearing House will itself determine these as necessary. This will be done at the Clearing House's discretion and be announced as soon as possible.

~~1.4.18~~1.5.5 Settlement

(a) *Cash Settlement*

Cash settlement is a final settlement derived from the difference between the expiry price and the previous business day's official quotation or such other quotation as is specified in the ~~NLX's Rules and Listed Interest Rates~~ Contract Terms. This is debited from or credited to the relevant Proprietary Account or Client Account.

(b) *Delivery*

Deliverable contracts, as specified by ~~NLX Rules and the Listed Interest Rates~~ Contract Terms, remaining open at expiry, or as notified via early delivery notice, are settled by physical delivery of the underlying at the "Final Settlement Price (FSP)", as determined by the relevant Listed Interest Rates Contract Terms.

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~~1.4.19~~1.5.6 Official Quotations

~~Official quotations are based on "Daily Settlement Prices (DSP)" and are supplied by NLX at the close of business each day. Should NLX fail to determine "DSP's", the Clearing House will itself determine these as necessary. This will be done at the Clearing House's discretion and be announced as soon as possible.~~

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1.6 Trade and Position Management

1.6.1 Allocations

Listed Interest Rates Novation Transactions and Rates Exchange Matches can be allocated to a Listed Interest Rates Clearing Member's Position Keeping Accounts in a number of different ways based on the information provided:

- by including the Position Account Owner and the Position account type (e.g., House or Client);

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- by giving-up the trade to another Listed Interest Rates Clearing Member (GUI or message function);
- by carrying out an internal give-up (GUI or message) to move the trade between a Listed Interest Rates Clearing Member's own accounts; and
- by modifying the trade or particulars (GUI only).

#### 1.6.2 Give-Ups

A Listed Interest Rates Novation Transaction or Rates Exchange Match that has been accepted can be given up, either to another Position Account Owner within a different Listed Interest Rates Clearing Member's accounts ("External Give-up"), or to a different Position Account within the same Listed Interest Rates Clearing Member's accounts ("Internal Give-up"). A "partial give-up" is achieved by splitting the Listed Interest Rates Novation Transaction or Rates Exchange Match followed by a Give-up.

An Internal Give-up is actioned immediately after the give-up instruction is successfully validated and the trade is allocated to the target Position Account Owner specified in the instruction. Once an External Give-up instruction is successfully validated it is marked as "Alleged". The target Position Account Owner will be informed of the alleged Give-up.

A Give-up that is still in an Alleged status can be cancelled, in which case the give-up instruction will be marked as cancelled and a confirmation sent to both the source and target Position Account Owners.

Give-ups are also passed through the risk validation checks described in Section 1.1.3 above.

Give-ups are permitted up until the close of trading on the day following the date on which a contract is executed ("Position Management Window"). Give-ups on expiring contracts are only permitted until the end of the Position Management Window of the expiry process.

#### 1.6.3 Take-Ups

Any "Alleged" external Give-up instruction can either be Taken-up or Rejected by the target Position Account Owner, which must enter the position account it wishes the trade to be allocated to if it accepts the give-up. The trade is then re-allocated to the new position account and the Give-up and Take-up transactions are marked as Transferred.

If the Take-up is rejected the trade will remain in the source position account and the Give-up and Take-up transactions marked as Rejected.

Take-ups are permitted up until the end of the Position Management Window. Take-ups on expiring contracts are only permitted until the end of the Position Management Window of the expiry process.

#### 1.6.4 Position Transfers

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Without prejudice to any approval that may be required under the relevant Rates Exchange Rules, Listed Interest Rates Clearing Members wishing to effect a position transfer to another Listed Interest Rates Clearing Member approved to participate in the Listed Interest Rates Clearing Service may do so directly through Synapse, provided that, where a transfer would exceed any applicable Risk Parameters, such transfer will be subject to the validation process described in Section 1.3.3 and Section 1.3.4 above before being accepted or rejected by the Clearing House.

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Otherwise, Listed Interest Rates Clearing Members wishing to effect a position transfer should submit a written request by sending an email to [ListedRates.Ops.UK@lch.com](mailto:ListedRates.Ops.UK@lch.com).

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Provided they relate to valid positions and adequate Collateral is available from both Listed Interest Rates Clearing Members, the transfer will normally be authorised. Should insufficient Collateral be available, the transfer may not be authorised until additional Collateral is transferred to the Clearing House.

## 1.7 Option Exercise and Expiry

### 1.7.1 General

Each contract is exercised through the Clearing System. Exercise Rules are specified by the ~~NLX Rules and~~ relevant Rates Exchange Rules and/or the relevant Listed Interest Rates Contract Terms, which determine the form and manner in which ~~times that~~ exercise notifications must be given, and the time frames for doing so. Exercise may be automatic or manual.

Options are exercised manually except on the last trading day when a combination of auto exercise and manual exercise is used and open futures contracts are created.

When exercised against, the Clearing House will select sellers against which to exercise, based on their open position. The method of allocation used for options is random scatter. The allocation process randomly determines each lot to be assigned in such a way that its selection is independent of either the preceding lot or of the subsequent lot in the selection process.

An option shall be deemed to be exercised at such time as confirmed by the Clearing House on the Clearing System.

Exercised Index Option contracts are settled in cash. The settlement amount is the difference between the strike price of the contract and the relevant Final Settlement Price (FSP).

Listed Interest Rates Clearing Members should consult the Service Description for more information and refer any enquiries to the OCS Department on +44 7426 7651 or [ListedRates.Ops.UK@lch.com](mailto:ListedRates.Ops.UK@lch.com), to the 'Synapse Derivatives Member User Guide' for operating instructions and full details.

(a) *Options Exercise Instructions*(i) *Manual Exercise*

Exercise instructions are submitted via the Options Exercise screen on the Clearing System, between times as specified by ~~NLX-relevant Rates Exchange~~ Rules and/or the relevant Listed Interest Rates Contract Terms on any business day from the business day following the day of trade until the expiry day.

Exercise instructions can be cancelled via the Options Exercise screen up until the exercise deadline on the day the exercise instruction is input to the Clearing System.

Warning messages will be displayed on the following conditions:

- when an exercise is performed on Out-of-the-Money options;
- when a cancel is performed on In-the-Money options;
- the number of lots exceed the lot limit, if the lot limit parameter is set by the Clearing Member in the BP Exercise Limit screen; and
- early exercise i.e. non-spot month, if this parameter is set by the Clearing Member in the BP Exercise Limit screens.

An option exercise maker-checker facility ensures exercise instructions are authorised by another authorised person before being submitted. Listed Interest Rates Clearing Members should ensure that they allow sufficient time for submitting instructions within contract deadlines, if this facility is switched on.

(ii) *Automatic Exercise on Expiry Day*

Preset limits within the Clearing System define which options will be subject to automatic exercise at expiry.

Buyers of options may, in accordance with the ~~NLX's Rules and relevant Listed Interest Rates~~ Contract Terms, choose not to exercise option series that would be subject to automatic exercise. Listed Interest Rates Clearing Members that wish not to exercise such options must have done so by the exercise deadline of the expiring options. Failure to do so will result in the automatic exercise of the series.

(b) *Expiry Day*

Options expire at the time specified by ~~NLX Rules and relevant Listed Interest Rates~~ Contract Terms on the expiry date. Listed Interest Rates Clearing Members who wish to exercise positions for strike prices

which are not subject to automatic exercise for the expiring series, must do so by this time.

**It is not possible for Listed Interest Rates Clearing Members to input exercise or exercise cancellation instructions after the expiry time.**

(c) *Unavailability of System for Options Exercise*

In the event that the Clearing System option exercise facilities are unavailable (in particular if an expiry or exercise deadline is imminent), it is essential that the Listed Interest Rates Clearing Member contacts LCH.Clearnet Operations and Client Servicing the OCS Department on +44 7426 7651.

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1.51.9 Deliverable Bond Futures ~~(NLX)~~ – ~~Common~~ Delivery Procedures

**These delivery procedures should be read in conjunction with the rest of this document, the ~~Clearing House~~ Rulebook, the ~~NLX~~ ~~the Exchange~~ relevant Rates Exchange Rules and the relevant Listed Interest Rates Contract Terms.**

**Listed Interest Rates Clearing Members must be fully aware of their obligations under the relevant contracts.**

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**In the event of any conflict between the ~~Clearing House~~ Rulebook and the ~~Exchange relevant NLX~~ Rates Exchange Rules and the Listed Interest Rates Contract Terms, the ~~Clearing House~~ Rulebook shall prevail.**

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Enquiries concerning the procedures in this Section should be directed to OCS Department ~~Operations and Client Servicing (OCS)~~ staff at the Clearing House.

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1.9.1 *Common Delivery Procedures*

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(a) Allocation Method

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For all deliverable bond contracts the following method is used by the Clearing House to allocate stock delivered by Sellers to Buyers:

- (i) Buying Clearing Members' accounts are listed in mnemonic sequence and numbered sequentially;
- (ii) a number is chosen at random;
- (ii) ~~the allocation of the lowest coupon bond commences with the selected mnemonic and progresses through the list referred to in (a) above; and~~

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~~the allocation of the lowest coupon bond commences with the selected mnemonic and progresses through the list referred to in (a) above; and~~

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(iii)

~~(iv)~~ ~~(iv)~~ when no further allocation of the lowest coupon bond can be made, the allocation continues with the next lowest coupon bond and so on, until the process is completed with the allocation of the highest coupon bond.

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If bonds of equal coupon but with different maturity dates have been nominated then the bond with the earliest maturity will be allocated first.

For the purpose of settlement efficiency the results of the allocation will be subject to settlement shaping with each instruction not exceeding a nominal value of GBP 50 million for Gilts or EUR 50 million for Bund, Bobl and Schatz.

(b) Clearing Accounts

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Clearing Members' position keeping accounts, following any applicable netting, are aggregated to settlement account level for deliveries. Clearing Members must submit separate notifications (Seller's Delivery Notices, etc) to the Clearing House for each settlement account.

~~1.5.2~~ (c) Final Settlement Prices (FSP)

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~~NLX sets an~~ The FSP for bond deliveries ~~will be as~~ determined in accordance with the relevant Listed Interest Rates Exchange Contract Terms. This is published as soon as possible after it has been set.

~~1.5.3~~ (d) Days and Times

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All days are London business days unless otherwise stated.

All times are London times unless otherwise stated.

~~1.5.4~~ (e) Margin

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The Clearing House continues to require Collateral in respect of initial and contingent variation margin requirements on open delivery contracts.

~~1.5.5~~ (f) The Delivery System

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'The Delivery System' is the Clearing House Delivery System for ~~NLX~~ deliverable ~~contracts~~ Listed Interest Rates Contracts, which allows users to send and receive data to and from the Clearing House.

Clearing Members must submit delivery information using the Delivery System GUI.

When using the Delivery System GUI Clearing Members must always ensure that they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action ~~by NLX~~. Clearing Members experiencing connection difficulties should contact ~~Operations and Client Servicing (OCS)~~ Department staff at the Clearing House immediately.

#### ~~5.6(g)~~ Seller's Delivery Notice

Sellers must submit a *Delivery Notice* to the Clearing House via the Delivery System.

#### (h) Delivery Failure – Designated Listed Interest Rates Contracts Only

**This paragraph 1.109.1(h) applies only in respect of Designated Listed Interest Rates Contracts. For all other Listed Interest Rates Contracts, the treatment of delivery failures is set out in the relevant Rates Exchange Rules.**

Where the seller does not make delivery, or the buyer make payment, this will constitute a “delivery failure” within the meaning of Regulation 35 (Delivery (or other) Failures). A delivery failure may occur for any reason whatsoever, including, without limitation:

- (i) ~~t~~The failure of the Clearing House’s clearing system to effect settlement of such delivery or payment;
- (ii) ~~a~~Any error, failure, closure or suspension of the Clearing House’s clearing system;
- (iii) ~~a~~A failure by any third party to make any required transfer of such deliverable bonds to seller or any settlement agent for seller in time to enable seller to make delivery to buyer; or
- (iv) ~~a~~Any failure by either buyer or seller, or any settlement agent for either buyer or seller, to input any necessary instructions required by the Clearing House’s clearing system or pursuant to the Regulations to effect settlement, including as a result of any fault or failure of any computer or communication system.

Where a delivery failure occurs, any decision as to alternative settlement procedures made by the Clearing House shall be binding on buyer and seller. The Clearing House may, but is not required to, require the buyer to pay an amount (“Settlement Adjustment Amount”) equal to the product of: (i) the settlement payment required under the contract; (ii) the average of the Clearing House’s base rate as at the close of each business day during the period that settlement is delayed; and (iii) the number of calendar days in the settlement delay period over 365.

In addition, if a delivery failure occurs and any dividend or coupon is paid on the deliverable bonds during the delayed settlement period, the Clearing House may, but is not required to, require the seller to pay an

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amount (“**Dividend Adjustment Amount**”) equal to the gross amount of such dividend (without any withholding or deduction on account of any tax).

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The delivery failure shall be “cured” on the business day on which the delivery has been made by the seller (including, where applicable, any Dividend Adjustment Amount) and the buyer to make payment (including, where applicable, any Settlement Adjustment Amount).

#### ~~1.6.1.10~~ Long Gilt

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Gilts, against payment of the consideration amount specified in ~~NLX's~~ the Gilt contract terms; and
- Euroclear UK and Ireland - The Euroclear UK and Ireland System.

##### ~~1.6.1.10.1~~ Delivery Mechanism

Deliveries under the Gilt contract must be made or taken via an account at Euroclear UK and Ireland (EUI).

###### (a) Clearing House Delivery Account Details

Details of the Clearing House's account at Euroclear UK and Ireland (EUI) are as follows:

Clearing House account number 5172

##### ~~1.6.2.1.10.2~~ Delivery Communication and the Delivery System

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action ~~by NLX~~. Clearing Members experiencing difficulties should contact ~~Operations and Client Servicing (OCS) Department~~ staff at the Clearing House immediately.

##### ~~1.6.3.1.10.3~~ Consideration Value Calculation

The amount due to Sellers and payable by Buyers is calculated in accordance with the Gilt contract terms (all values in GBP):

Consideration value per lot = (1000 x FSP x Price Factor) + Initial Accrued + (Daily Accrued x Delivery Days in Month)

###### Consideration Calculation Example

|                             |   |   |
|-----------------------------|---|---|
| FSP(N)                      | = | 107.41  |
| Price Factor                | = | 1.2554334   |
| Initial Accrued             | = | 1746.58   |
| Daily Accrued               | = | 17.1233   |
| Delivery Days in Month      | = | 10  |
| Single lot value            | = | (1000 x 107.41 x 1.2554334) +<br>1746.58 + (17.1233 x 10) |
|                             | = | 136,763.914494  |
| Consideration value per lot | = | 136,763.91  |

The Clearing House establishes the consideration amount by calculating the full value of **1 lot** using the formula (i.e. up to 7 decimal places on the price factor and 5 on the FSP) and rounding to the nearest whole penny (.5 rounded down). This **per** lot value is then multiplied by the number of lots to establish the total consideration value.

4.6.41.10.4 Delivery Timetable (except for Last Notice Day)

| DAY            | TIME LONG GILT | ACTION   |  |
|----------------|----------------|--|--|
|                |                | SELLERS  | BUYERS   |
| Notice Day     | By 11:00       | Sellers submit <i>Seller's Delivery Notices</i> in Synapse and the Delivery System |  |
|                | By 11:30       | Synapse position keeping deadline<br><del>NLX announce the FSP established</del>   | Synapse position keeping deadline<br><del>NLX announce the FSP established</del>         |
|                | By 12:00       |  | Allocation of lots to Buyers   |
|                | By 15:00       | Delivery Positions for Futures Report available                                    | Delivery Positions for Futures Report available<br>Deliverable gilts allocated to Buyers |
| Notice Day + 1 | By 05:00       | The Clearing House makes Account Sales and Delivery Instructions report available  | The Clearing House makes Invoices and Delivery Instructions report available             |
|                | From 09:00     | Seller to commence matching  | Buyer to commence matching   |

| DAY                                | TIME LONG GILT | ACTION  |   |
|------------------------------------|----------------|---|---|
|                                    |                | SELLERS   | BUYERS  |
|                                    | By 12:30       | All deliveries must be matched in Euroclear UK & Ireland                          | All deliveries must be matched in Euroclear UK & Ireland                          |
| Settlement Day<br>(Notice day + 2) | By 13:00       | Gilts delivered against payment   | Gilts received against payment  |
| S + 1                              |                | The Clearing House releases Collateral in respect of initial and variation margin | The Clearing House releases Collateral in respect of initial and variation margin |



## 1.6.51.10.5 Delivery Timetable (Last Notice Day)

| DAY   | TIME LONG GILT           | ACTION   |  |
|---|--------------------------|--|--|
|   |                          | SELLERS  | BUYERS   |
| Last Notice Day (the business day following the last trading day) | By 10:00                 | Sellers submit <i>Seller's Delivery Notices</i> to The Delivery System<br><br>Synopsis position keeping deadline   | Synapse position keeping deadline  |
|   | By 11:00                 |  | Allocation of lots and gilts to Buyers   |
|   | By 15:00<br><br>By 17:30 | The Clearing House makes Account Sales and Delivery Instructions report available<br><br>Seller to commence matching<br><br>All deliveries must be matched in Euroclear UK & Ireland | The Clearing House makes Invoices and Delivery Instructions report available<br><br>Buyer to commence matching<br><br>All deliveries must be matched in Euroclear UK & Ireland |
| Settlement Day (Last Notice Day + 1)                              | By 13:00                 | Gilts delivered against payment  | Gilts received against payment   |
| S + 1   |                          | The Clearing House releases Collateral in respect of initial and variation margin  | The Clearing House releases Collateral in respect of initial and variation margin  |

## 1.6.61.10.6 Long Gilt Delivery Procedures

## (a) Last Trading, Notice and Settlement Day Definitions

The First and Last Notice Day, and Settlement Day, are defined in ~~NLX's~~ [the Listed Interest Rates](#) Contract Terms for the Long Gilt contract.

(b) Notice Day - (except for Last Notice Day see Section ~~1.10.6(e)~~~~1.11.6(e)~~~~1.6.6(e)~~)

By 11:00 hours - Long Gilt

Deliverable positions are based on Clearing Members' positions at the close of business the previous day. The positions may be transferred or settled to establish the deliverable position.

On each business day during the notice period, a Seller may input an 'Early Delivery Notification' to Synapse and must then, in addition, submit to the Clearing House the corresponding *Seller's Delivery Notice*. The input of a delivery notification to Synapse without the corresponding *Seller's Delivery Notice* (or vice versa) will not constitute a valid notification to the Clearing House. Any notices submitted after this deadline will be rejected and Sellers must submit on the following business day if they still wish to deliver early (if the next business day is the Last Notice Day, then the Last Notice Day procedures apply).

*By 11:30 hours (approx)*

The Final Settlement Price (FSP) is announced ~~by the exchange~~.

*By 12:00 hours (approx) - Long Gilt*

A Delivery Positions for Futures report indicating the number of lots allocated to Buyers is made available on Synapse.

*By 15:00 hours*

The Clearing House allocates Gilts to Buyers.

(c) *Business Day following Notice Day*

*By 05:00 hours*

- *Delivery Instructions for Sellers* ~~(Schedule 3)~~
- *Delivery Instructions for Buyers* ~~(Schedule 4)~~.

The instructions as described **must** be utilised by Clearing Members in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The times stipulated below are the latest possible times for pre-matching.

*From 09:00 hours*

Details of the delivery contracts must be submitted and matched in Euroclear UK & Ireland.

All entries **must** be made with the necessary fields completed in order to match with the Clearing House instruction.

*By 12:30 hours*

Clearing Members must have successfully matched all trades with the Clearing House in Euroclear UK & Ireland.

**Failure to match with the Clearing House contravenes Clearing House Procedures.**

The Clearing House informs ~~NLX Market Operations~~the operations personnel of the relevant Rates Exchange of any outstanding matching problems after this time.

(d) *Last Trading Day (LTD)*

*At 11:00 hours*

Trading ceases two business days prior to the last business day in the delivery month.

(e) *Last Notice Day*

The Last Notice Day is the business day following the Last Trading Day.

*By 10:00 hours - Long Gilt*

Sellers holding open positions **must** submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System. Clearing Members are not required to give notification via Synapse. Clearing Members with open positions in the expired delivery month are obliged to make or take delivery.

*By 15:00 hours - Long Gilt*

The Clearing House makes the following available:

- *Account Sales* ~~(Schedule 1)~~
- *Invoices* ~~(Schedule 2)~~
- *Delivery Instructions for Sellers* ~~(Schedule 3)~~
- *Delivery Instructions for Buyers* ~~(Schedule 4)~~.

Clearing Members commence matching with the Clearing House.

*By 17:30 hours*

Clearing Members must have successfully matched all trades with the Clearing House in Euroclear UK & Ireland.

**Failure to match with the Clearing House contravenes Clearing House Procedures.**

The Clearing House informs the ~~NLX Market Operations~~ operations personnel of the relevant Rates Exchange of any outstanding matching problems after this time.

(f) *Settlement Day*

Settlement day means the second business day after the notice day or, where the notice day is the Last Notice Day, settlement day will be the next business day after the Last Notice Day.

The Seller must ensure that their Euroclear UK & Ireland priority settings and cap permit their trades to settle before the Clearing House settlement deadline.

*By 13:00 hours*

Gilts will have passed from the Seller's Euroclear UK & Ireland account to the Clearing House's Euroclear UK & Ireland account (5172) and subsequently to the Buyer's Euroclear UK & Ireland account on Settlement Day.

The Buyers and the Clearing House's settlement bank will effect payment by the end of the day across Real Time Gross Settlement (RTGS) accounts at the Bank of England.

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

4.7.1.11 **German Government Bond (Euro Bund)**

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Bunds, against payment of the consideration amount specified in [the Listed Interest Rates Contract Terms for NLX's German Government Euro Bund Contracts](#); ~~Terms~~;
- Euroclear - The Euroclear System; and
- Securities correspondent - Euroclear, Clearstream Luxemburg SA or Clearstream Frankfurt.

4.7.1.11.1 *Delivery Mechanism*

Deliveries under the Euro Bund contract must be made or taken via accounts at one or more of the following delivery systems:

- Clearstream Frankfurt;
- Euroclear; and

- Clearstream Luxembourg.
- (a) *Clearing House Delivery Account Details*

The Clearing House's delivery agents and account details at the Clearstream Frankfurt are as follows:

Deutsche Bank AG  
 Securities & Custody Services  
 PO Box 65755  
 Eschborn  
 Germany

Clearing House account number : 7077

Details of the Clearing House's accounts at Euroclear and Clearstream Luxembourg are as follows:

Euroclear : Clearing House account number 10167

Clearstream Luxembourg : Clearing House account number 18764

**The Clearing House retains the right to amend the above list without prior notification to Clearing Members.**

For each Euro Bund delivery, Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

~~4.7.21.11.2~~ *Delivery Communication and the Delivery System*

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action ~~by NLX~~. Clearing Members experiencing difficulties should contact ~~Operations and Client Servicing (OCS) Department~~ staff at the Clearing House immediately.

~~4.7.31.11.3~~ *Consideration Value Calculation*

The amounts due to Sellers from Buyers are calculated in accordance with the Euro Bund contract terms.

$$\text{Consideration value per lot} = (1000 \times \text{FSP} \times \text{Price Factor}) + \text{Accrued Interest}$$

*Consideration Calculation Example*

$$\begin{aligned} \text{FSP} &= 113.41 \\ \text{Price Factor} &= 0.950491 \end{aligned}$$

$$\begin{aligned} \text{Accrued Interest} &= 2258.22 \\ &(1000 \times 113.41 \times 0.950491) + 2258.22 \\ &= \text{EUR} \\ &110,053.40431 \\ \text{Consideration Value} &= \text{EUR } 110,053.40 \end{aligned}$$

The consideration value is calculated using the **full** extent of decimal places for each component of the formula.

The invoice value of **1 lot** is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This **per** lot value is then multiplied by the number of lots to establish the total invoice value.

1.7.41.11.4 Delivery Timetable

| DAY                       | TIME                               | TIME                               | ACTION   |   |
|---------------------------|------------------------------------|------------------------------------|--|---|
|                           | LONDON                             | CET*                               | SELLERS  | BUYERS  |
| Last trading day<br>(LTD) | 11:30                              | 12:30                              | Trading ceases   | Trading ceases  |
|                           | 12:00                              | 13:00                              | FSP established  | FSP established   |
|                           | 17:00                              | 18:00                              | Synapse Position Keeping deadline<br>Sellers submit <i>Sellers Delivery Notice</i> | Synapse Position Keeping deadline   |
|                           | 17:30                              | 18:30                              | The Clearing House performs delivery allocation                                    | The Clearing House performs delivery allocation                                   |
|                           | 18:00                              | 19:00                              | The Clearing House makes Account Sales and Delivery Instruction Report available.  | The Clearing House makes Invoices and Delivery Instruction Report available.      |
| S - 1<br>(LTD + 1)        | 10:00                              | 11:00                              | Sellers submit DVP instructions to their custodian bank                            | Buyers submit RVP instructions to their custodian bank                            |
|                           | 14:00                              | 15:00                              | Sellers match the Clearing House instruction entered into delivery centre          | Buyers match the Clearing House instruction entered into delivery centre          |
| S<br>(LTD + 2)            | Following standard delivery cycles | Following standard delivery cycles | The Clearing House receives confirmation of delivery                               | The Clearing House receives confirmation of delivery                              |
| S + 1<br>(LTD + 3)        |                                    |                                    | The Clearing House releases Collateral in respect of initial and variation margin  | The Clearing House releases Collateral in respect of initial and variation margin |

\* CENTRAL EUROPEAN TIME INCLUDES FRANKFURT TIME WHERE QUOTED IN THE EXCHANGE CONTRACT TERMS, RULES AND CLEARING HOUSE DELIVERY PROCEDURES

~~4.7.5~~1.11.5 *Transaction cut off times and Clearing House deadlines*

Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each Clearing Member's responsibility to ensure that they and their agents are aware of, and adhere to, the Clearing House deadlines.

~~4.7.6~~1.11.6 *Delivery Procedures*

(a) *Deliverable Bonds*

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the [Listed Interest Rates NLX](#) Contract Terms. ~~This list is published by NLX and is available in the Delivery System as and when distributed by NLX.~~ The initial list of bonds will be available from the Delivery System until such time as ~~NLX publish~~ the final list [is published](#).

(b) *Last Trading, Notice and Settlement Day Definition*

The Last Trading Day, Notice Day and Settlement Day are as defined in ~~NLX's~~ [the Listed Interest Rates](#) Contract Terms for the Bobl Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a Frankfurt working day, in which case the Frankfurt working day immediately following it is the Settlement Day.

(c) *Last Trading Day (LTD)*

*At 11:30*

Trading ceases in the delivery month.

*By 12:00*

The FSP is announced by the Exchange.

*By 17:00 hours - Delivery Notice Deadline*

Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 17:00 hours deadline. Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System.

*At 17:30 hours*

The Clearing House allocates Bunds to Buyers.

*By 18:00 hours*



The Clearing House makes the following available:

- *Account Sales* (Schedule 5)
- *Invoices* (Schedule 6)
- *Delivery Instructions for Sellers* (Schedule 7)
- *Delivery Instructions for Buyers* (Schedule 8).

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

The Clearing Member shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*. The instructions as described **must** be utilised by Clearing Members in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The time stipulated below is the latest possible time for matching.

- (d) *S-1 on or before the first Frankfurt working day following the last trading day (LTD)*

*By 10:00 hours*

Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

*By 14:00 hours*

All instructions must be matched with the Clearing House.

**Failure to match with the Clearing House contravenes Clearing House procedures.**

- (e) *S Settlement Day (LTD + 2)*

*By 08:00 hours Central European time*

The Seller's delivery system or agent shall have transferred Bunds to the Clearing House's account at the relevant delivery system, against payment. The Clearing House shall have transferred Bunds to the Buyer's account at the relevant delivery system against payment.

**During Euroclear/Clearstream Luxemburg Overnight Processing**

Where the Clearing House is taking delivery of Bunds, via Euroclear or Clearstream Luxemburg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or

Clearstream Luxembourg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxembourg overnight processing cycle will be passed to the defaulting Selling Clearing Member.

#### **During Clearstream Frankfurt standard cycle**

Where the Clearing House is taking delivery of Bunds via one of its Clearstream Frankfurt agents, and a Seller fails to deliver to the Clearing House Deliverable Bonds in the standard cycle, the Clearing House will attempt to borrow stock.

All costs arising as a result of failure to deliver to the Clearing House (in the standard cycle) will be passed to the defaulting Selling Clearing Member.

- (f) *S + 1 The first Frankfurt working day immediately following Settlement Day (LTD + 3)*

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

#### **1.8.1.12 German Government Bond (BOBL)**

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Bonds, against payment of the invoicing amount specified in [the Listed Interest Rates Contract Terms for ~~NLX~~-Bobl Futures Contracts terms](#);
- Euroclear - The Euroclear System; and
- Securities correspondent - Euroclear, Clearstream Luxembourg SA or Clearstream Frankfurt.

#### **1.8.1.12.1 Delivery Mechanism**

Deliveries under the Bobl contract must be made or taken via accounts at one or more of the following delivery systems:

- Clearstream Frankfurt;
- Euroclear; and
- Clearstream Luxembourg.

(a) *Clearing House Delivery Account Details*

The Clearing House's delivery agents and account details at the Clearstream Frankfurt are as follows:

Deutsche Bank AG  
Securities & Custody Services  
PO Box 65755  
Eschborn  
Germany

Clearing House account number : 7077

Details of the Clearing House's accounts at Euroclear and Clearstream Luxembourg are as follows:

Euroclear : Clearing House account number 10167

Clearstream : Clearing House account number 18764  
Luxemburg

**The Clearing House retains the right to amend the above list without prior notification to Clearing Members.**

For each delivery, Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

1.8.21.12.2 *Delivery Communication and the Delivery System*

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action ~~by NLX~~. Clearing Members experiencing difficulties should contact ~~Operations and Client Servicing (OCS) Department~~ staff at the Clearing House immediately.

1.8.31.12.3 *Consideration Value Calculation*

The amounts due to Sellers from Buyers are calculated in accordance with the Bobl Futures Contract terms.

Consideration value per lot = (1000 x FSP x Price Factor) + Accrued Interest

*Consideration Calculation Example*

FSP = 113.41  
Price Factor = 0.950491  
Accrued Interest = 2258.22

$$\begin{aligned} & (1000 \times 113.41 \times 0.950491) + 2258.22 \\ & = \text{EUR } 110,053.40431 \\ \text{Consideration Value} & = \text{EUR } 110,053.40 \end{aligned}$$

The invoice value is calculated using the **full** extent of decimal places for each component of the formula.

The invoice value of **1 lot** is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This **per** lot value is then multiplied by the number of lots to establish the total invoice value.

4.8.41.12.4 *Delivery Timetable*

| DAY                    | TIME                               | TIME                               | ACTION  |   |
|------------------------|------------------------------------|------------------------------------|---|---|
|                        | LONDON                             | CET*                               | SELLERS   | BUYERS  |
| Last trading day (LTD) | 11:30                              | 12:30                              | Trading ceases  | Trading ceases  |
|                        | 12:00                              | 13:00                              | FSP established   | FSP established   |
|                        | 17:00                              | 18:00                              | Synapse Position Keeping deadline<br>Sellers submit <i>Sellers Delivery Notice</i>    | Synapse Position Keeping deadline   |
|                        | 17:30                              | 18:30                              | The Clearing House performs delivery allocation                                       | The Clearing House performs delivery allocation                                   |
|                        | 18:00                              | 19:00                              | The Clearing House makes the Account Sales and Delivery Instructions Report available | The Clearing House makes the Invoices and Delivery Instructions Report available  |
| S - 1 (LTD + 1)        | 10:00                              | 11:00                              | Sellers submit DVP instructions to their custodian bank                               | Buyers submit RVP instructions to their custodian bank                            |
|                        | 14:00                              | 15:00                              | Sellers match the Clearing House instruction entered into delivery centre             | Buyers match the Clearing House instruction entered into delivery centre          |
| S (LTD + 2)            | Following standard delivery cycles | Following standard delivery cycles | The Clearing House receives confirmation of delivery                                  | The Clearing House receives confirmation of delivery                              |
| S + 1 (LTD + 3)        |                                    |                                    | The Clearing House releases Collateral in respect of initial and variation margin     | The Clearing House releases Collateral in respect of initial and variation margin |

\* CENTRAL EUROPEAN TIME INCLUDES FRANKFURT TIME WHERE QUOTED IN THE EXCHANGE CONTRACT TERMS, RULES AND CLEARING HOUSE DELIVERY PROCEDURES

~~4.8.51.12.5~~ *Transaction cut off times and Clearing House deadlines*

Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each Clearing Member's responsibility to ensure that they and their agents are aware of, and adhere to, the Clearing House deadlines.

~~4.8.61.12.6~~ *Delivery Procedures*

(a) *Deliverable Bonds*

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the [Listed Interest Rates NLX](#) Contract Terms. ~~This list is published by NLX and is available in the Delivery System as and when distributed by NLX.~~ The initial list of bonds will be available from the Delivery System until such time as ~~NLX publish~~ the final list [is published](#).

(b) *Last Trading, Notice and Settlement Day Definition*

The Last Trading Day, Notice Day and Settlement Day are as defined in ~~NLX's~~ [the Listed Interest Rates](#) Contract Terms for the Bobl Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a Frankfurt working day, in which case the Frankfurt working day immediately following it is the Settlement Day.

(c) *Last Trading Day (LTD)*

*At 11:30*

Trading ceases in the delivery month.

*By 12:00*

The FSP is announced by the Exchange.

*By 17:00 hours - Delivery Notice Deadline*

Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 17:00 hours deadline. Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System.

*At 17:30 hours*

The Clearing House allocates deliveries to Buyers.

*By 18:00 hours*

The Clearing House makes the following available:

- *Account Sales* (Schedule 90)
- *Invoices* (Schedule 100)
- *Delivery Instructions for Sellers* (Schedule 110)
- *Delivery Instructions for Buyers* (Schedule 120).

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

Clearing Members shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*. The instructions as described **must** be utilised by Clearing Members in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The time stipulated below is the latest possible time for matching.

- (d) *S-1 on or before the first Frankfurt working day following the last trading day (LTD)*

*By 10:00 hours*

Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

*By 14:00 hours*

All instructions must be matched with the Clearing House.

**Failure to match with the Clearing House contravenes Clearing House procedures.**

- (e) *S Settlement Day (LTD + 2)*

*By 08:00 hours Central European time*

The Seller's delivery system or agent shall have transferred Bonds to the Clearing House's account at the relevant delivery system, against payment. The Clearing House shall have transferred Bonds to the Buyer's account at the relevant delivery system against payment.

**During Euroclear/Clearstream Luxemburg Overnight Processing**

Where the Clearing House is taking delivery of Bonds, via Euroclear or Clearstream Luxemburg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or Clearstream Luxemburg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxembourg overnight processing cycle will be passed to the defaulting Selling Clearing Member.

#### **During Clearstream Frankfurt standard cycle**

Where the Clearing House is taking delivery of Bonds via one of its Clearstream Frankfurt agents, and a Seller fails to deliver to the Clearing House Deliverable Bonds in the standard cycle, the Clearing House will attempt to borrow stock.

All costs arising as a result of failure to deliver to the Clearing House (in the Clearstream Frankfurt standard cycle) will be passed to the defaulting Selling Clearing Member.

- (f) *S + 1 The first Frankfurt working day immediately following Settlement Day (LTD + 3)*

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

#### **4.9.1.13 German Government Bond (Schatz)**

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Bonds, against payment of the invoicing amount specified in [the Listed Interest Rates Contract Terms for NLX's Schatz Futures Contracts Terms](#);
- Euroclear - The Euroclear System; and
- Securities correspondent - Euroclear, Clearstream Luxembourg SA or Clearstream Frankfurt.

#### **4.9.1.13.1 Delivery Mechanism**

Deliveries under the Schatz contract must be made or taken via accounts at one or more of the following delivery systems:

- Clearstream Frankfurt;
  - Euroclear; and
  - Clearstream Luxembourg.
- (a) *Clearing House Delivery Account Details*

The Clearing House's delivery agents and account details at the Clearstream Frankfurt are as follows:

Deutsche Bank AG



Securities & Custody Services  
PO Box 65755  
Eschborn  
Germany

Clearing House account number : 7077

Details of the Clearing House's accounts at Euroclear and Clearstream Luxembourg are as follows:

Euroclear : Clearing House account number 10167

Clearstream : Clearing House account number 18764  
Luxemburg

**The Clearing House retains the right to amend the above list without prior notification to Clearing Members.**

For each delivery, Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

~~4.9.21.13.2~~ *Delivery Communication and the Delivery System*

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action ~~by NLX~~. Clearing Members experiencing difficulties should contact ~~Operations and Client Servicing staff~~ [OCS Department](#) at the Clearing House immediately.

~~4.9.31.13.3~~ *Consideration Value Calculation*

The amounts due to Sellers from Buyers, are calculated in accordance with the [Listed Interest Rates Contract Terms for Schatz Futures Contracts](#) ~~terms~~.

Consideration value per lot = (1000 x FSP x Price Factor) + Accrued Interest

*Consideration Calculation Example*

FSP = 113.41  
Price Factor = 0.950491  
Accrued Interest = 2258.22

(1000 x 113.41 x 0.950491) + 2258.22

= EUR 110,053.40431

Consideration Value = EUR 110,053.40

The invoice value is calculated using the **full** extent of decimal places for each component of the formula.

The invoice value of **1 lot** is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This **per** lot value is then multiplied by the number of lots to establish the total invoice value.

4.9.41.13.4 *Delivery Timetable*

| DAY                    | TIME                               | TIME                               | ACTION  |   |
|------------------------|------------------------------------|------------------------------------|---|---|
|                        | LONDON                             | CET*                               | SELLERS   | BUYERS  |
| Last trading day (LTD) | 11:30                              | 12:30                              | Trading ceases  | Trading ceases  |
|                        | 12:00                              | 13:00                              | FSP established   | FSP established   |
|                        | 17:00                              | 18:00                              | Synapse Position Keeping deadline<br>Sellers submit <i>Sellers Delivery Notice</i>    | Synapse Position Keeping deadline   |
|                        | 17:30                              | 18:30                              | The Clearing House performs delivery allocation                                       | The Clearing House performs delivery allocation                                   |
|                        | 18:00                              | 19:00                              | The Clearing House makes the Account Sales and Delivery Instructions Report available | The Clearing House makes the Invoices and Delivery Instructions Report available  |
| S - 1 (LTD + 1)        | 10:00                              | 11:00                              | Sellers submit DVP instructions to their custodian bank                               | Buyers submit RVP instructions to their custodian bank                            |
|                        | 14:00                              | 15:00                              | Sellers match the Clearing House instruction entered into delivery centre             | Buyers match the Clearing House instruction entered into delivery centre          |
| S (LTD + 2)            | Following standard delivery cycles | Following standard delivery cycles | The Clearing House receives confirmation of delivery                                  | The Clearing House receives confirmation of delivery                              |
| S + 1 (LTD + 3)        |                                    |                                    | The Clearing House releases Collateral in respect of initial and variation margin     | The Clearing House releases Collateral in respect of initial and variation margin |

\* CENTRAL EUROPEAN TIME INCLUDES FRANKFURT TIME WHERE QUOTED IN THE EXCHANGE CONTRACT TERMS, ADMINISTRATIVE PROCEDURES AND CLEARING HOUSE DELIVERY PROCEDURES

~~4.9.5~~1.13.5 *Transaction cut off times and Clearing House deadlines*

Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each Clearing Member's responsibility to ensure that they and their agents are made aware of Clearing House deadlines.

~~4.9.6~~1.13.6 *Delivery Procedures*

(a) *Deliverable Bonds*

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the [Listed Interest Rates NLX Contract Terms](#). ~~This list is published by NLX and is available in the Delivery System as and when distributed by NLX. The A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the Listed Interest Rates Contract Terms. The initial list of bonds will be available from the Delivery System until such time as the final list is published.~~  
~~initial list of bonds will be available from the Delivery System until such time as NLX publish the final list is published.~~

(b) *Last Trading, Notice and Settlement Day Definition*

The Last Trading Day, Notice Day and Settlement Day are as defined in [the Listed Interest Rates NLX's Contract Terms](#) for the Schatz Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a Frankfurt working day, in which case the Frankfurt working day immediately following it is the Settlement Day.

(c) *Last Trading Day (LTD)*

*At 11:30 hours*

Trading ceases in the delivery month.

*By 12:00 hours*

The FSP is announced by the Exchange.

*By 17:00 hours - Delivery Notice Deadline*

Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 13:30 hours deadline. Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System.

*At 17:30 hours*

The Clearing House allocates deliveries to Buyers.

*By 18:00 hours*

The Clearing House makes the following available:

- *Account Sales (Schedule 130)*
- *Invoices (Schedule 140)*
- *Delivery Instructions for Sellers (Schedule 150)*
- *Delivery Instructions for Buyers (Schedule 160).*

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

Clearing Members shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*. The instructions as described **must** be utilised by Clearing Members, their delivery system and or agent in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The time stipulated below is the latest possible time for matching.

- (d) *S-1 on or before the first Frankfurt working day following the last trading day (LTD)*

*By 10:00 hours*

Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

*By 14:00 hours*

All instructions must be matched with the Clearing House.

Failure to match with the Clearing House contravenes Clearing House procedures and [the Listed Interest Rates](#) ~~NLX's Rules and~~ Contract Terms for the Schatz Future Contract.

- (e) *S Delivery Day (LTD + 2)*

*By 08:00 hours Central European time*

The Seller's delivery system or agent shall have transferred Bonds to the Clearing House's account at the relevant delivery system against

payment. The Clearing House shall have transferred Bonds to the Transferee's account at the relevant delivery system against payment.

#### **During Euroclear/Clearstream Luxembourg Overnight Processing**

Where the Clearing House is taking delivery of Bonds, via Euroclear or Clearstream Luxembourg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or Clearstream Luxembourg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxembourg overnight processing cycle will be passed to the defaulting Selling Clearing Member.

#### **During Clearstream Frankfurt standard cycle**

Where the Clearing House is taking delivery of Bonds via one of its Clearstream Frankfurt agents, and a Seller fails to deliver to the Clearing House Deliverable Bonds in the standard cycle, the Clearing House will attempt to borrow stock.

All costs arising as a result of failure to deliver to the Clearing House (in the Clearstream Frankfurt standard cycle) will be passed to the defaulting Selling Clearing Member.

- (f) *S + 1 The first Frankfurt working day immediately following Settlement Day (LTD + 3)*

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

#### ~~1.10.1.14~~ **NLX-Listed Interest Rates Client Clearing**

~~1.10.1.14.1~~ **NLX-Service-Listed Interest Rates ~~Clearing Member~~ Client Clearing – Ancillary Documentation**

- (a) *Security Deed*

Unless specified otherwise by the Clearing House, a ~~NLX-Listed Interest Rates Service~~ Clearing Member must enter into a Security Deed in respect of its Clearing Clients in relation to amounts due to it from the Clearing House pursuant to the Client Clearing Annex. Further information in relation to such Security Deed is prescribed by the Clearing House from time to time and published on the Clearing House's website.

- (b) *Prescribed Language and End-User Notice*

Pursuant to the Clearing House's General Regulations, each Listed Interest Rates ~~NLX-Service~~ Clearing Member is required to ensure that it includes certain language in its agreement with its ~~NLX-Listed Interest Rates~~ Clearing Client(s) (the "**Clearing House Prescribed Language**"). The Clearing House

Prescribed Language is shown at Schedule 2 of Procedure 4 (*Margin and Collateral*).

~~NLX-Listed Interest Rates~~ Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website:

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

Field Code Changed

#### ~~1.10.21.14.2~~ Backup Clearing Members

~~As a~~ ~~Listed Interest Rates~~ ~~NLX~~ Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the ~~Listed Interest Rates~~ ~~NLX~~ Contracts entered into by a ~~Listed Interest Rates~~ ~~NLX Service~~ Clearing Member on its behalf, in accordance with the Client Clearing Annex.

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

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

#### ~~1.10.31.14.3~~ Rates Service Default Management Disclosure Notice

Each ~~NLX-Listed Interest Rates~~ ~~Service~~ Clearing Member must ensure that each Clearing Client is provided with, or is directed to a copy of, the Rates Service Default Management Disclosure Notice and further must provide confirmation to the Clearing House, in the form and manner reasonably required by the Clearing House, that it has discharged this obligation in respect of each of its Clearing Clients.

#### ~~1.11.15~~ Indirect Clearing

~~1.11.15.1~~ In circumstances where an early termination date (howsoever described) occurs in respect of all of the transactions between a ~~Listed Interest Rates~~ ~~NLX Service~~ Clearing Member and a ~~Listed Interest Rates~~ ~~NLX~~ Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account in respect of which such ~~Listed Interest Rates~~ ~~NLX Service~~ Clearing Member (i) is a party to Related ~~Listed Interest Rates~~ ~~NLX~~ Contracts and (ii) at the time of such early termination date, is not a Defaulter, that ~~Listed Interest Rates~~ ~~NLX Service~~ Clearing Member may instruct the Clearing House to take one of the following steps:

- (a) in circumstances where (i) the [Listed Interest Rates ~~NLX Service~~](#) Clearing Member notifies a single Backup Client in respect of all of the relevant Indirect Clients and (ii) within such time as the Clearing House may determine of the receipt of the relevant instructions from the [Listed Interest Rates ~~NLX Service~~](#) Clearing Member, the Clearing House has received confirmation in writing from the Backup Client of its agreement to act as Backup Client in relation to the arrangement described in this paragraph (a) (in such form as the Clearing House may require at the relevant time), transfer to the appointed Backup Client all of the open Related [Listed Interest Rates ~~NLX~~](#) Contracts and the balance of the Collateral recorded by the Clearing House as being credited to the relevant Indirect Omnibus Segregated Account (a "**Client to Client Porting**"); or
- (b) transfer the relevant Related [Listed Interest Rates ~~NLX~~](#) Contracts from the relevant Indirect Omnibus Segregated Account to a new Omnibus Segregated Account opened within the Clearing House by the relevant [Listed Interest Rates ~~NLX Service~~](#) Clearing Member directly on behalf of the relevant clients (a "**Direct Account Opening**").

The Clearing House will determine whether a Client to Client Porting or a Direct Account Opening is possible within the period of time considered by the Clearing House (in its sole discretion) to be appropriate in the relevant circumstances and published on its website in relation to the relevant [Listed Interest Rates ~~NLX~~](#) Clearing Client. In the event of a determination by the Clearing House that the relevant step is impossible (an "**Impossibility Determination**"), the Clearing House will arrange a transfer of the Related [Listed Interest Rates ~~NLX~~](#) Contracts to the [Listed Interest Rates ~~NLX Service~~](#) Clearing Member's Proprietary Account (a "**Fallback Transfer**").

~~1.11.2~~ 1.11.2 Each of the steps referred to in paragraphs 1.11.1(a) and 1.11.1(b) above and any Fallback Transfer will be subject to receipt by the Clearing House of the following:

- (a) a copy of the notice from the relevant [Listed Interest Rates ~~NLX Service~~](#) Clearing Member to the relevant [Listed Interest Rates ~~NLX~~](#) Clearing Client or from the relevant [Listed Interest Rates ~~NLX~~](#) Clearing Client to the relevant [Listed Interest Rates ~~NLX Service~~](#) Clearing Member, copied to each of the relevant Indirect Clearing Clients, designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;
- (b) a copy of a notice served by the relevant [Listed Interest Rates ~~NLX Service~~](#) Clearing Member on the relevant [Listed Interest Rates ~~NLX~~](#) Clearing Client and copied to each of the relevant Indirect Clearing Clients, alerting that [Listed Interest Rates ~~NLX~~](#) Clearing Client and those Indirect Clearing Clients (i) of its intention to request a Client to Client Porting or a Direct Account Opening (as applicable) in respect of the relevant Related [Listed Interest Rates ~~NLX~~](#) Contracts; and (ii) that, in the event of an Impossibility Determination in respect of a request for



Porting or a Direct Account Opening, a Fallback Transfer is likely to occur; and

- (c) an indemnity from the relevant Listed Interest Rates ~~NLX Service~~ Clearing Member in a form suitable to the Clearing House.

Unless contested by the relevant Listed Interest Rates ~~NLX~~ Clearing Client, the Clearing House will usually arrange a transfer of Related Listed Interest Rates ~~NLX~~ Contracts in the case of a Fallback Transfer, within 24 hours of the relevant Impossibility Determination.

For the purposes of this Section 1.11, a "**Related Listed Interest Rates ~~NLX~~ Contract**" means in respect of a transaction between a Listed Interest Rates ~~NLX~~ ~~Service~~ Clearing Member and a ~~NLX LISTED INTEREST RATES~~ Listed Interest Rates Clearing Client which has been terminated on an early termination date, the open position represented by the ~~NLX~~ Listed Interest Rates ~~LISTED INTEREST RATES~~ Contract entered into with the Clearing House by such ~~NLX~~ Listed Interest Rates ~~LISTED INTEREST RATES~~ ~~Service~~ Clearing Member on behalf of the relevant ~~NLX~~ Listed Interest Rates ~~LISTED INTEREST RATES~~ Clearing Client on equal and opposite terms to such transaction, save that, in this Section 1.11, the ~~NLX~~ Listed Interest Rates ~~INTEREST RATES~~ Clearing Client is acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

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## 2. PORTFOLIO MARGINING SERVICE

The Portfolio Margining Service is an optional service which provides Joint Rates Service Clearing Members portfolio-margining functionality in respect of pairs of accounts which are held in the SwapClear and Listed Interest Rates Services by transferring Eligible Listed Interest Rates Contracts between such accounts.

The Portfolio Margining Service is only available to ~~NLX Listed Interest Rates LISTED INTEREST RATES~~ Service Clearing Members who are also SwapClear Clearing Members and the details regarding the Portfolio Margining Service (including the relevant eligibility criteria and operational arrangements) are therefore described at Section 2C (*SwapClear*) of the Procedures, Section 2.

A ~~NLX Listed Interest Rates LISTED INTEREST RATES~~ Service Clearing Member must (i) opt-in to the Portfolio Margining Service in accordance with the procedure set out in Section 2C (*SwapClear*) of the Procedures, Section 2.2 and (ii) meet the PM Eligibility Criteria (as defined in Section 2C (*SwapClear*) of the Procedures, Section 2.2.3), in order to benefit from the portfolio-margining functionality provided by the service. However, it should be noted that regardless of whether or not an ~~NLX Listed Interest Rates LISTED INTEREST RATES~~ Service Clearing Member opts in, the SwapClear Service and Listed Interest Rates Service share a common default fund. Accordingly, the risk profile of participating in either one of such Services may be impacted by other Clearing Members participating in the other such Service whether or not as a Portfolio Margining Clearing Member. In particular, the resources of a Clearing Member that is a member of the SwapClear Service and the Listed Interest Rates Service will be made available to cover the Clearing House's losses in a different manner to those of a Clearing Member that is only a member of one of those Services, regardless of whether that Clearing Member opts-in to the Portfolio Margining Service. ~~NLX Listed Interest Rates LISTED INTEREST RATES~~ Service Clearing Members should therefore familiarise themselves with the provisions of the Rulebook (including, but not limited to, the Default Rules).

For information in relation to the Portfolio Margining Service (including but not limited to, the impact of the Portfolio Margining Arrangements on (i) ~~NLX Listed Interest Rates LISTED INTEREST RATES~~ Listed Interest Rates Derivatives Contracts for margining purposes and (ii) ~~NLX Listed Interest Rates LISTED INTEREST RATES~~ Clearing Clients), please refer to Section 2C (*SwapClear*) of the Procedures.

**SCHEDULE 1  
ACCOUNT SALE**

06-Mar-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH.Clearnet Limited

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~~NLX~~ LONG GILT FUTURE

Delivery Month : MAR 2014 Settlement Date : 10-MAR-2014

Tendered in fulfilment of 104 lots of:

Stock Code : GB0009997114  
Coupon Rate : 5.250%  
Maturity Date : 07-Dec-2020

|                     |   |     |               |
|---------------------|---|-----|---------------|
| Nominal Value       | : | GBP | 10,400,000.00 |
| EDSP                | : |     | 107.41        |
| Price Factor        | : |     | 1.2554334     |
| Initial Accrued     | : |     | 1746.58       |
| Delivery Days @     | : |     | 17.1233       |
| Total Daily Accrued | : |     | 171.233       |

Countervalue : GBP 14223446.64

E. & O.E.

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 2  
INVOICE (GILTS)**

06-Mar-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH.Clearnet Limited

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~~NLX~~ LONG GILT FUTURE

Delivery Month : MAR 2014 Settlement Date : 10-MAR-2014

Tendered in fulfilment of 104 lots of:-

Stock Code : GB0009997114  
Coupon Rate : 5.250%  
Maturity Date : 07-Dec-2020

|                     |   |     |               |
|---------------------|---|-----|---------------|
| Nominal Value       | : | GBP | 10,400,000.00 |
| EDSP                | : |     | 107.41        |
| Price Factor        | : |     | 1.2554334     |
| Initial Accrued     | : |     | 1746.58       |
| Delivery Days @     | : |     | 17.1233       |
| Total Daily Accrued | : |     | 171.233       |
| Countervalue        | : | GBP | 14223446.64   |

E. & O.E.

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 3**  
**~~NLX~~ LONG GILT FUTURE DELIVERY INSTRUCTION FOR SELLERS (GILTS)**

06-MAR-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

Delivery Month: MAR 2014

Clearing Member: AAA Subaccount: Client

Delivery to the Clearing House at CREST

From Clearing Member's Del Centre : CREST

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON  
FUTURES

Account No : 92506  
Account Name : AAA

FSP : 107.41

Notice Date : 06-MAR-2014

Currency Id: : GBP

Settlement Date : 10-MAR-2014

| Instr. Clearing House Agent Name | Clearing House Account No | Countervalue | Stock Code   | Nominal Value | Lots |
|----------------------------------|---------------------------|--------------|--------------|---------------|------|
| CREST                            | 5172                      | 14223446.64  | GB0009997114 | 10,400,000.00 | 104  |

E. & O.E

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 4**  
**NLX-LONG GILT FUTURE DELIVERY INSTRUCTION FOR BUYERS (GILTS)**

06-MAR-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

Delivery Month: MAR 2014

Clearing Member: AAA Subaccount: Client

Delivery to the Clearing House at CREST

To Clearing Member's Del Centre : CREST

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON

Account No : 92506  
Account Name : AAA FUTURES

FSP : 107.41

Notice Date : 06-MAR-2014

Currency Id: : GBP

Settlement Date : 10-MAR-2014

| Instr. | Clearing House Agent Name | Clearing House Account No | Countervalue | Stock Code   | Nominal Value | Lots |
|--------|---------------------------|---------------------------|--------------|--------------|---------------|------|
|        | CREST                     | 5172                      | 14223446.64  | GB0009997114 | 10,400,000.00 | 104  |

E. & O.E

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 5  
ACCOUNT SALE (EURO BUND)**

06-JUN-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH.Clearnet Limited

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~~NLX~~ GERMAN GOVT. BOND (EURO BUND) FUTURE

Delivery Month : JUN 2014 Settlement Date : 10-JUN-2014

Tendered in fulfilment of 203 lots of:

Stock Code : DE0001135051  
Coupon Rate : 5.250%  
Maturity Date : 04-JAN-2023

|                  |   |     |               |
|------------------|---|-----|---------------|
| Nominal Value    | : | EUR | 20,300,000.00 |
| EDSP             | : |     | 113.41        |
| Price Factor     | : |     | 0.950491      |
| Accrued Interest | : |     | 2258.22       |

|              |   |     |               |
|--------------|---|-----|---------------|
| Countervalue | : | EUR | 22,340,840.20 |
|--------------|---|-----|---------------|

E. & O.E.

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 6  
INVOICE (EURO BUND)**

06-JUN-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH.Clearnet Limited

---

~~NLX~~ GERMAN GOVT. BOND (EURO BUND) FUTURE

Delivery Month : JUN 2014 Settlement Date : 10-JUN-2014

Tendered in fulfilment of 203 lots of:

Stock Code : DE0001135051  
Coupon Rate : 5.250%  
Maturity Date : 04-JAN-2023

|                  |   |     |               |
|------------------|---|-----|---------------|
| Nominal Value    | : | EUR | 20,300,000.00 |
| EDSP             | : |     | 113.41        |
| Price Factor     | : |     | 0.950491      |
| Accrued Interest | : |     | 2258.22       |

|              |   |     |               |
|--------------|---|-----|---------------|
| Countervalue | : | EUR | 22,340,840.02 |
|--------------|---|-----|---------------|

E. & O.E.

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000



**SCHEDULE 7**

**~~NLX~~ GERMAN GOVT. BOND (EURO BUND) FUTURE DELIVERY INSTRUCTION FOR SELLERS (EURO BUND)**

06-JUN-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

Delivery Month: JUN 2014

Clearing Member: AAA Subaccount: Client

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET

LONDON

FSP : 113.41  
Currency Id: : EUR  
Settlement Date : 10-JUN-2014

Delivery to the Clearing House at CED

From Clearing Member's Del Centre : CED

Agent Name : Clearstream  
Luxemburg

Agent No :  
Account Name : AAA FUTURES  
Account No : 40256  
Notice Date : 06-JUN-2014

| Instr. | Clearing House Agent Name | Clearing House Agent No | Clearing House Account No | Countervalue  | Stock Code   | Nominal Value | Lots |
|--------|---------------------------|-------------------------|---------------------------|---------------|--------------|---------------|------|
| 51     | Clearstream Luxemburg     |                         | 18764                     | 22,340,840.20 | DE0001135051 | 20,300,000.00 | 203  |

E. & O.E

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 8**

**~~NLX~~ GERMAN GOVT. BOND (EURO BUND) FUTURE DELIVERY INSTRUCTION FOR BUYERS (EURO BUND)**

06-JUN-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA

Delivery from the Clearing House at CED

Delivery Month: JUN 2014  
Clearing Member: AAA Subaccount: Client

To Clearing Member's Delivery Centre : CED

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON

Agent Name : Clearstream Luxembourg  
Agent No :  
Account Name : AAA FUTURES  
Account No : 40256

FSP : 113.41

Notice Date : 06-JUN-2014

Currency Id: : EUR

Settlement Date : 10-JUN-2014

| Instr. | Clearing House Agent Name | Clearing House Agent No | Clearing House Account No | Countervalue  | Stock Code   | Nominal Value | Lots |
|--------|---------------------------|-------------------------|---------------------------|---------------|--------------|---------------|------|
| 41     | Clearstream Luxembourg    |                         | 18764                     | 22,340,840.20 | DE0001135051 | 20,300,000.00 | 203  |

E. & O.E

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 9  
ACCOUNT SALE (BOBL)**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH.Clearnet Limited

---

~~NLX~~ GERMAN GOVT. BOND (BOBL) FUTURE

Delivery Month : SEP 2014 Settlement Date : 10-SEP-2014

Tendered in fulfilment of 203 lots of:

Stock Code : DE0001135052  
Coupon Rate : 5.250%  
Maturity Date : 04-APR-2019

|                  |   |     |               |
|------------------|---|-----|---------------|
| Nominal Value    | : | EUR | 20,300,000.00 |
| EDSP             | : |     | 113.41        |
| Price Factor     | : |     | 0.950491      |
| Accrued Interest | : |     | 2258.22       |

|              |   |     |               |
|--------------|---|-----|---------------|
| Countervalue | : | EUR | 22,340,840.20 |
|--------------|---|-----|---------------|

E. & O.E.

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 10  
INVOICE**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH.Clearnet Limited

---

~~NLX~~ GERMAN GOVT. BOND (BOBL) FUTURE

Delivery Month : SEP 2014 Settlement Date : 10-SEP-2014

Tendered in fulfilment of 203 lots of:

Stock Code : DE0001135052  
Coupon Rate : 5.250%  
Maturity Date : 04-APR-2019

|                  |   |     |               |
|------------------|---|-----|---------------|
| Nominal Value    | : | EUR | 20,300,000.00 |
| EDSP             | : |     | 113.41        |
| Price Factor     | : |     | 0.950491      |
| Accrued Interest | : |     | 2258.22       |

|              |   |     |               |
|--------------|---|-----|---------------|
| Countervalue | : | EUR | 22,340,840.20 |
|--------------|---|-----|---------------|

E. & O.E.

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 11**  
**~~NLX~~ BOBL FUTURE DELIVERY INSTRUCTION FOR SELLERS**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

Delivery Month: SEP 2014  
Clearing Member: AAA

Subaccount: Client

Delivery to the Clearing House at CED

From Clearing Members Del Centre : CED

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON

Agent Name : Clearstream Luxemburg  
Agent No :  
Account Name : AAA FUTURES  
Account No : 40256  
Notice Date : 08-SEP-2014

FSP : 113.41

Currency Id: : EUR

Settlement Date : 10-SEP-2014

| Instr. | Clearing House Agent Name | Clearing House Agent No | Clearing House Account No | Countervalue  | Stock Code   | Nominal Value | Lots |
|--------|---------------------------|-------------------------|---------------------------|---------------|--------------|---------------|------|
| 51     | Clearstream Luxemburg     |                         | 18764                     | 22,340,840.20 | DE0001135051 | 20,300,000.00 | 203  |

E. & O.E

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 12**  
**~~NLX~~ BOBL FUTURE DELIVERY INSTRUCTION FOR BUYERS (BOBL)**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

Delivery Month: SEP  
2014

Clearing Member: AAA Subaccount: Client

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON

Delivery from the Clearing House at CED

To Clearing Member's Delivery : CED  
Centre

Agent Name : Clearstream Luxemburg

Agent No :  
Account Name : AAA FUTURES  
Account No : 40256  
Notice Date : 08-SEP-2014

FSP : 113.41  
Currency Id: : EUR  
Settlement Date : 10-SEP-2014

| Instr. | Clearing House Name   | Agent | Clearing House Agent No | Clearing House Account No | Countervalue  | Stock Code   | Nominal Value | Lots |
|--------|-----------------------|-------|-------------------------|---------------------------|---------------|--------------|---------------|------|
| 41     | Clearstream Luxemburg |       |                         | 18764                     | 22,340,840.20 | DE0001135052 | 20,300,000.00 | 203  |

E. & O.E

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 13  
ACCOUNT SALE (SCHATZ)**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON  
EC3 4DR

In a/c with LCH.Clearnet Limited

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~~NLX~~ GERMAN GOVT. BOND (SCHATZ) FUTURE

Delivery Month : SEP 2014 Settlement Date : 10-SEP-2014

Tendered in fulfilment of 203 lots of:-

Stock Code : DE0001135053  
Coupon Rate : 5.250%  
Maturity Date : 04-AUG-2016

|                  |   |     |               |
|------------------|---|-----|---------------|
| Nominal Value    | : | EUR | 20,300,000.00 |
| EDSP             | : |     | 113.41        |
| Price Factor     | : |     | 0.950491      |
| Accrued Interest | : |     | 2258.22       |

Countervalue : EUR 22,340,840.20

E. & O.E.

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 14  
INVOICE (SCHATZ)**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON  
EC3 4DR

In a/c with LCH.Clearnet Limited

---

~~NLX~~ GERMAN GOVT. BOND (SCHATZ) FUTURE

Delivery Month : SEP 2014 Settlement Date : 10-SEP-2014

Tendered in fulfilment of 203 lots of:-

Stock Code : DE0001135053  
Coupon Rate : 5.250%  
Maturity Date : 04-AUG-2016

|                  |   |     |               |
|------------------|---|-----|---------------|
| Nominal Value    | : | EUR | 20,300,000.00 |
| EDSP             | : |     | 113.41        |
| Price Factor     | : |     | 0.950491      |
| Accrued Interest | : |     | 2258.22       |

|              |   |     |               |
|--------------|---|-----|---------------|
| Countervalue | : | EUR | 22,340,840.20 |
|--------------|---|-----|---------------|

E. & O.E.

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000



**SCHEDULE 15**  
**~~NLX~~ SCHATZ FUTURE DELIVERY INSTRUCTION FOR SELLERS (SCHATZ)**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

Delivery Month: SEP 2014

Clearing Member: AAA Subaccount: Client

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON

Delivery to the Clearing House at CED

From Clearing Member's Del Centre : CED

Agent Name : Clearstream Luxemburg

Agent No :  
Account Name : AAA FUTURES  
Account No : 40256  
Notice Date : 08-SEP-2014

FSP : 113.41  
Currency Id: : EUR  
Settlement Date : 10-SEP-2014

| Instr. | Clearing House Agent Name | Clearing House Agent No | Clearing House Account No | Countervalue  | Stock Code   | Nominal Value | Lots |
|--------|---------------------------|-------------------------|---------------------------|---------------|--------------|---------------|------|
| 51     | Clearstream Luxemburg     |                         | 18764                     | 22,340,840.20 | DE0001135053 | 20,300,000.00 | 203  |

E. & O.E

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 16**  
**~~NLX~~SCHATZ FUTURE DELIVERY INSTRUCTION FOR BUYERS**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

Delivery Month: SEP 2014

Clearing Member: AAA Subaccount: Client

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON

Delivery to the Clearing House at CED

From Clearing Member's Del Centre : CED

Agent Name : Clearstream Luxemburg

Agent No :  
Account Name : AAA FUTURES  
Account No : 40256  
Notice Date : 08-SEP-2014

FSP : 113.41  
Currency Id: : EUR  
Settlement Date : 10-SEP-2014

| Instr. | Clearing House Agent Name | Clearing House Agent No | Clearing House Account No | Countervalue  | Stock Code   | Nominal Value | Lots |
|--------|---------------------------|-------------------------|---------------------------|---------------|--------------|---------------|------|
| 41     | Clearstream Luxemburg     |                         | 18764                     | 22,340,840.20 | DE0001135053 | 20,300,000.00 | 203  |

E. & O.E

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**Appendix III**  
**Product Specific Contract Terms and Eligibility Criteria Manual**



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

**SCHEDULE 7**  
**LISTED INTEREST RATES SERVICE**

**PART A**  
**SHORT TERM INTEREST RATE CONTRACTS**

**Section 1 – STIR Contract Terms**

The terms of a Designated Listed Interest Rate Contract that is a short-term interest rate futures contract (each such Listed Interest Rate Contract, a “STIR”) shall include these Contract Terms, which shall comprise:

- (1) Interpretation;
- (2) Economic Terms;
- (3) Specific Standard Terms; and
- (4) General Standard Terms (with the Specific Standard Terms, the “Standard Terms”).

**1. Interpretation**

- 1.1 Words and expressions used in these Contract Terms not otherwise defined herein shall have the meanings ascribed to them in the Regulations and the Procedures of the Clearing House, as applicable.
- 1.2 In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.
- 1.3 Subject to the Rulebook and the Procedures, the Clearing House will use the relevant Contract Terms applicable to a STIR to calculate the amounts due under such STIR to, or from, the Clearing House in accordance with the Procedures.
- 1.4 In these Contract Terms, the term “Final Settlement Price” means, in respect of a STIR, 100.00% minus the Reference Rate for such STIR or, if the Reference Rate is not available at the Valuation Time, the Fallback Reference Rate for such STIR, as calculated by the Clearing House at or promptly after the Valuation Time in accordance with the Procedures, such calculated amount to be rounded to three decimal places, provided that, where the Reference Rate or the Fallback Reference Rate (as applicable) is not an exact multiple of 0.001%, it will be rounded to the nearest 0.001% or, where the Reference Rate or the Fallback Reference Rate (as applicable) is an exact uneven multiple of 0.0005%, to the nearest lower 0.001%.

**2. Economic Terms**

- 2.1 The Economic Terms of a STIR shall be derived from the information presented to the Clearing House by the relevant Rates ATP in respect of the terms designated herein as Economic Terms.

2.2 It is part of the eligibility criteria for registration as a Listed Interest Rate Contract that the particulars of the STIR presented by the relevant Rates ATP must include matched information in respect of all such designated Economic Terms.

2.3 The Economic Terms for a STIR comprise:

- (a) Contract Type;
- (b) Delivery Month;
- (c) Buyer;
- (d) Seller;
- (e) Number of Lots; and
- (f) Contract Price;

provided however that where such information specifies a Listed Interest Rate Clearing Member as: (i) Buyer, the Clearing House will be Seller under the STIR; and (ii) Seller, the Clearing House will be Buyer under the STIR.

### 3. Specific Standard Terms

#### 3.1 Three Month EURIBOR

|                                  |   |
|----------------------------------|---|
| <u>Contract Type</u>             | <u>Three-Month EURIBOR Futures Contract</u>   |
| <u>Unit of Trading</u>           | <u>Interest rate on three-month unsecured interbank deposit of €1,000,000</u>   |
| <u>Price Quote</u>               | <u>100.00 minus interest rate</u>   |
| <u>Minimum Tick Size / Value</u> | <u>0.005 (€12.50)</u>   |
| <u>Last Trading Day</u>          | <u>The second Business Day prior to the third Wednesday of the Delivery Month, subject to adjustment in accordance with the General Standard Terms</u>                      |
| <u>Last Trading Time</u>         | <u>10:00 London time on the Last Trading Day</u>  |
| <u>Valuation Time</u>            | <u>The Final Settlement Price is calculated at the Last Trading Time</u>  |
| <u>Settlement Date</u>           | <u>The first Business Day which falls after the Last Trading Day, subject to adjustment in accordance with the General Standard Terms</u>                                   |
| <u>Reference Rate</u>            | <u>The European Banking Federation's Euribor Offered Rate (EBF EURIBOR) for three month EUR deposits at 11:00 Brussels time (10:00 London time) on the Last Trading Day</u> |

Fallback Reference Rate      As described in the Listed Interest Rate Procedures

### 3.2 Three Month Sterling

Contract Type      Three-Month Sterling Futures Contract

Unit of Trading      Interest rate on three-month unsecured interbank deposit of £500,000

Price Quote      100.00 minus interest rate

Minimum Tick Size / Value      0.01 (£12.50)

Last Trading Day      The third Wednesday of the Delivery Month, subject to adjustment in accordance with the General Standard Terms

Last Trading Time      11:00 London time on the Last Trading Day

Valuation Time      The Final Settlement Price is calculated at the Last Trading Time

Settlement Date      The first Business Day which falls after the Last Trading Day, subject to adjustment in accordance with the General Standard Terms

Reference Rate      The ICE London Interbank Offered Rate (ICE LIBOR) for three month Sterling deposits at 11:00 London time on the Last Trading Day

Fallback Reference Rate      As described in the Listed Interest Rate Procedures

## 4. General Standard Terms

### 4.1 Cash Settlement

On the Settlement Date:

- (a) if the Final Settlement Price is greater than the Contract Price, Seller shall pay to Buyer an amount equal to the product of: (x) the Final Settlement Price minus the Contract Price; (y) the Unit of Trading; and (z) the Number of Lots; or
- (b) if the Final Settlement Price is less than the Contract Price, Buyer shall pay to Seller an amount equal to the product of: (x) the Contract Price minus the Final Settlement Price; (y) the Unit of Trading; and (z) the Number of Lots; or
- (c) if the Final Settlement Price is equal to the Contract Price, no amount shall be payable by either Buyer or Seller in respect of the STIR.

### 4.2 Adjustment to Business Days

If, at any time on or prior to the date which was expected to be the Settlement Date, the Clearing House determines in accordance with the Rulebook and the Procedures that any date which was expected to be a Business Day will not be a business day (such day, a “Former Business Day”):

- (a) if that Former Business Day was the date which was expected to be the Last Trading Day, then the Last Trading Day shall be the next following Business Day and the Settlement Date shall also be adjusted accordingly;
- (b) if that Former Business Day was the date which was expected to be the Settlement Date, then the Settlement Date shall be the next following Business Day; and
- (c) if that Former Business Day is any other day, then such determination shall have no impact on the STIR.

#### 4.3 Regulations

This STIR shall be subject to the Regulations and the Procedures, which shall form part of its terms. In the event of any inconsistency between these Contract Terms and the Regulations and the Procedures, the Regulations and Procedures will prevail.

#### 4.4 Payments

Payments under, and in respect of, this STIR shall be calculated by the Clearing House and shall be made by, or to, the Listed Interest Rate Clearing Member in accordance with the provisions set out in the Procedures.

#### 4.5 Third Party Rights

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

#### 4.6 Governing Law

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



## Section 2 – STIR Eligibility Criteria

### 1. In General

1.1 Without prejudice to the Regulations and the Procedures, the Clearing House may decline to register a STIR unless at the time that the required particulars are presented to the Clearing House:

(a) the STIR meets the eligibility criteria set out in paragraph 2 below and all other requirements of the Clearing House from time to time, including the requirements set out in the Regulations and the Procedures;

(b) details of the STIR are submitted for registration in accordance with the Regulations, the Procedures and all other requirements from time to time of the Clearing House; and

(c) the parties to the STIR are Listed Interest Rate Clearing Members;

and the requirements of (a), (b) and (c) inclusive and paragraph 2 below continue to be satisfied at the Registration Time.

### 2 STIR Eligibility Criteria

#### 2.1 Three Month EURIBOR

Unit of Trading Interest rate on three-month unsecured interbank deposit of €1,000,000

Delivery Month Twenty-four quarterly delivery months and four serial months, with the nearest six delivery months being consecutive calendar months

Price Quote 100.00 – interest rate

Minimum Tick Size / Value 0.005 (€12.50)

Settlement Cash settlement

#### 2.2 Three Month Sterling

Unit of Trading Interest rate on three-month unsecured interbank deposit of £500,000

Delivery Month Twenty-four quarterly delivery months and two serial months, with the nearest three delivery months being consecutive calendar months

Price Quote 100.00 – interest rate

Minimum Tick Size / Value 0.01 (£12.50)

Settlement Cash settlement

## **PART B** **DELIVERABLE BOND FUTURES**

### **Section 1 – Deliverable Bond Futures Contract Terms**

The terms of a Designated Listed Interest Rate Contract that is a deliverable bond futures contract (each such Listed Interest Rate Contract, a “Deliverable Bond Future”) shall include these Contract Terms, which shall comprise:

- (1) Interpretation;
- (2) Economic Terms;
- (3) Specific Standard Terms; and
- (4) General Standard Terms (with the Specific Standard Terms, the “Standard Terms”).

#### **1. Interpretation**

- 1.1 Words and expressions used in these Contract Terms not otherwise defined herein shall have the meanings ascribed to them in the Regulations and the Procedures of the Clearing House, as applicable.
- 1.2 In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.
- 1.3 Subject to the Rulebook and the Procedures, the Clearing House will use the relevant Contract Terms applicable to a Deliverable Bond Future to calculate the amounts due under such Deliverable Bond Future to, or from, the Clearing House in accordance with the Procedures.

#### **2. Economic Terms**

- 2.1 The Economic Terms of a Deliverable Bond Future shall be derived from the information presented to the Clearing House by the relevant Rates ATP in respect of the terms designated herein as Economic Terms.
- 2.2 It is part of the eligibility criteria for registration as a Listed Interest Rate Contract that the particulars of the Deliverable Bond Future presented by the relevant Rates ATP must include matched information in respect of all such designated Economic Terms.
- 2.3 The Economic Terms for a Deliverable Bond Future comprise:
  - (a) Contract Type;
  - (b) Delivery Month;
  - (c) Buyer;
  - (d) Seller;
  - (e) Number of Lots; and

(f) Contract Price:

provided however that where such information specifies a Listed Interest Rate Clearing Member as: (i) Buyer, the Clearing House will be Seller under the Deliverable Bond Future; and (ii) Seller, the Clearing House will be Buyer under the Deliverable Bond Future.

**3. Specific Standard Terms**

**3.1 Long Gilt Futures**

|                                  |   |
|----------------------------------|---|
| <u>Contract Type</u>             | <u>Long Gilt Futures Contract</u>   |
| <u>Unit of Trading</u>           | <u>£100,000 nominal value notional Gilt with 4% coupon</u>  |
| <u>Maturity Range</u>            | <u>Between: (x) 8 years and 9 months; and (y) 13 years</u>  |
| <u>Delivery Months</u>           | <u>The three closest quarterly delivery months</u>  |
| <u>Delivery Day</u>              | <u>Any Business Day in the Delivery Month (at Seller's option)</u>  |
| <u>Price Quote</u>               | <u>Per £100 nominal</u>   |
| <u>Minimum Tick Size / Value</u> | <u>0.01 (£10.00)</u>  |
| <u>Notional Coupon</u>           | <u>4%</u>   |
| <u>First Notice Day</u>          | <u>The day falling two Business Days prior to the first calendar day of the Delivery Month</u>  |
| <u>Last Notice Day</u>           | <u>The first Business day after the Last Trading Day</u>  |
| <u>Last Trading Day</u>          | <u>The day falling two Business Days prior to the last business day of the Delivery Month</u>   |
| <u>Last Trading Time</u>         | <u>11:00 London time on the Last Trading Day</u>  |
| <u>Final Settlement Price</u>    | <u>The price determined as per the Procedures at 11:00 London time on the Notice Delivery Date (or, if the Notice Delivery Date is the Last Notice Day, on the Last Trading Day), to be expressed as the price per £100 nominal of a Deliverable Bond which would have a Conversion Factor of 1.</u>                    |
| <u>Settlement Date</u>           | <u>The date during the period from, and including, the day falling two Business Days after the First Notice Day to, and including, the Business Day following the Last Notice Day which the Clearing House notifies to the Buyer will be the Settlement Date in accordance with the Regulations and the Procedures.</u> |

|   |  |
|---|--|
| <u>Settlement Amount</u>                | <p><u>An amount equal to the sum of the following in respect of each lot comprising the Deliverable Bond Future:</u></p> <ol style="list-style-type: none"><li><u>(1) the product of: (A) 1000; (B) the Final Settlement Price; and (C) the Conversion Factor for the Deliverable Bond in respect of that lot; plus</u></li><li><u>(2) the sum of: (A) the Initial Accrued in respect of the Deliverable Bond in respect of that lot; and (B) the product of (x) the Daily Accrued for the Deliverable Bond in respect of that lot and (y) the number of days from and including the first day of the Delivery Month to and including the Settlement Date.</u></li></ol> |
| <u>Initial Accrued</u>                  | <p><u>In respect of each Deliverable Bond, the amount specified as such by the Clearing House in accordance with the Regulations and the Procedures.</u></p>   |
| <u>Daily Accrued</u>                    | <p><u>In respect of each Deliverable Bond, the amount specified as such by the Clearing House in accordance with the Regulations and the Procedures.</u></p>   |
| <u>Balancing Amount</u>                 | <p><u>An amount equal to the product of: (i) the Final Settlement Price – the Contract Price; and (ii) 1000.</u></p>   |
| <u>Deliverable Bond</u>                 | <p><u>Bonds which satisfy the Deliverable Bond Characteristics and are identified as such by the Clearing House for the purpose of these Contract Terms not less than ten Business Days prior to the First Notice Day for the Delivery Month in accordance with the Regulations and the Procedures.</u></p>  |
| <u>Deliverable Bond Characteristics</u> | <p><u>Deliverable Bonds shall:</u></p> <ul style="list-style-type: none"><li><u>• be issued by the UK Debt Management Office for HM Treasury in the United Kingdom;</u></li><li><u>• pay a fixed rate coupon between 1.00% to 7.00% (inclusive);</u></li><li><u>• have both principal and interest denominated in GBP;</u></li><li><u>• provide for semi-annual coupon payments;</u></li><li><u>• be fully paid on or prior to the Last Notice Day for the Delivery Month;</u></li><li><u>• Not being in convertible or bearer form;</u></li></ul>   |

- have an outstanding principal amount of not less than £1,500,000,000, which shall be fungible; and
- have a period to redemption from, but excluding the first date of the delivery month which falls within the Maturity Range, with no early redemption.

Conversion Factor As defined in paragraph 5.1 below

### 3.2 Schatz Futures

Contract Type German Government Bond (Schatz) Futures Contract

Unit of Trading €100,000 nominal value notional Schatz with 6% coupon

Maturity Range Between: (x) 1 years and 9 months; and (y) 2 years and 3 months

Delivery Months The three closest quarterly delivery months

Delivery Day The tenth calendar day of the front Delivery Month or if such calendar day is not a Business Day, the Business Day immediately following such calendar day

Price Quote Per €100 nominal

Minimum Tick Size / Value 0.005 (€5.00)

Notional Coupon 6%

Last Trading Day The day falling two Business Days prior to the Settlement Date

Last Trading Time 11:30 London time on the Last Trading Day

Notification Time 13:30 London time on the Last Trading Day, as specified in the Procedures

Final Settlement Price The price determined as per the Procedures at 11:30 London time on the Last Trading Day, to be expressed as the price per €100 nominal of a Deliverable Bond which would have a Conversion Factor of 1.

Settlement Date The tenth calendar day of the Delivery Month or, if such day is not a Business Day, the next following Business Day.

Settlement Amount An amount equal to the sum of the following in respect of each lot comprising the Deliverable Bond Future:

(3) the product of: (A) 1000; (B) the Final Settlement Price; and (C) the Conversion Factor for the Deliverable Bond in respect of that lot; plus

(4) the sum of: (A) the Initial Accrued in respect of the Deliverable Bond in respect of that lot; and (B) the product of (x) the Daily Accrued for the Deliverable Bond in respect of that lot and (y) the number of days from and including the first day of the Delivery Month to and including the Settlement Date.

Initial Accrued

In respect of each Deliverable Bond, the amount specified as such by the Clearing House in accordance with the Regulations and the Procedures.

Daily Accrued

In respect of each Deliverable Bond, the amount specified as such by the Clearing House in accordance with the Regulations and the Procedures.

Balancing Amount

An amount equal to the product of: (i) the Final Settlement Price – the Contract Price; and (ii) 1000.

Deliverable Bond

Bonds which satisfy the Deliverable Bond Characteristics and are identified as such by the Clearing House for the purpose of these Contract Terms not less than ten Business Days prior to the First Notice Day for the Delivery Month in accordance with the Regulations and the Procedures.

Deliverable Bond Characteristics

Deliverable Bonds shall:

- be debt securities issued by the Federal Republic of Germany;
- have an original term of no longer than 11 years;
- have a minimum issue amount of €5 billion; and
- have a period to redemption which falls within the relevant Maturity Range.

Conversion Factor

As defined in paragraph 5.2 below

3.3 Bobl Futures

Contract Type

German Government Bond (Bobl) Futures Contract

Unit of Trading

€100,000 nominal value notional Bobl with 6% coupon

Maturity Range

Between: (x) 4 years and 6 months; and (y) 5 years and

|                                  |   |
|----------------------------------|---|
|                                  | <u>6 months</u>   |
| <u>Delivery Months</u>           | <u>The three closest quarterly delivery months</u>  |
| <u>Delivery Day</u>              | <u>The tenth calendar day of the front Delivery Month or if such calendar day is not a Business Day, the Business Day immediately following such calendar day</u>   |
| <u>Price Quote</u>               | <u>Per €100 nominal</u>   |
| <u>Minimum Tick Size / Value</u> | <u>0.01 (€0.00)</u>   |
| <u>Notional Coupon</u>           | <u>6%</u>   |
| <u>Last Trading Day</u>          | <u>The day falling two Business Days prior to the Settlement Date</u>   |
| <u>Last Trading Time</u>         | <u>11:30 London time on the Last Trading Day</u>  |
| <u>Notification Time</u>         | <u>13:30 London time on the Last Trading Day, as specified in the Procedures</u>  |
| <u>Final Settlement Price</u>    | <u>The price determined as per the Procedures at 11:30 London time on the Last Trading Day, to be expressed as the price per €100 nominal of a Deliverable Bond which would have a Conversion Factor of 1.</u>  |
| <u>Settlement Date</u>           | <u>The tenth calendar day of the Delivery Month or, if such day is not a Business Day, the next following Business Day.</u>   |
| <u>Settlement Amount</u>         | <u>An amount equal to the sum of the following in respect of each lot comprising the Deliverable Bond Future:</u><br><br><u>(5) the product of: (A) 1000; (B) the Final Settlement Price; and (C) the Conversion Factor for the Deliverable Bond in respect of that lot; plus</u><br><br><u>(6) the sum of: (A) the Initial Accrued in respect of the Deliverable Bond in respect of that lot; and (B) the product of (x) the Daily Accrued for the Deliverable Bond in respect of that lot and (y) the number of days from and including the first day of the Delivery Month to and including the Settlement Date.</u> |
| <u>Initial Accrued</u>           | <u>In respect of each Deliverable Bond, the amount specified as such by the Clearing House in accordance with the Regulations and the Procedures.</u>   |
| <u>Daily Accrued</u>             | <u>In respect of each Deliverable Bond, the amount specified as such by the Clearing House in accordance</u>  |

|   |   |
|---|---|
|   | <u>with the Regulations and the Procedures.</u>   |
| <u>Balancing Amount</u>                 | <u>An amount equal to the product of: (i) the Final Settlement Price – the Contract Price; and (ii) 1000.</u>   |
| <u>Deliverable Bond</u>                 | <u>Bonds which satisfy the Deliverable Bond Characteristics and are identified as such by the Clearing House for the purpose of these Contract Terms not less than ten Business Days prior to the First Notice Day for the Delivery Month in accordance with the Regulations and the Procedures.</u>  |
| <u>Deliverable Bond Characteristics</u> | <u>Deliverable Bonds shall:</u> <ul style="list-style-type: none"><li><u>• be debt securities issued by the Federal Republic of Germany;</u></li><li><u>• have an original term of no longer than 11 years;</u></li><li><u>• have a minimum issue amount of € billion; and</u></li><li><u>• have a period to redemption which falls within the relevant Maturity Range.</u></li></ul> |
| <u>Conversion Factor</u>                | <u>As defined in paragraph 5.2 below</u>  |
| <u>3.4 Bund Futures</u>                 |   |
| <u>Contract Type</u>                    | <u>German Government Bond (Bund) Futures Contract</u>   |
| <u>Unit of Trading</u>                  | <u>€100,000 nominal value notional Bund with 6% coupon</u>  |
| <u>Maturity Range</u>                   | <u>Between: (x) 8 years and 6 months; and (y) 10 years and 6 months</u>   |
| <u>Delivery Months</u>                  | <u>The three closest quarterly delivery months</u>  |
| <u>Delivery Day</u>                     | <u>The tenth calendar day of the front Delivery Month or if such calendar day is not a Business Day, the Business Day immediately following such calendar day</u>   |
| <u>Price Quote</u>                      | <u>Per €100 nominal</u>   |
| <u>Minimum Tick Size / Value</u>        | <u>0.01 (€10.00)</u>  |
| <u>Notional Coupon</u>                  | <u>6%</u>   |
| <u>Last Trading Day</u>                 | <u>The day falling two Business Days prior to the Settlement Date</u>   |



|   |   |
|---|---|
| <u>Last Trading Time</u>                | <u>11:30 London time on the Last Trading Day</u>  |
| <u>Notification Time</u>                | <u>13:30 London time on the Last Trading Day, as specified in the Procedures</u>  |
| <u>Final Settlement Price</u>           | <u>The price determined as per the Procedures at 11:30 London time on the Last Trading Day, to be expressed as the price per €100 nominal of a Deliverable Bond which would have a Conversion Factor of 1.</u>  |
| <u>Settlement Date</u>                  | <u>The tenth calendar day of the Delivery Month or, if such day is not a Business Day, the next following Business Day.</u>   |
| <u>Settlement Amount</u>                | <u>An amount equal to the sum of the following in respect of each lot comprising the Deliverable Bond Future:</u><br><br><u>(7) the product of: (A) 1000; (B) the Final Settlement Price; and (C) the Conversion Factor for the Deliverable Bond in respect of that lot; plus</u><br><br><u>(8) the sum of: (A) the Initial Accrued in respect of the Deliverable Bond in respect of that lot; and (B) the product of (x) the Daily Accrued for the Deliverable Bond in respect of that lot and (y) the number of days from and including the first day of the Delivery Month to and including the Settlement Date.</u> |
| <u>Initial Accrued</u>                  | <u>In respect of each Deliverable Bond, the amount specified as such by the Clearing House in accordance with the Regulations and the Procedures.</u>   |
| <u>Daily Accrued</u>                    | <u>In respect of each Deliverable Bond, the amount specified as such by the Clearing House in accordance with the Regulations and the Procedures.</u>   |
| <u>Balancing Amount</u>                 | <u>An amount equal to the product of: (i) the Final Settlement Price – the Contract Price; and (ii) 1000.</u>   |
| <u>Deliverable Bond</u>                 | <u>Bonds which satisfy the Deliverable Bond Characteristics and are identified as such by the Clearing House for the purpose of these Contract Terms not less than ten Business Days prior to the First Notice Day for the Delivery Month in accordance with the Regulations and the Procedures.</u>  |
| <u>Deliverable Bond Characteristics</u> | <u>Deliverable Bonds shall:</u> <ul style="list-style-type: none"><li><u>• be debt securities issued by the Federal Republic of Germany;</u></li></ul>  |

- have an original term of no longer than 11 years;
- have a minimum issue amount of €5 billion; and
- have a period to redemption which falls within the relevant Maturity Range.

Conversion Factor

As defined in paragraph 5.2 below

#### **4. General Standard Terms**

##### **4.1 Settlement**

(a) On the date specified in the Procedures:

(i) the Seller shall deliver the Deliverable Bonds to the Buyer;

(ii) the Buyer shall pay to the Seller the Settlement Amount;

(iii) if the Balancing Amount is greater than zero, the Seller shall pay to the Buyer the Balancing Amount; and

(iv) if the Balancing Amount is less than zero, the Buyer shall pay to the Seller the absolute value of the Balancing Amount.

(b) The time and method for making any payment or delivery required to be made in respect of this Contract shall be as specified in the Regulations and the Procedures, and each Listed Interest Rate Clearing Member shall comply with any instructions made by the Clearing House for the purpose of effecting settlement of their respective obligations pursuant to these Contract Terms.

(c) A “Settlement Failure” shall occur if the Deliverable Bonds are not received by the Buyer or the Settlement Amount is not received by the Seller on the Settlement Date for any reason whatsoever, including, without limitation:

(i) the failure of the Clearing House to effect settlement of such delivery or payment in accordance with the Regulations and the Procedures;

(ii) any error, failure, closure or suspension of the Listed Interest Rate Clearing Service by the Clearing House;

(iii) a failure by any third party to make any required transfer of such Deliverable Bonds to the Seller or any settlement agent for the Seller in time to enable the Seller to make delivery to the Buyer pursuant to these Contract Terms; or

(iv) any failure by either Buyer or Seller, or any settlement agent for either Buyer or Seller, to input any necessary instructions required by the Clearing House or pursuant to the Regulations and Procedures to effect settlement, including as a result of any fault or failure of any computer or communication system.

- (d) A Settlement Failure shall be “cured” on the Business Day on which the Deliverable Bonds have been received by the Buyer and the Settlement Amount has been received by the Seller.
- (e) If a Settlement Failure occurs, any decision as to such alternative settlement procedures made by the Clearing House shall be binding on the parties, provided that:
  - (i) the Clearing House may, but is not required to, require the buyer to pay an amount (“Settlement Adjustment Amount”) equal to the product of: (I) the settlement payment required under the contract; (II) the average of the Clearing House’s base rate at the close of each business day during the period that settlement is delayed; and (III) the number of calendar days in the settlement delay period over 365; and
  - (ii) where any dividend or coupon is paid on the deliverable bond(s) during the delayed settlement period, the Clearing House may, but is not required to, require the seller to pay an amount (“Dividend Adjustment Amount”) equal to the gross amount of such dividend (without any withholding or deduction on account of any tax).
- (f) For the avoidance of doubt, a Settlement Failure may also constitute a Default where the relevant event also constitutes a Default pursuant to the Default Rules

#### 4.2 Adjustment to Business Days

If, at any time on or prior to the date which was expected to be the Settlement Date, the Clearing House determines in accordance with the Rulebook and the Procedures that any date which was expected to be a Business Day will not be a business day (such day, a “Former Business Day”):

- (a) if that Former Business Day was the date which was expected to be the Last Trading Day, then the Last Trading Day shall be the next following Business Day and the Settlement Date shall also be adjusted accordingly;
- (b) if that Former Business Day was the date which was expected to be the Settlement Date, then the Settlement Date shall be the next following Business Day; and
- (c) if that Former Business Day is any other day, then such determination shall have no impact on the Deliverable Bond Future.

#### 4.3 Regulations

This Deliverable Bond Future shall be subject to the Regulations and the Procedures, which shall form part of its terms. In the event of any inconsistency between these Contract Terms and the Regulations and the Procedures, the Regulations and Procedures will prevail.

#### 4.4 Payments

Payments under, and in respect of, this Deliverable Bond Future shall be calculated by the Clearing House and shall be made by, or to, the Listed Interest Rate Clearing Member in accordance with the provisions set out in the Procedures.

#### 4.5 Third Party Rights

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

#### 4.6 Governing Law

This Deliverable Bond Future shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The Listed Interest Rate Clearing Member party to this Deliverable Bond Future irrevocably submits to such jurisdiction and to waive any objection it might otherwise have to such jurisdiction, save that this submission to the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of any action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

### 5. Conversion Factors

#### 5.1 Conversion Factor – Long Gilt Future

The Conversion Factor is calculated by the Clearing House, according to the formula shown below, and is used to determine the clean price of the Deliverable Bond upon delivery, by multiplying the Final Settlement Price of the Deliverable Bond Future and the Conversion Factor of the Deliverable Bond.

$$CF = \frac{P(x)}{100}$$

$$P(x) = \frac{1}{\left(1 + \frac{x}{2}\right)^{\frac{r}{s}}} \left[ d_1 + \frac{d_2}{\left(1 + \frac{x}{2}\right)} + \frac{c}{x} \left( \frac{1}{\left(1 + \frac{x}{2}\right)} - \frac{1}{\left(1 + \frac{x}{2}\right)^n} \right) + \frac{100}{\left(1 + \frac{x}{2}\right)^n} \right] - AI$$

where:

CF the conversion factor of the Deliverable Bond;

P(x) the clean price per £100 nominal of the Deliverable Bond priced at a yield of x% pa, being the notional coupon of the future, for settlement on the delivery date of the future contract;

d<sub>1</sub> the cash flow (which could be zero) due on the following quasi-coupon date, per £100 nominal of the Deliverable Bond. d<sub>1</sub> will be zero if the first day of the

Delivery Month occurs in the ex-dividend period or if the Deliverable Bond has a long first coupon period and the first day of the Delivery Month occurs in the first full coupon period. will be less than  $c/2$  if the first day of the Delivery Month falls in a short first coupon period.  $d_1$  will be greater than  $c/2$  if the first day of the Delivery Month falls in a long first coupon period and the first day of the Delivery Month occurs in the second full coupon period;

$d_2$  the cash flow due on the next but one quasi -coupon date, per £100 nominal of the Deliverable Bond.  $d_2$  will be greater than  $c/2$  if the first day of the Delivery Month falls in a long first coupon period and in the first full coupon period. In all other cases,  $d_2 = c/2$ ;

$x$  the notional coupon of the Deliverable Bond;

$c$  the annual coupon per £100 nominal of the Deliverable Bond;

$r$  the number of calendar days from, and including, the first day of the Delivery Month to, but excluding, the next quasi-coupon date;

$s$  the number of calendar days in the full coupon period in which the first day of the Delivery Month occurs;

$n$  the number of full coupon periods between the following quasi-coupon date and the redemption date; and

$AI$  the accrued interest per £100 nominal of the Deliverable Bond calculated using the formulae set out below:

If the first day of the Delivery Month occurs in a standard coupon period and on or before the ex-dividend date:

$$AI = \frac{t}{s} \times \frac{c}{2}$$

If the first day of the Delivery Month occurs in a standard coupon period and after the ex-dividend date:

$$AI = \left( \frac{t}{s} - 1 \right) \times \frac{c}{2}$$

If the first day of the Delivery Month occurs in a short first coupon period and on or before the ex-dividend date:

$$AI = \frac{t^*}{s} \times \frac{c}{2}$$

If the first day of the Delivery Month occurs in a short first coupon period and after the ex-dividend date:

$$AI = \frac{(t^* - r)}{s} \times \frac{c}{2}$$

If the first day of the Delivery Month occurs in a long first coupon period and during the first full coupon:

$$AI = \frac{u}{s_1} \times \frac{c}{2}$$

If the first day of the Delivery Month occurs in a long first coupon period and during the second full coupon period and on or before the ex-dividend date:

$$AI = \left( \frac{r_1}{s_1} + \frac{r_2}{s_2} \right) \times \frac{c}{2}$$

If the first day of the Delivery Month occurs in a long first coupon period and during the second full coupon period and after the ex-dividend date:

$$AI = \left( \frac{r_2}{s_2} - 1 \right) \times \frac{c}{2}$$

where:

- c the annual coupon per £100 nominal of the Deliverable Bond;
- t the number of calendar days from, and including, the last coupon date up to but excluding the first day of the Delivery Month;
- s the number of calendar days in the full coupon period in which the first day of the Delivery Month occurs;
- t\* the number of calendar days from, and including, the issue date of the deliverable bond to, but excluding, the first day of the Delivery Month;
- r the number of calendar days from, and including, the issue date of the Deliverable Bond up to, but excluding, the next quasi-coupon date;
- u the number of calendar days from and including the issue date of the Deliverable Bond up to but excluding the first day of the Delivery Month;
- s<sub>1</sub> the number of days in the full coupon period in which the issue date of the Deliverable Bond occurs;
- s<sub>2</sub> the number of calendar days in the next full coupon period after the full coupon period in which the issue date of the Deliverable Bond occurs;
- r<sub>1</sub> the number of calendar days from and including the issue date of the Deliverable Bond up to but excluding the next quasi-coupon date; and
- r<sub>2</sub> the number of calendar days from and including the quasi-coupon date after the issue date of the Deliverable Bond up to but excluding the first day of the Delivery Month which falls in the next coupon period after the full coupon period in which the issue date occurs.

## 5.2 Conversion Factor – Schatz / BOBL / Bund Futures

The Conversion Factor is calculated by the Clearing House, according to the formula shown below, and is used to determine the clean price of the Deliverable Bond upon delivery, by multiplying the Final Settlement Price of the Deliverable Bond Future and the Conversion Factor of the Deliverable Bond.

$$CF = \frac{P(x)}{100}$$

$$P(x) = \frac{1}{(1+x)^{\frac{r}{s}}} \times \left[ d_1 + \frac{c}{x} \left( 1 - \frac{1}{(1+x)^n} \right) + \frac{100}{(1+x)^n} \right] - AI$$

where:

CF the conversion factor of the Deliverable Bond;

P(x) the clean price per €100 nominal of the deliverable bond priced at a yield of x% pa, being the notional coupon of the future, for settlement on the delivery date of the future contract;

x the notional coupon of the future;

c the annual coupon per €100 nominal of the Deliverable Bond;

r the difference of next coupon date and delivery date plus the number of days in the time span between one and two years prior to the next coupon date;

s the number of days between next coupon date and one year prior to next coupon date if delivery date occurs before one year prior to next coupon date, or otherwise the number of calendar days in the full coupon period in which the first day of the Delivery Month occurs;

d<sub>1</sub> the fraction of the coupon c given by the ratio of the number of days between next coupon date and last coupon date to the number of days between the next coupon date and one year prior to next coupon date;

n the number of full coupon periods between the next coupon date and the redemption date of the deliverable bond; and

AI the accrued interest per €100 nominal of the Deliverable Bond calculated using as follows:

$$AI = c \times \left[ \frac{\text{one year before next coupon date} - \text{last coupon date}}{d_{act}} - \frac{\text{one year before next coupon date} - \text{delivery date}}{d_{act}} \right]$$

where:

d<sub>act</sub> is the calendar daycount of the calendar year preceding the next coupon date if the numerator in the corresponding year fraction is negative and is the calendar daycount of the calendar year preceding the date that is one year prior to the next coupon date.

## Section 2 – Deliverable Bond Futures Product Eligibility Criteria

### 1. In General

1.1 Without prejudice to the Regulations and the Procedures, the Clearing House may decline to register a Deliverable Bond Future unless at the time that the required particulars are presented to the Clearing House:

- (a) the Deliverable Bond Future meets the eligibility criteria set out in paragraph 2 below and all other requirements of the Clearing House from time to time, including the requirements set out in the Regulations and the Procedures;
- (b) details of the Deliverable Bond Future are submitted for registration in accordance with the Regulations, the Procedures and all other requirements from time to time of the Clearing House; and
- (c) the parties to the Deliverable Bond Future are Listed Interest Rate Clearing Members;

and the requirements of (a), (b) and (c) inclusive and paragraph 2 below continue to be satisfied at the Registration Time.

### 2 Deliverable Bond Future Eligibility Criteria

#### 2.1 Long Gilt Futures

|   |   |
|---|---|
| <u>Unit of Trading</u>                  | <u>£100,000 nominal value notional Gilt with 4% coupon</u>  |
| <u>Maturity Range</u>                   | <u>Between: (x) 8 years and 9 months; and (y) 13 years</u>  |
| <u>Delivery Months</u>                  | <u>The three closest quarterly delivery months</u>  |
| <u>Price Quote</u>                      | <u>Per £100 nominal</u>   |
| <u>Minimum Tick Size / Value</u>        | <u>0.01 (£10.00)</u>  |
| <u>Notional Coupon</u>                  | <u>4%</u>   |
| <u>Deliverable Bond Characteristics</u> | <u>Deliverable Bonds shall:</u> <ul style="list-style-type: none"><li><u>• be issued by the UK Debt Management Office for HM Treasury in the United Kingdom;</u></li><li><u>• pay a fixed rate coupon between 1.00% to 7.00% (inclusive);</u></li><li><u>• have both principal and interest denominated in GBP;</u></li><li><u>• provide for semi-annual coupon payments;</u></li><li><u>• be fully paid on or prior to the Last Notice Day for</u></li></ul> |



the Delivery Month;

- Not being in convertible or bearer form;
- have an outstanding principal amount of not less than £1,500,000,000, which shall be fungible; and
- have a period to redemption from, but excluding the first date of the delivery month which falls within the Maturity Range, with no early redemption.

2.2 Schatz Futures

Unit of Trading €100,000 nominal value notional Schatz with 6% coupon

Maturity Range Between: (x) 1 years and 9 months; and (y) 2 years and 3 months

Delivery Months The three closest quarterly delivery months

Price Quote Per €100 nominal

Minimum Tick Size / Value 0.005 (€5.00)

Notional Coupon 6%

Deliverable Bond Characteristics Deliverable Bonds shall:

- be debt securities issued by the Federal Republic of Germany;
- have an original term of no longer than 11 years;
- have a minimum issue amount of € billion; and
- have a period to redemption which falls within the relevant Maturity Range.

2.3 Bobl Futures

Unit of Trading €100,000 nominal value notional Bobl with 6% coupon

Maturity Range Between: (x) 4 years and 6 months; and (y) 5 years and 6 months

Delivery Months The three closest quarterly delivery months

Price Quote Per €100 nominal

Minimum Tick Size / Value 0.01 (€10.00)

|   |   |
|---|---|
| <u>Notional Coupon</u>                  | <u>6%</u>   |
| <u>Deliverable Bond Characteristics</u> | <u>Deliverable Bonds shall:</u> <ul style="list-style-type: none"><li>• <u>be debt securities issued by the Federal Republic of Germany;</u></li><li>• <u>have an original term of no longer than 11 years;</u></li><li>• <u>have a minimum issue amount of € billion; and</u></li><li>• <u>have a period to redemption which falls within the relevant Maturity Range.</u></li></ul> |

## 2.4 Bund Futures

|   |   |
|---|---|
| <u>Unit of Trading</u>                  | <u>€100,000 nominal value notional Bund with 6% coupon</u>  |
| <u>Maturity Range</u>                   | <u>Between: (x) 8 years and 6 months; and (y) 10 years and 6 months</u>   |
| <u>Delivery Months</u>                  | <u>The three closest quarterly delivery months</u>  |
| <u>Price Quote</u>                      | <u>Per €100 nominal</u>   |
| <u>Minimum Tick Size / Value</u>        | <u>0.01 (€10.00)</u>  |
| <u>Notional Coupon</u>                  | <u>6%</u>   |
| <u>Deliverable Bond Characteristics</u> | <u>Deliverable Bonds shall:</u> <ul style="list-style-type: none"><li>• <u>be debt securities issued by the Federal Republic of Germany;</u></li><li>• <u>have an original term of no longer than 11 years;</u></li><li>• <u>have a minimum issue amount of € billion; and</u></li><li>• <u>have a period to redemption which falls within the relevant Maturity Range.</u></li></ul> |

**PART C**  
**PORTFOLIO MARGINING SERVICE**

The Clearing House has designated the following Listed Interest Rates Contracts as Eligible Listed Interest Rates Contracts for purposes of the Portfolio Margining Service as further described in Section 2 (“Portfolio Margining Service”) of the SwapClear Procedures.

| <u>Venue</u> | <u>Contract</u>                             |
|--------------|---|
| NLX          | Three-Month EURIBOR Interest Rate Futures*  |
| NLX          | Three-Month Sterling Interest Rate Futures* |

\* The NLX Contract Terms for these Contracts are set out in the NLX Rules, available at: <http://www.nasdaqomx.com/transactions/markets/nlx/products>.