

# SUBMISSION COVER SHEET

Registered Entity Identifier Code LCH

Date: Nov 16, 2011

**IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.**

## ORGANIZATION

LCH.Clearnet Limited

FILING AS A:  DCM  SEF  DCO  SDR  ECM/SPDC

## TYPE OF FILING

### • Rules and Rule Amendments

- Certification under § 40.6 (a) or § 41.24 (a)
- "Non-Material Agricultural Rule Change" under § 40.4 (b)(5)
- Notification under § 40.6 (d)
- Request for Approval under § 40.4 (a) or § 40.5 (a)
- Advance Notice of SIDCO Rule Change under § 40.10 (a)

### • Products

- Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)
- Swap Class Certification under § 40.2 (d)
- Request for Approval under § 40.3 (a)
- Novel Derivative Product Notification under § 40.12 (a)

## RULE NUMBERS

**FCM Regulation:** Definitions, Regulation 1, Regulation 4, Regulation 5, Regulation 9 and Regulation 10, Amendments to Schedule A and Deletion of Schedule B.

**FCM Procedures: Rules:** 2.3, 2.6, 2.10, 2.11, 2.12, 2.13.

## DESCRIPTION

Self-certification of amended rules in relation to the extension of key functionality, product enhancements and business processes and the removal of Prescribed Language for SwapClear, LCH.Clearnet's interest rate swap clearing product.

# SUBMISSION OF AMENDMENTS TO THE CLEARINGHOUSE RULES

TO THE

## COMMODITY FUTURES TRADING COMMISSION

SUBMITTED BY

**LCH.Clearnet Limited**

an English limited company

FILING AS A REGISTERED DERIVATIVES CLEARING ORGANIZATION

Pursuant to Commission Regulation § 40.6

### Submission of Amendments to the FCM SwapClear Rulebook:

- **FCM Regulations:** Definitions, Regulation 1, Regulation 4, Regulation 5, Regulation 9 and Regulation 10
- **FCM Regulations: Schedule A (amendment) Schedule B (deletion)**
- **FCM Procedures,** Rules 2.3, 2.6, 2.10, 2.11, 2.12, 2.13

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Submitted: November 16, 2011

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**LCH.CLEARNET LIMITED SELF-CERTIFICATION OF  
AMENDMENTS TO THE FCM RULEBOOK**

LCH.Clearnet Limited (“LCH.Clearnet”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “CFTC”), is submitting for self-certification pursuant to CFTC Regulation §40.6, rule changes concerning: (i) the extension of key functionality, product enhancements and business processes for SwapClear, LCH.Clearnet’s interest rate swap clearing product; and (ii) the removal of certain documentary requirements known as the “Prescribed Language”.

The above outlined amendments to the FCM Rulebook will be implemented and become effective on December 5, 2011.

**Part I: Introduction**

The SwapClear FCM clearing service allows Futures Commission Merchants to clear for clients through LCH.Clearnet’s existing SwapClear system and was launched on 8 March 2011.

Under this model, LCH.Clearnet clears FCM SwapClear Contracts for its clearing members (“FCM Clearing Member”) pursuant to the FCM Rulebook. Each FCM SwapClear Contract represents one side of an OTC interest rate swap transaction.

**Part II: Extension of key functionality and business processes to the FCM model (FCM II):**

LCH.Clearnet is extending the key functionality and business processes for the SwapClear FCM client clearing business (FCM II) with effect from December 5, 2011, and enhancing the existing FCM service in the following areas:

**1) T2 Booking model**

The current FCM model represents trades operationally using a T4 model where there are effectively four (4) trade sides booked in SwapClear and these are only cleared when all four of these sides have been received by LCH.Clearnet for registration. SwapClear is planning to introduce a T2 model where only two trade sides are required and each side is cleared upon acceptance by the relevant FCM Clearing Member.

Under the T2 Model, individual allocations are represented as trades and/or positions on the Executing Broker (“EB”) house and FCM’s client account. The EB position will be represented/reported as the individual client splits/allocations. SwapClear will create a unique economic ID representing the swap economics for each new trade submitted for clearing. Each flow is considered independent in the post registration flow which means that the links between the two original counterparties do not exist.

## **2) FCM Acceptance Workflow (Acceptance and Give Up);**

There are two linked changes that are being introduced for FCM II which relate to FCM Acceptance and Give up:

- the introduction of multiple Trade Sources for SwapClear (Bloomberg and Tradeweb added for FCM II);
- and the receipt of matched trade records by SwapClear ahead of FCM Acceptance.

With the advent of SwapClear accepting matched trades from multiple trade sources (SEFs/Affirmation platform) and in order to fulfil the regulatory principle of allowing ‘open access’, the new SwapClear workflow will allow for FCMs to acknowledge and accept client trades directly with LCH.Clearnet. SwapClear will check trade eligibility (product and the client to FCM relationship) and then notify the FCM of the financial details of each individual client trade allocation. SwapClear will only consider trades for clearing where explicit acceptance of each allocation by the FCM has been provided.

Where trades are rejected at the allocation level by the FCM and where the client still wants to clear the trade at LCH.Clearnet, the client will need to select an alternative FCM to clear through (the rejected allocation will be sent back to the SEF/allocation platform for reallocation).

## **3) Risk Free Netting Process:**

Risk free netting will enable clients to consolidate trades with identical economic profile previously held as separate outstanding contracts into a single contract. The process is not mandatory and clients and/or executing brokers can independently choose to net or compress trades. This is only available for trades booked via an FCM using the T2 workflow.

## **4) Affiliate Clearing:**

Currently under the LCH.Clearnet model, FCM affiliates are not permitted to clear through an FCM’s House account. Under FCM II, LCH.Clearnet will treat FCM affiliates as a net omnibus structure under the FCM’s House account.

## **5) Business as usual client trade/position/margin Portability;**

This concept centers on the process of a client porting full and/or a selection of one or more cleared positions, and in the event of a full portfolio transfer their associated VM and IM balances, between FCMs whereby consent is given by the requisite parties; this allows clients to re-allocate and/or balance positions between their funds that are cleared via different FCMs.

## **6) Extended Registration Hours and Enhanced Trade Registration Process;**

SwapClear will extend its trade registration hours from its current 22:00 (GMT) close to 24:00 (GMT) to cater for clients looking to clear trades on the west coast in the US. In addition, SwapClear will perform additional trade registration runs

## **7) Membership criteria**

The enhancement to the current FCM I model is available to existing and new members.

### **Part III: Removal of Prescribed Language**

Currently, FCM Clearing Members of LCH.Clearnet are required to include, within their agreement with their clients, certain provisions known as the “Prescribed Language” as set out in Schedule B of the FCM Regulations. LCH.Clearnet is intending to remove this requirement. Instead, a requirement in the FCM Rulebook will be introduced to require FCM Clearing Members of LCH.Clearnet to incorporate through cross-reference in the agreement between the FCM Clearing Member and their client, the rules of LCH.Clearnet. In addition, LCH.Clearnet will be introducing a requirement for FCM Clearing Member to direct their clients to, or provide such clients with a copy of, a new FCM SwapClear End-User Notice. The FCM SwapClear End-User Notice will be available on the website of LCH.Clearnet. This Rule Amendment will become effective on December 5, 2011.

### **Part IV: Product Enhancement - Variable Notional Swaps**

LCH.Clearnet is planning to launch Variable Notional Swaps (USD, EUR and GBP denominated) as a product enhancement initiative. Variable Notional Swaps denominated in USD, EUR and GBP will be available for clearing with effect from December 5, 2011 in the FCM models.

The Variable Notional Swaps vary in notional principal, rate or spread periodically to accommodate cashflows that differ predictably. As such, all notional, rate or spread schedules are known upfront and vary to hedge out either loan/mortgage schedules or projects funded by a series of predictable future drawdowns.

Therefore a Variable Notional Swap is simply a series of separate swaps with the total swap price reflecting a weighted average of the individual swap rates. As such, there are no new or novel risk features within Variable Notional Swaps. Variable Notional Swaps will be margined under current SwapClear methodology for IRS and OIS, “Portfolio Approach to Interest Rate Scenarios” (PAIRS), and will be incorporated into the current default management process.

### **Part V: Amendments to the FCM Rulebook**

The FCM Rulebook comprises LCH.Clearnet’s comprehensive set of rules and regulations applicable to its FCM SwapClear Clearing Service and the clearing of FCM SwapClear Contracts by U.S.-based FCM Clearing Members. The FCM Rulebook consists of five sections of rules which are (i) the FCM Regulations, (ii) the FCM Procedures, (iii) the Default Rules, (iv) the Default Fund Rules, and (v) the Settlement Finality Regulations.

The following rule changes were made to reflect the above discussed enhancements.

A. Amendments to the FCM Regulations

The changes to the FCM Regulations submitted for self-certification are attached hereto as Exhibit A-1. The FCM Regulations constitute the primary set of rules governing the relationship between FCM Clearing Members and LCH.Clearnet and governing the clearing of FCM SwapClear Contracts, whether through FCM Clearing Members’ house accounts or on behalf of their clients.

- **FCM II model:** The Definitions, Regulation 1, Regulation 4, Regulation 5, Regulation 9 and Regulation 10 have been amended to reflect the extension of key functionality and business processes for the SwapClear FCM client and affiliate business as described at Part II.
- **Removal of Prescribed Language:** The Definitions, FCM Regulation 4 and Appendix B have been amended or deleted to reflect the removal of the Prescribed Language from the FCM Regulations.
- **Variable Notional Swaps:** Amendments have been made to Schedule A of the FCM Regulations to cater for the introduction of Variable Notional Swaps.
- Finally, some minor administrative changes have been made to the FCM Rulebook.

B. FCM Procedures

The FCM Procedures submitted for self-certification are attached hereto as Exhibit A-2. The FCM Procedures govern the procedural aspects of the relationship between FCM Clearing Members and LCH.Clearnet.

The FCM Procedures cover a range of areas including the FCM Clearing Member application process, the clearing process for FCM SwapClear Contracts, the requirements relating to an FCM Clearing Member’s accounts, the payment of margin, the types of collateral that are acceptable to LCH.Clearnet, business continuity and the LCH.Clearnet appeal procedure.

Rules 2.3, 2.6, 2.10, 2.11, 2.12, 2.13 of the FCM Procedures have been amended to cater for the procedural changes that are to be introduced for the above described enhancements.

C. Default Rules, Default Fund Rules, Settlement Finality Regulations

No amendments will be made to the Default Rules, Default Fund Rules or Settlement Finality Regulations

**Part VI: Certification by LCH.Clearnet**

LCH.Clearnet certifies to the CFTC, in accordance with CFTC Regulation §40.6, that the enhancements to the FCM SwapClear Contract product and the FCM Rulebook comply with the Commodity Exchange Act and the CFTC Regulations promulgated thereunder. In addition, LCH.Clearnet certifies that LCH.Clearnet has posted a notice of pending certification with the

CFTC and a copy of the submission on LCH.Clearnet website at [http://iisdv2:8001/rules\\_and\\_regulations/ltd/proposed\\_rules.asp](http://iisdv2:8001/rules_and_regulations/ltd/proposed_rules.asp). A signed certification is attached to this submission as Exhibit B.

**Part VII: Core Principles**

LCH.Clearnet will continue to comply with all Core Principles by (i) the extension of key functionality, product enhancements and business processes for SwapClear, LCH.Clearnet’s interest rate swap clearing product; and (ii) the removal of certain documentary requirements known as the “Prescribed Language”.

**Part VIII: Opposing Views**

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

**Exhibit A-1**  
**FCM Regulations**

See Attached.



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## **LCH.CLEARNET LIMITED**

### **FCM REGULATIONS OF THE CLEARING HOUSE**

#### **Scope**

Save where expressly stated to the contrary in these FCM Regulations or the FCM Procedures, these FCM Regulations govern the clearing of FCM SwapClear Contracts by FCM Clearing Members through LCH.Clearnet Limited. They do **not** govern any other clearing services provided by LCH.Clearnet Limited nor do they cover clearing services provided by LCH.Clearnet SA which are governed by a separate set of rules.

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

DRAFT

## Definitions

In these FCM Regulations and the FCM Procedures, except where the context otherwise requires, the following words and expressions shall have the following meanings:

Account Assets = Means all cover, cash, margin, securities, receivables, rights, intangibles and any other collateral or assets deposited with or transferred to the Clearing House by an FCM Clearing Member in connection with an account carried by such FCM Clearing Member on behalf of an FCM Client, as cover for and in respect of the clearing of FCM SwapClear Contracts for such FCM Client.

Affiliate = Means, with respect to an FCM Clearing Member, any entity that controls, is controlled by or is under common control with such FCM Clearing Member, and the account of which, when carried by the FCM Clearing Member, would be considered a proprietary account pursuant to CFTC Regulation 1.3(y) (or any such successor or replacement regulation).

*Business Day* - Means in respect of an FCM SwapClear Contract (except where specified otherwise in the relevant FCM SwapClear Contract Terms), a day on which the Clearing House is open for business as set forth in the FCM Procedures.

~~Approved Trade Source System~~ Carrying FCM Clearing Member - ~~Means a system approved as such by the Clearing House~~ an FCM Clearing Member carrying an account for an FCM Client, and in respect of which the FCM SwapClear Contracts and Account Assets held in such account may be transferred to a Receiving FCM Clearing Member pursuant to Regulation 9 of these FCM Regulations and in accordance with the FCM Procedures.

*CEA* - Means the U.S. Commodity Exchange Act.

*CFTC* - Means the U.S. Commodity Futures Trading Commission.

CFTC Regulations = Means the rules and regulations promulgated by the CFTC.

*Clearing House* - Means LCH.Clearnet Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom.

~~Clearing House Prescribed Language~~ Means the provisions prescribed by the Clearing House, as set forth in Schedule B of these FCM Regulations or as otherwise permitted by the Clearing House, required to be included or incorporated in an addendum to the relevant agreement between an FCM Clearing Member and an FCM Client, in accordance with Section 4(a) of

these FCM Regulations.

- Closing-out Contract* - Means for the purposes of these FCM Regulations, an FCM SwapClear Contract effected by or on behalf of the Clearing House and registered in an FCM Clearing Member's name, being an FCM SwapClear Contract on the same terms (except as to price) as an ~~open FCM SwapClear~~ Open Contract in the FCM Clearing Member's name, save that where the Clearing House is paying Rate X under the terms of such open FCM SwapClear Contract, the Clearing House shall pay Rate Y under the terms of such closing-out FCM SwapClear Contract, and vice-versa.
- Contribution* - Means, in relation to the Default Fund Rules, the meaning assigned to it in rule 17 of the Default Fund Rules.
- cover* - Means an amount determined by the Clearing House of cash or, with the approval of the Clearing House, security in a currency and a form acceptable to the Clearing House as prescribed by the FCM Procedures.
- defaulter* - Has the meaning attributed to it in rule 4 of the Default Rules.
- Default Fund Rules* - Means the Clearing House's Default Fund Rules from time to time in force.
- Default Rules* - Means the Clearing House's Default Rules from time to time in force pursuant to part II of schedule 21 to the UK Companies Act 1989.
- Economic Terms* - Means that part of the FCM SwapClear Contract Terms designated as Economic Terms by the Clearing House from time to time.
- Excess Margin* - Means cover delivered to the Clearing House by an FCM Clearing Member in respect of its FCM SwapClear Contracts which is in excess of the Required Margin in respect of such FCM SwapClear Contracts.
- Executing Party* - Means any party to a swap transaction with respect to which at least one party to such transaction applies to have its side of such transaction registered with the Clearing House (through its FCM Clearing Member or on its own behalf as an FCM Clearing Member, as applicable) as an FCM SwapClear Contract, and the other party to such transaction applies to have its side of such transaction registered with the Clearing House ~~as~~ either as an FCM SwapClear Contract ~~or (through its FCM Clearing Member or on its own behalf as an FCM Clearing Member, as applicable)~~ or as an SCM SwapClear Contract (through its ~~FCM~~ SwapClear Clearing Member or on its own behalf as a SwapClear Clearing Member , as applicable), as the case may be).

- FCM* - Means a futures commission merchant, as defined under the CEA that is registered in such capacity with the CFTC.
- FCM Approved Trade Source System* : Means a system approved for executing FCM SwapClear Transactions by the Clearing House.
- FCM Clearing Member* - Means an FCM that has been approved by the Clearing House for the clearing of FCM SwapClear Contracts on behalf of FCM Clients, in accordance with an FCM Clearing Membership Agreement and the FCM Procedures, and pursuant to these FCM Regulations, and as such is a "Clearing Member" for all purposes under the Default Rules, the Default Fund Rules and the FCM Default Fund Agreement, unless otherwise specified in these FCM Regulations.
- FCM Clearing Membership Agreement* - Means the agreement so designated under which, inter alia, the Clearing House agrees to make available clearing services to an FCM Clearing Member in respect of FCM SwapClear Contracts together with any ancillary agreements.
- FCM Client* - Means a client of an FCM Clearing Member (but not including ~~affiliates~~ Affiliates of such FCM Clearing Member) with positions in the ~~cleared OTC derivatives account class~~ Cleared OTC Derivatives Account Class (as that term is defined in CFTC Regulation 190.01(o)), including FCM SwapClear Contracts, on behalf of which the FCM Clearing Member provides FCM SwapClear Clearing Services and clears FCM SwapClear Contracts; provided that any such client is only an FCM Client with respect to its positions in cleared OTC derivatives (as that term is defined in CFTC Regulation 190.01(o)).
- FCM Client Business* - Means the provision of FCM SwapClear Clearing Services ~~to~~ by an FCM Clearing Member to its FCM Clients.
- FCM Default Fund Agreement* - Means an agreement in a form prescribed by the Clearing House, entered into between an FCM Clearing Member and the Clearing House relating to the Clearing House's default fund.
- FCM Default Management Process Agreement* - Means an agreement entered into between the Clearing House and an FCM Clearing Member, pertaining to the Clearing House's default management process in the case of a default of an FCM Clearing Member or a SwapClear Clearing Member.
- FCM Omnibus OTC Client Account with LCH* - Means an omnibus account located in the United States and maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM SwapClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated cover and other payments and deliveries, will be reflected on the books of

the Clearing House.

- FCM OTC Client Segregated Depository Account* - Means an omnibus account located in the United States and maintained by an FCM Clearing Member for its FCM Clients with a depository, which is segregated in accordance with the CEA and regulations of the CFTC and contains cover deposited by such FCM Clients in connection with FCM SwapClear Contracts cleared for such FCM Clients by such FCM Clearing Member.
- FCM Procedures* - Means the document containing the working practices and administrative or other requirements of the Clearing House for the purposes of implementing or supplementing these FCM Regulations, or the procedures for application for and regulation of membership of the Clearing House.
- FCM Regulations* - Means these FCM Regulations entitled as such, relating to FCM SwapClear Contracts and the clearing of FCM SwapClear Contracts only, from time to time in force.
- FCM Rulebook* - Means the FCM Regulations, the Other Specific Regulations, the FCM Procedures and such other rules of the Clearing House, which are applicable to FCM SwapClear Clearing Services, as published and amended from time to time.
- FCM Segregated Accounts* = Means, with respect to each FCM Clearing Member, its FCM OTC Client Segregated Depository Accounts and its PPS Accounts [in which the FCM Clearing Member holds funds of its FCM Clients](#).
- [FCM SwapClear Clearing End-User Notice](#) = [Means the "FCM SwapClear Clearing End-User Notice" as specified by the Clearing House from time to time and as published by the Clearing House on its website or otherwise.](#)
- FCM SwapClear Clearing Services* - Means the services provided by an FCM Clearing Member in connection with FCM SwapClear Contracts cleared on behalf of its FCM Clients or its ~~affiliates~~ [Affiliates](#), as the case may be.
- FCM SwapClear Contract* - Means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM SwapClear Contract Terms, and which is governed by these FCM Regulations.
- FCM SwapClear Contract Terms* - Means the terms applicable to each FCM SwapClear Contract as set out from time to time in the FCM Regulations.
- FCM SwapClear Transaction* - Means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM SwapClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM SwapClear Contract or an SCM



SwapClear Contract.

- Initial Margin*
- Means an amount determined and published from time to time by the Clearing House with regard to each category of FCM SwapClear Contract, in respect of which FCM Clearing Members may be required to provide cover in such amount to the Clearing House in accordance with these FCM Regulations and the FCM Procedures as a condition of registration of an FCM SwapClear Contract by the Clearing House and otherwise in respect of all FCM SwapClear Contracts registered with the Clearing House, as prescribed by these FCM Regulations and the FCM Procedures.
- LCH.Clearnet Group*
- Means the group of undertakings consisting of LCH.Clearnet Limited, LCH.Clearnet Group Limited and Banque Centrale de Compensation S.A. trading as LCH.Clearnet SA. (Reference to a “member” of LCH.Clearnet Group within these FCM Regulations is to be construed accordingly).
- LCH OTC Client Segregated Depository Account*
- Means the omnibus account (which will consist of one or more accounts at one or more depositories which are commingled for purposes of the applicable provisions of the CEA and regulations of the CFTC) located in the United States and maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a depository, which is segregated in accordance with the CEA and regulations of the CFTC, is part of the ~~cleared OTC derivatives account class~~ [Cleared OTC Derivatives Account Class](#) under Part 190 of the CFTC’s regulations and contains the cover deposited by such FCM Clearing Members on behalf of their FCM Clients in connection with FCM SwapClear Contracts cleared for such FCM Clients by such FCM Clearing Members.
- Official Quotation*
- Means a price determined by the Clearing House under FCM Regulation 11.
- “Open Contract” or “open contract”*
- Means an FCM SwapClear Contract which has not been closed-out, settled or invoiced back in accordance with the FCM Regulations and the FCM Procedures. The terms “Open Contract” and “open contract” shall not include a Closing-out Contract.
- Other Specific Regulations*
- Means the Clearing House’s Default Rules, Default Fund Rules, Settlement Finality Regulations and related Definitions and provisions relating to construction as published and amended by the Clearing House from time to time.
- Price*
- Means, in the case of an FCM SwapClear Contract, the price calculated by the Clearing House in accordance with the FCM Regulations and the FCM Procedures.
- Proprietary Account*
- Means the house account with the Clearing House opened in the name of an FCM Clearing Member to

which FCM SwapClear Contracts made by the FCM Clearing Member for its own account or accounts of its ~~affiliates~~ Affiliates (but never accounts of its FCM Clients) are registered and to which monies in respect of such FCM SwapClear Contracts are credited.

*PPS Account(s)* = Means the Protected Payments System (PPS) bank account(s) established by FCM Clearing Members and by LCH, as described in the FCM Procedures.

Receiving FCM Clearing Member = Means an FCM Clearing Member receiving the transfer of part or all of the FCM SwapClear Contracts and Account Assets of an FCM Client from a Carrying FCM Clearing Member that previously carried such account, pursuant to Regulation 9 of these FCM Regulations and in accordance with the FCM Procedures.

*Reference Price* - Means a price (howsoever called) by reference to which an FCM SwapClear Contract is marked to market or valued in accordance with the FCM Regulations and FCM Procedures.

*Registration Time* - Means, in respect of FCM SwapClear Contracts, the meaning given in FCM Regulation 5(~~de~~) or FCM Regulation 5(~~k~~) as applicable.

*Regulatory Body* - Means the Secretary of State, The Financial Services Authority or professional body designated under Part 20 of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Bank of England, the ~~Commodity Futures Trading Commission of the United States (CFTC)~~ CFTC or any department, agency, office or tribunal of a nation or state or any other body or authority which exercises a regulatory or supervisory function under the laws of the United Kingdom or under any foreign law.

*Required Margin* - Means the cover required by the Clearing House from an FCM Clearing Member from time to time in respect of its FCM SwapClear Contracts.

*SCM SwapClear Contract* - Means a "SwapClear Contract" (as such term is defined in the U.K. General Regulations) and which is governed in accordance with the UK General Regulations.

*Settlement Finality Regulations* - Means the Clearing House's Settlement Finality Regulations from time to time in force.

*Settlement Price* - Means in relation to an FCM SwapClear Contract, one or more prices determined in accordance with the FCM Regulations or the FCM Procedures.

*Standard Terms* - Means that part of the FCM SwapClear Contract Terms designated as Standard Terms by the Clearing House from time to time.



- SwapClear Clearing Member* - Means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
- UK General Regulations* - Means the Default Rules, the Default Fund Rules and the Settlement Finality Regulations, and the Clearing House's General Regulations from time to time in force.
- Variation Margin* - Means an amount determined by the Clearing House in accordance with the FCM Procedures in respect of original contracts or Open Contracts (as the case may be) by reference to the difference between the contract value of such contracts (as determined in accordance with the FCM Procedures) and the value of such contracts at the Reference Price or at such other prices as the Clearing House may determine pursuant to the FCM Procedures, in respect of which FCM Clearing Members may be required to provide cover in such amount to the Clearing House in accordance with these FCM Regulations and the FCM Procedures.

Any reference in these FCM Regulations or the FCM Procedures to statutes or statutory instruments or provisions thereof shall be to such statutes or statutory instruments or provisions thereof as amended, modified or replaced from time to time.

Reference to writing contained in these FCM Regulations or the FCM Procedures shall include typing, printing, lithography, photography or any other mode of representing or reproducing words in a visible form.

Words importing the singular shall, where the context permits, include the plural and vice-versa.

Any reference to time contained in these FCM Regulations or the FCM Procedures shall, unless otherwise stated, be to London time. Times are shown using the twenty four hour clock.

Any reference in these FCM Regulations to a person or a party (howsoever described) shall include its successors.

Headings are used herein for ease of reference only.

**Regulation 1** Obligations of the Clearing House to each FCM Clearing Member

- (a) The Clearing House shall perform the obligations referred to in paragraph (b) below so as to ensure the performance of all Open Contracts in accordance with these FCM Regulations. FCM Clearing Members are fully liable to the Clearing House for the performance of all obligations arising in connection with FCM SwapClear Contracts, regardless of whether such FCM SwapClear Contracts are cleared by such FCM Clearing Members as principal for their own accounts, or as agent and guarantor for their respective FCM Clients and Affiliates (as set forth in FCM Regulation 3(b)).
- (b) The obligations of the Clearing House to each FCM Clearing Member shall be as a counterpart to an Open Contract registered in the name of an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures, to perform its obligations under the terms of such Open Contract as principal to such FCM Clearing Member in accordance with the provisions of these FCM Regulations and the FCM Procedures, but subject to the restrictions on the Clearing House's obligations and liabilities contained in these FCM Regulations.
- (c) The performance by the Clearing House of its obligations referred to in this FCM Regulation 1 shall be subject to the provisions of these FCM Regulations. It is not the intention of the Clearing House or its members to confer any benefit on or give any right to enforce any provisions of this FCM Regulation 1 or any of the other FCM Regulations to any person who is not a member.

**Regulation 2** 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 in the manner and form and by such day and time as may be prescribed in these FCM Regulations or the FCM Procedures; provided that where the Economic Terms of an FCM SwapClear Contract specify a time by which a party thereto shall perform its obligations, the Clearing House shall be deemed to have complied with such Economic Terms if it performs its obligations promptly after such time.

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**Regulation 3** FCM Clearing Member Status of the Clearing House and Application of LCH Regulations

- (a) Application for FCM Clearing Member status in the Clearing House shall be made in accordance with the FCM Procedures. An FCM Clearing Member's status in the Clearing House and all FCM SwapClear Clearing Services shall be governed by these FCM Regulations, the Other Specific Regulations and the FCM Procedures. Additionally, an FCM Member's status in the Clearing House shall be governed by any FCM Clearing Membership Agreement to which it is for the time being party. FCM Clearing Member status does not provide or entitle an FCM Clearing Member to any other clearing member status with the Clearing House, or to any shareholding membership of LCH.Clearnet Limited or any shareholding or other membership of any other member of the LCH.Clearnet Group or any entitlement to membership of or participation in LCH.Clearnet SA, each of which has separate and distinct membership requirements.
- (b) Notwithstanding any other provision of these FCM Regulations, with respect to FCM SwapClear Transactions involving an FCM Client ~~and~~ an Affiliate cleared by an FCM Clearing Member as FCM SwapClear Contracts, such FCM Clearing Member shall act solely as agent of its FCM Clients and Affiliates in connection with the clearing of such FCM SwapClear Contracts, provided that each FCM Clearing Member shall remain fully liable ~~as if it were a principal~~ for all obligations to the Clearing House arising in connection with such FCM SwapClear Contracts.
- (c) Qualification of FCM Clearing Members. An FCM Clearing Member must obtain approval from the Clearing House in order to provide FCM SwapClear Clearing Services. In order to obtain such approval, and in order to maintain such approval once such approval has been obtained, an FCM Clearing Member must:
- (i) be registered with the CFTC as an FCM;
  - (ii) be incorporated or otherwise organized under the laws of a State within the United States;
  - (iii) maintain adjusted net capital, as defined in CFTC Regulation 1.17, of at least \$1,000,000,000 (one billion United States dollars);
  - (iv) have and maintain systems and personnel that are, in the judgment of the Clearing House, adequate to enable such FCM Clearing Member or applicant to satisfy its operational responsibilities, in accordance with the FCM Regulations and FCM Procedures and, without limitation, have the connectivity and capability to process FCM SwapClear Transactions through an FCM Approved Trade Source System;
  - (v) be in compliance with all applicable provisions of the FCM Rulebook and the FCM Default Fund Agreement, including but not limited to the requirement to contribute to the Clearing House Default Fund in accordance with the FCM Rulebook;
  - (vi) have an ~~affiliate~~ Affiliate that is an existing SwapClear Clearing Member for the purposes of performing certain obligations under the FCM Default Management Process Agreement;

- (vii) have, or be a member of a corporate group that has, an interest rate swaps portfolio with a minimum notional outstanding principal of US\$1,000 billion (i.e. \$1,000,000,000,000) or equivalent;
- (viii) be able to successfully participate (or demonstrate that it has an affiliated SwapClear Clearing Member that can successfully participate) in a SwapClear “fire drill” run by the Clearing House from time to time which shall involve submitting a bid for a notional portfolio of trades within a specific currency in a specified timeframe. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the “fire drill” and the applicant’s FCM Clearing Member application will not be approved;
- (ix) be able to participate in the Default Management Process operated by the Clearing House and execute an FCM Default Management Process Agreement with the Clearing House;
- (x) have, within its corporate group, at least one banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of the United States or a member state of the European Union, or the equivalent of a banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of a country outside the United States and the European Union and which is subject to prudential rules considered by the Clearing House to be at least as stringent as those applicable to banking institutions, credit institutions, securities firms, investment banking firms or similar entities, as applicable, within the United States or the European Union; and
- (xi) in the event of a default be able to receive from the Clearing House and process FCM SwapClear Contracts and SCM SwapClear Contracts, and any associated hedge trades, in FPML format or, separated value electronic format;

provided that, in the event that an FCM Clearing Member is not in satisfaction of the requirements set forth above in clause (iii), the Clearing House may, at its discretion, deem the net capital requirement set out in clause (iii) above to be met by the provision to the Clearing House of an unconditional ~~and unlimited~~ guarantee covering all of such applicant’s (or current FCM Clearing Member’s) obligations to the Clearing House (in a form acceptable to the Clearing House) from the applicant’s (or current FCM Clearing Member’s) parent company or from another member in the applicant’s (or current FCM Clearing Member’s) corporate group (not including a subsidiary of the applicant or current FCM Clearing Member) provided that the guarantor itself meets those criteria or is a guarantor for another FCM Clearing Member or SwapClear Clearing Member in its corporate group (and met the criteria mentioned above at the time of provision of that guarantee).

Notwithstanding anything else contained in this FCM Regulation 3 or in the FCM Procedures, an applicant to become an FCM Clearing Member shall provide any additional documentation or information that is reasonably requested by the Clearing House in order to verify or substantiate the ability of such FCM Clearing Member applicant to satisfy its obligations under the FCM Rulebook or to satisfy its obligations as an FCM Clearing Member.

**Regulation 4 FCM Client Business and Proprietary Account Trading**

- (a) Subject to the provisions of these FCM Regulations, FCM SwapClear Clearing Services may be provided by an FCM Clearing Member to its FCM Clients on any terms and conditions mutually agreed to by the FCM Clearing Member and the FCM Client, provided, however, that each FCM Clearing Member shall, before providing FCM SwapClear Clearing Services to any FCM Client, ensure that :
- (i) it has entered into an agreement with that FCM Client, or an Addendum to an existing Agreement with such FCM Client, which, in either case, ~~includes or incorporates the Clearing House Prescribed Language for FCM Clearing Members~~ binds the FCM Client to the applicable provisions of the FCM Rulebook by direct reference to the FCM Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the Clearing House and FCM Clearing Members, or as may be prescribed by the Clearing House; and
  - (ii) the FCM Client has been provided with or has been directed to a copy of the FCM SwapClear Clearing End-User Notice and that the FCM Clearing Member confirms to the Clearing House in writing that it has done so.
- (b) FCM SwapClear Clearing Services may be provided by an FCM Clearing Member to its FCM Clients, and FCM SwapClear Contracts may be entered into by an FCM Clearing Member with the Clearing House on behalf of its FCM Clients only through an FCM Omnibus OTC Client Account with LCH maintained by the Clearing House in the name of the FCM Clearing Member for the benefit of its FCM Clients.
- (c) If and to the extent permitted in the FCM Procedures, FCM Clearing Members shall be permitted to enter into and clear FCM SwapClear Contracts for their own ~~accounts~~ account or accounts of their ~~affiliates~~ Affiliates, in each case through their Proprietary Accounts. An FCM Clearing Member wishing to provide FCM SwapClear Clearing Services to Affiliates shall enter into an agreement with each such Affiliate, or an Addendum to an existing agreement which, in either case, binds the Affiliate to the applicable provisions of the FCM Rulebook by direct reference to the FCM Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the FCM Clearing Member and the Affiliate, or as may be prescribed by the Clearing House. An FCM Clearing Member providing FCM SwapClear Clearing Services to its Affiliates shall notify the Clearing House of any Affiliates for which it provides such FCM SwapClear Clearing Services.
- (d) Each FCM Clearing Member shall maintain appropriate books and records identifying all pertinent information regarding its FCM Clients and any ~~affiliates~~ Affiliates for which it provides ~~clearing services~~ FCM SwapClear Clearing Services and regarding trades made on its own behalf through its Proprietary Account, the FCM SwapClear Contracts cleared for such FCM Clients, ~~affiliates~~ Affiliates, or on its own behalf, and the cover held in respect of such cleared FCM SwapClear Contracts, subject to the provisions of the following ~~subsection~~ paragraph (e).
- (e) Each FCM Clearing Member shall establish and maintain an FCM OTC Client Segregated Depository Account on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and regulations of the CFTC, including but not limited to Part 1 and Part 190 of such regulations, and as further set forth in FCM



Regulation 29. The FCM OTC Client Segregated Depository Account shall be maintained with a depository in accordance with the CEA and CFTC Regulations and the FCM Clearing Member may commingle assets of all of its FCM Clients in such Account in a single omnibus account established and maintained in accordance with CFTC Regulations. The FCM OTC Client Segregated Depository Account maintained by each FCM Clearing Member shall be designated as part of the ~~OTC derivatives account class~~ Cleared OTC Derivatives Account Class for purposes of Part 190 of the CFTC's regulations and Section 2(h) of the CEA.

- (f) The Clearing House shall establish and maintain an LCH OTC Client Segregated Depository Account on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and regulations of the CFTC, including but not limited to Part 1 and Part 190 of such regulations. The LCH OTC Client Segregated Depository Account shall be maintained with a depository in accordance with the CEA and CFTC Regulations and the Clearing House may commingle assets of all of the FCM Clients in such Account in a single omnibus account established and maintained in accordance with CFTC Regulations. All cover deposited by FCM Clearing Members in connection with FCM SwapClear Contracts cleared on behalf of FCM Clients shall be held in such LCH OTC Client Segregated Depository Account. The LCH OTC Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the FCM Clearing Members, or any other assets that the Clearing House is holding for clients (other than FCM Clients) and shall contain no assets other than cover deposited by FCM Clearing Members in connection with the clearing of FCM SwapClear Contracts on behalf of their FCM Clients. The LCH OTC Client Segregated Depository Account maintained by the Clearing House shall be designated as part of the ~~OTC derivatives account class~~ Cleared OTC Derivatives Account Class for purposes of Part 190 of the CFTC's regulations.
- (g) The Required Margin relating to FCM SwapClear Contracts cleared by an FCM Clearing Member on behalf of its FCM Clients, its ~~affiliates~~ Affiliates, or on its own behalf, will be calculated by the Clearing House, and discharged by the FCM Clearing Member in respect ~~of all~~ of all such FCM SwapClear Contracts, by:
- (i) if and to the extent that there is Excess Margin available, deduction by the Clearing House of amounts from such Excess Margin, provided that, in accordance with these FCM Regulations, including without limitation FCM Regulation 29, in no event shall Excess Margin attributable to FCM Clients be available to satisfy Required Margin requirements relating to Proprietary Accounts;
  - (ii) otherwise, delivery by the FCM Clearing Member to the Clearing House of cover with a value which is at least sufficient to discharge the relevant requirement.

FCM Clients and FCM SwapClear Contract positions established for FCM Clients shall be subject to gross margin requirements on all such positions, and FCM Clearing Members shall require its FCM Clients to satisfy such gross margin requirements. FCM SwapClear Contract positions established in an FCM Clearing Member's Proprietary Account on its own behalf and for its Affiliates shall be subject to net margin requirements, such that an FCM Clearing Member shall be required to deposit a net margin amount with the Clearing House in connection with all of the FCM SwapClear Contract positions of itself and its Affiliates. An FCM Clearing Member may impose margin requirements on its Affiliates for which it provides FCM SwapClear Clearing Services on a net basis, netting the positions

and related margin requirements with respect to a single Affiliate or across multiple Affiliates, or an FCM Clearing Member may impose such margin requirements on a gross basis.

- (h) An FCM Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any information which the Clearing House may reasonably require in relation to the FCM Clients or Affiliates of the FCM Clearing Member, or the clearing of FCM SwapClear Contracts by such FCM Clearing Member on behalf of its FCM Clients, its ~~affiliates~~ Affiliates, or on its own behalf.

No FCM Clearing Member may withdraw any amount from its FCM Omnibus OTC Client Account with LCH or its Proprietary Account if such withdrawal would cause the account balance to be less than the Required Margin then attributable to such FCM Omnibus OTC Client Account with LCH or Proprietary Account, as applicable, determined by the Clearing House in accordance with the provisions of the FCM Rulebook.

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**Regulation 5**      **Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression**

- (a) In order for an FCM ~~Clearing Member~~ to submit an FCM SwapClear Transaction for registration as an FCM SwapClear Contract, ~~(i)~~ the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations ~~and (ii) the FCM SwapClear Transaction must have been entered into between two Executing Parties~~. The Executing Parties to such FCM SwapClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must submit the particulars of an FCM SwapClear Transaction for registration as FCM SwapClear Contracts in accordance with these FCM Regulations. Each FCM SwapClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member. It is a condition for registration as an FCM SwapClear Contract that both sides of the underlying FCM SwapClear Transaction be presented for clearing (as one FCM SwapClear Contract and one SCM SwapClear Contract, or as two FCM SwapClear Contracts, as the case may be).
- (b) Where an Executing Party enters into an FCM SwapClear Transaction on an FCM Approved Trade Source and such FCM SwapClear Transaction is to be cleared through an FCM Clearing Member, the Clearing House shall notify the FCM Clearing Member of such FCM SwapClear Transaction and request acceptance for registration in accordance with the FCM Procedures. Upon receipt of acceptance for registration by the Clearing House from the FCM Clearing Member, (i) the FCM Clearing Member shall be deemed to have presented the FCM SwapClear Transaction to the Clearing House (and such presentation may not be withdrawn by the FCM Clearing Member unless otherwise provided in the FCM Rulebook) and the Clearing House shall register the FCM SwapClear Transaction subject to, and in accordance, with these FCM Regulations and the FCM Procedures and (ii) such FCM Clearing Member shall be obligated to pay, upon request of the Clearing House, all cover required by the Clearing House in connection with the registration of the FCM SwapClear Transaction.
- (c) ~~(b)~~ Without prejudice to the Clearing House's rights under paragraph ~~(e)~~ of this FCM Regulation, 5, an FCM Clearing Member shall be bound by an FCM SwapClear Contract registered in its name on behalf of an FCM Client or an Affiliate pursuant to the presentation of particulars of an FCM SwapClear Transaction by it, and by the other FCM Clearing Member or SwapClear Clearing Member, as applicable.
- (d) ~~(c)~~ Without prejudice to the Clearing House's rights under paragraph ~~(e)~~ of this FCM Regulation, 5, an FCM SwapClear Transaction, particulars of which are submitted for registration as FCM SwapClear Contracts, must meet the eligibility criteria prescribed in these FCM Regulations and the FCM Procedures at the time the particulars of the FCM SwapClear Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as FCM SwapClear Contracts, at which time the FCM SwapClear Contracts shall replace and supersede such corresponding FCM SwapClear Transaction.
- (e) ~~(d)~~ The Clearing House shall be deemed to register an FCM SwapClear Contract, in accordance with this FCM Regulation 5 in the name of an FCM Clearing Member on behalf of an FCM Client or an Affiliate (or, if applicable, on the FCM Clearing Member's own behalf), at the time prescribed in the FCM Procedures

("Registration Time"). At the ~~time that an FCM SwapClear Contract is registered in the name of an~~ Registration Time, the FCM Clearing Member ~~on behalf of an FCM Client, and the FCM Client or Affiliate if applicable,~~ will be deemed to be bound by the relevant FCM SwapClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House, automatically and without any further action by such FCM Clearing Member or FCM Client or Affiliate, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and Schedule A hereto.

(f) ~~(e)~~ If at any time after registration of FCM SwapClear Contracts, the Clearing House determines that the corresponding FCM SwapClear Transaction of which details were submitted for registration did not, at the Registration Time, meet the eligibility criteria for registration as FCM SwapClear Contracts pursuant to the FCM Rulebook, the Clearing House shall, as soon as practicable thereafter, set aside such FCM SwapClear Contracts. Upon the FCM SwapClear Contracts being set aside under this FCM Regulation 5, the particulars of the corresponding FCM SwapClear Transaction in question shall be deemed never to have been submitted to the Clearing House. Any payment made under, or in respect of, an FCM SwapClear Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 26 and its obligations under this FCM Regulation 5, the Clearing House (and each other member of the LCH.Clearent Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM SwapClear Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an FCM SwapClear Contract.

(g) ~~(f)~~ Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM SwapClear Transactions are to be registered to furnish it with cover as a condition of registration of such FCM SwapClear Transaction(s), and such cover shall be furnished to the Clearing House in accordance with FCM Regulation 10 and such other applicable FCM Regulations.

~~It is a condition for registration as an FCM SwapClear Contract that both sides of the underlying FCM SwapClear Transaction be presented for clearing (as one FCM SwapClear Contract and one SCM SwapClear Contract, or as two FCM SwapClear Contracts, as applicable).~~

~~In the event that the Clearing House registers an FCM SwapClear Contract and, for whatever reason, the corresponding SCM SwapClear Contract or corresponding FCM SwapClear Contract has not also been registered, the FCM SwapClear Contract shall be deemed not to be registered as an FCM SwapClear Contract until such time as such corresponding SCM SwapClear Contract or corresponding FCM SwapClear Contract has been registered. In relation to an FCM SwapClear Transaction, if one of the applicable FCM Clearing Members or SwapClear Clearing Members (as the case may be) to which such FCM SwapClear Transaction was given up for clearing does not present it for clearing, the Clearing House shall set aside any FCM SwapClear Contract or SCM SwapClear Contract that has been registered (if any) and the particulars of the corresponding FCM SwapClear Transaction in question shall at the Clearing House's discretion be either: (i) deemed never to have been submitted to the Clearing House; or (ii) rejected until such time as the non-presenting FCM Clearing Member or SwapClear Clearing Member has presented the relevant contract to the Clearing House. In addition, any payment made under, or in~~

~~respect of, any FCM SwapClear Contract set aside or deemed not cleared under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 26 and its obligations under this FCM Regulation 5, 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 an FCM SwapClear Contract.~~ provisions in the FCM Rulebook.

- (h) ~~(g)~~ The Clearing House may decline to register an FCM SwapClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market, provided that the Clearing House shall (subject to the provisions of the FCM Rulebook) register any FCM SwapClear Contract which reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM SwapClear Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the furnishing of additional cover by any FCM Clearing Member in whose name any such FCM SwapClear Transaction is to be registered.
- (i) ~~(h)~~ An FCM SwapClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:
- (1) ~~(i)~~ in the case where one Executing Party clears its side of such FCM SwapClear Transaction, either through a SwapClear Clearing Member or directly with the Clearing House in its capacity as a SwapClear Clearing Member, and the other Executing Party clears its side of such FCM SwapClear Transaction as or through an FCM Clearing Member, as one SCM SwapClear Contract pursuant to the UK General Regulations applicable to SwapClear Clearing Members and one FCM SwapClear Contract pursuant to these FCM Regulations, where the FCM SwapClear Contract shall be registered between the FCM Clearing Member ~~(acting on behalf of and as agent for its FCM Client, if applicable)~~, as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the SCM SwapClear Contract shall be registered between the Clearing House, as the party paying Rate X, and the SwapClear Clearing Member, as the party paying Rate Y; or
  - (2) ~~(ii)~~ in the case where each Executing Party will clear its respective side of such FCM SwapClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM SwapClear Contracts pursuant to these FCM Regulations where each relevant FCM SwapClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the other FCM Clearing Member as the party paying Rate Y and the Clearing House as the party paying Rate X.

In each of the foregoing cases, to the extent the FCM SwapClear Contract has been entered into by an FCM Clearing Member on behalf of an FCM Client ~~is involved or Affiliate~~, each FCM Clearing Member will be the agent of its FCM Client or Affiliate, but will nevertheless remain fully liable to the Clearing House for any

and all amounts due to the Clearing House in connection with any FCM SwapClear Contract cleared on behalf of its FCM Client, ~~as if it were a principal or Affiliate~~.

(i) ~~(i)~~—With effect from the registration of an FCM SwapClear Transaction in accordance with FCM Regulation 5(~~h~~) above:

- (1) ~~(i)~~—such FCM SwapClear Transaction shall be extinguished and replaced by the corresponding FCM SwapClear Contracts (or if applicable, the corresponding FCM SwapClear Contract and SCM SwapClear Contract), and the parties to such FCM SwapClear Transaction shall be released and discharged from all rights and obligations ~~thereunder~~ under such FCM SwapClear Transaction which fall due for performance on or after the Registration Time;
- (2) ~~(ii)~~—each FCM SwapClear Contract registered under FCM Regulation 5(~~h~~) above shall be governed by the FCM SwapClear Contract Terms as applicable to that FCM SwapClear Contract;
- (3) ~~(iii)~~—subject to sub-paragraph (2) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract ~~which it is clearing on behalf of the FCM Client~~ as the party paying Rate X had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction; and
- (4) ~~(iv)~~—subject to sub-paragraph (2) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract to which it is party as the party paying Rate Y had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction.

In subparagraphs (3) and (4) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM SwapClear Transaction (it being assumed, for this purpose, that such FCM SwapClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

(k) ~~(j)~~—If an FCM SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM SwapClear Contract arising under this FCM Regulation 5 or any other applicable provision of the FCM Rulebook.

(l) ~~(k)~~—In the case of an FCM SwapClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 5 shall take effect.



- (m) ~~(l)~~ An FCM Clearing Member may provide FCM SwapClear Clearing Services in connection with FCM SwapClear Contracts or FCM SwapClear Transactions to any of its ~~affiliates~~ Affiliates. Such FCM SwapClear Clearing Services shall be provided in the same manner as set forth under these FCM Regulations with respect to FCM Clients, as applicable, except that all transactions for ~~affiliates~~ Affiliates shall be cleared through the Proprietary Account of the applicable FCM Clearing Member.
- (n) Notwithstanding any other provision of these FCM Regulations, if one or more FCM SwapClear Contracts registered by an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures has substantially the same Economic Terms as one or more other FCM SwapClear Contracts previously registered for the account of such FCM Clearing Member, and all such FCM SwapClear Contracts are either (i) registered on the FCM Clearing Member's own behalf, (ii) registered on behalf of the same FCM Client or (iii) registered on behalf of the same Affiliate, the FCM Clearing Member may request that the Clearing House compress and combine all such FCM SwapClear Contracts by terminating the relevant existing FCM SwapClear Contracts and compressing them into one FCM SwapClear Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of the original FCM SwapClear Contracts. For purposes of this FCM Regulation 5(n), two or more FCM SwapClear Contracts may be deemed by the Clearing House to have "substantially the same Economic Terms" if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same fundamental economic attributes which influence the amount, value date and direction of all coupon cash flows. Two or more FCM SwapClear Contracts that are compressed under the terms of this FCM Regulation 5(n) shall be aggregated if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client or Affiliate is in the same direction on each such FCM SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated), such that the FCM SwapClear Contract that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the total notional amount of the compressed FCM SwapClear Contracts. Two or more FCM SwapClear Contracts that are compressed under the terms of this Regulation 5(n) shall be netted if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client or Affiliate is in the opposite direction on two or more of each such FCM SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment), such that the FCM SwapClear Contract (if any) that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the net notional amount of the compressed FCM SwapClear Contracts, and provided that in the event that the net notional amount is equal to zero such compression shall result in no replacement FCM SwapClear Contracts. The Clearing House shall determine (in its sole discretion) whether FCM SwapClear Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such FCM SwapClear Contracts are compressed, the Clearing House shall determine the resulting notional amount of the FCM SwapClear Contract(s) (if any) that replaces the compressed FCM SwapClear Contracts, and such determination shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of FCM SwapClear Contracts that the amount of cover that the Clearing House requires in respect of the original FCM SwapClear Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM SwapClear Contract(s).

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**Regulation 6** Accounts

- (a) Accounts shall be opened between each FCM Clearing Member and the Clearing House in accordance with the FCM Procedures. An FCM Clearing Member shall be responsible to LCH for all obligations owed to the Clearing House in respect of every account opened in respect of such FCM Clearing Member.
- (b) This paragraph applies to an FCM Clearing Member's Proprietary Accounts. In the event that more than one Proprietary Account is opened in respect of an FCM Clearing Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the FCM Clearing Member's Proprietary Accounts, ~~for administrative convenience only~~, treat all such accounts as a single account and set off any amount or amounts standing from time to time to the credit of any one or more of such accounts in or towards payment or satisfaction of all or any of the FCM Clearing Member's liabilities to the Clearing House on any one or more of such accounts, or in or towards payment or satisfaction of any other obligations of the FCM Clearing Member to the Clearing House, including but not limited to, obligations arising in connection with FCM Client Business.
- (c) This paragraph applies to an FCM Clearing Member's FCM Omnibus OTC Client Accounts with LCH. Unless the FCM Rulebook provides otherwise, in the event that more than one FCM Omnibus OTC Client Account with LCH is opened in respect of an FCM Clearing Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of such FCM Omnibus OTC Client Accounts (within the same account class for purposes of Part 190 of the CFTC Regulations) with LCH of an FCM Clearing Member, treat all such accounts as a single account and set off any amount or amounts standing to the credit of any one or more of such FCM Omnibus OTC Client Accounts with LCH of an FCM Clearing Member in or towards payment or satisfaction of all or any of the FCM Clearing Member's liabilities to the Clearing House on any one or more of such FCM Omnibus OTC Client Accounts with LCH.
- (d) Amounts standing to the credit of an FCM Clearing Member's account relating to Contributions made under the Default Fund Rules may be applied as provided for in the Default Fund Rules.
- (e) Any rights of set-off, combination of accounts or appropriation which the Clearing House may have under these FCM Regulations or otherwise shall apply whether or not accounts are denominated in the same currency.
- (f) Interest calculated on a basis determined from time to time by the Clearing House in accordance with the FCM Procedures may at the Clearing House's discretion (but subject to the provisions of the Default Fund Rules) be paid on amounts standing to the credit of any of the FCM Clearing Member's accounts.
- (g) Debit balances due to the Clearing House on any account opened in respect of an FCM Clearing Member are payable by such FCM Clearing Member on demand and interest may at the Clearing House's discretion be charged on debit balances remaining unpaid (whether or not demand for payment is made) on a basis and at a rate determined from time to time by the Clearing House in accordance with the FCM Procedures.
- (h) Subject to the provisions of the Default Fund Rules, the Clearing House may at its absolute discretion alter the basis of calculating interest rates and such alteration

shall be effective in respect of all current and future business on the date notified to FCM Clearing Members in accordance with the FCM Procedures.

- (i) If an FCM Clearing Member specifies a Termination Date under FCM Regulation 26A, the FCM Clearing Member shall be entitled to set off any or all amounts (whether present or future, liquidated or unliquidated, actual or contingent) due as between the Clearing House and the FCM Clearing Member, provided that in accordance with ~~paragraph (d) above~~ these FCM Regulations, including without limitation FCM Regulation 29, an FCM Clearing Member's obligations to the Clearing House (other than solely in respect of the obligations of its FCM Clients) may never be set off with amounts in FCM OTC Client Segregated Depository Accounts.

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**Regulation 7** Designation

An FCM Clearing Member shall designate the account of the FCM Clearing Member in which a prospective FCM SwapClear Contract shall be registered in the manner and form and by the time prescribed by the FCM Procedures. If the FCM Clearing Member fails to so designate an account, the Clearing House may, at its discretion and in accordance with the FCM Procedures, determine in which account of the FCM Clearing Member the FCM SwapClear Contract shall be entered.

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**Regulation 8** Trading Information

The Clearing House shall make available to an FCM Clearing Member in the manner and by the time prescribed by the FCM Procedures, such details of original contracts presented for registration in the name of that FCM Clearing Member, Open Contracts registered in that FCM Clearing Member's name, and cover furnished by that FCM Clearing Member as may be prescribed in the FCM Procedures.

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**Regulation 9** Transfer

- (a) Other than in the event that an FCM Clearing Member is a defaulter, Open Contracts in such FCM Clearing Member's name shall not be allocated or transferred except as provided in ~~paragraph (b) or paragraph (f) below.~~ this FCM Regulation 9.
- (b) ~~If an FCM Clearing Member wishes to transfer an Open Contract held in its name to be registered in the name of another FCM Clearing Member, either at the direction or with the consent~~ Upon the instruction or at the request of an FCM Client, via a Receiving FCM Clearing Member (as set out in the FCM Procedures), to transfer that FCM Client's entire portfolio (and not less than an entire portfolio) of FCM SwapClear Contracts from a Carrying FCM Clearing Member, the Clearing House shall transfer: (x) all FCM SwapClear Contracts entered into by the Carrying FCM Clearing Member on behalf of such FCM Client, as identified to the Clearing House by the Carrying FCM Clearing Member, the Clearing House being entitled to rely conclusively on the instructions of the Carrying FCM Clearing Member with respect to the FCM SwapClear Contracts to be transferred (such transfer to occur by novation of such FCM SwapClear Contracts rather than by closeout and rebooking of new FCM SwapClear Contracts); and (y) upon request, if any, of the Receiving FCM Clearing Member on behalf of the relevant FCM Client (in the case of Open Contracts held on behalf of FCM Clients), the Clearing House may, with the agreement of both FCM Clearing Members and subject to such conditions as it may stipulate, at its absolute discretion and, without prejudice to any power of the Clearing House under the Default Rules, transfer the registration of such Open Contract into the name of the FCM Clearing Member agreeing to have such Open Contract registered in its name, whereupon such Open Contract shall be discharged and replaced by an Open Contract between the FCM Clearing Member into whose name the contract was transferred and the Clearing House, and which shall be subject to the FCM Regulations and otherwise on the same terms as the Open Contract which it replaced, all Account Assets deposited with or transferred to the Clearing House by a Carrying FCM Clearing Member and held by the Clearing House in respect of the FCM SwapClear Contracts that are being transferred to a Receiving FCM Clearing Member designated by the FCM Client as set out in the FCM Procedures (the Clearing House being entitled to rely conclusively on the instructions of the Carrying FCM Clearing Member with respect to such Account Assets), provided that:
- (i) such FCM Client has not become insolvent (such FCM Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);
  - (ii) neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a defaulter;
  - (iii) the Receiving FCM Clearing Member has consented to such transfer;
  - (iv) the Clearing House considers that it has received sufficient cover from the Receiving FCM Clearing Member in order to enable the transfer; and
  - (v) the FCM Client has satisfied (such satisfaction to be presumed by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as

otherwise reasonably determined by the Clearing House) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents.

For purposes of (v) above, with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by an FCM Client, "obligations" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the FCM SwapClear Contracts being transferred or the FCM Client's related collateral.

- (c) ~~No Open Contract, being an FCM SwapClear Contract with a United States FCM Client, may be transferred pursuant to paragraph (b) above to any SwapClear Clearing Member who is not an FCM Clearing Member.~~ Upon the instruction or at the request of an FCM Client via a Receiving FCM Clearing Member (as set out in the FCM Procedures) to transfer a portion of that FCM Client's portfolio of FCM SwapClear Contracts from a Carrying FCM Clearing Member, (the "Porting FCM SwapClear Contracts"), the Clearing House shall transfer (such transfer to occur by novation of such Porting FCM SwapClear Contracts rather than by closeout and rebooking of new FCM SwapClear Contracts) the Porting FCM SwapClear Contracts entered into by the Carrying FCM Clearing Member on behalf of such FCM Client to a Receiving FCM Clearing Member, designated by the FCM Client as set out in the FCM Procedures, provided that:
- (i) such FCM Client has not become insolvent (such FCM Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);
  - (ii) neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a defaulter;
  - (iii) the Receiving FCM Clearing Member has consented to such transfer;
  - (iv) the Receiving FCM Clearing Member has provided sufficient cover to the Clearing House in respect of its current FCM SwapClear Contracts and the Porting FCM SwapClear Contracts in order to enable the transfer;
  - (v) the FCM Client has satisfied (such satisfaction to be presumed by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents; and
  - (vi) in the event that the transfer will lead to an increased cover requirement from the Carrying FCM Clearing Member to the Clearing House, the Carrying FCM Clearing Member provides sufficient cover to the Clearing House in respect of such increased cover requirement.

For purposes of (v) above, with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by an FCM Client, "obligations" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the FCM SwapClear Contracts being transferred or the FCM Client's related collateral.

(d) Upon request from the Clearing House, and in order to facilitate a transfer pursuant to FCM Regulation 9(b), the Carrying FCM Clearing Member shall notify the Clearing House of the Account Assets which are attributable to the transferring FCM Client and, along with the Receiving FCM Clearing Member, shall take such actions and provide such information in connection with the transfer as may be required under the FCM Procedures. In the event that the Carrying FCM Clearing Member fails to notify the Clearing House of the Account Assets that are attributable to the relevant FCM Client, the Clearing House shall transfer such collateral as it deems appropriate and as set out in the FCM Procedures.

(e) (i) By notifying the Clearing House of a request to accept a transfer of FCM SwapClear Contracts of an FCM Client, and the related Account Assets if applicable, pursuant to FCM Regulation 9(b) or 9(c), the Receiving FCM Clearing Member shall be deemed to have represented to the Clearing House that all of the conditions set forth herein and in the FCM Procedures to the transfer of the account of the FCM Client have been satisfied. Upon receipt of such transfer instructions, and provided that it does not determine, in its sole discretion, that the transfer cannot be effected under these FCM Regulations or the FCM Procedures, the Clearing House shall transfer the FCM SwapClear Contract(s) into the name of the Receiving FCM Clearing Member as agent for the relevant FCM Client.

(ii) In the case where a transfer pursuant to FCM Regulation 9(b) will include the transfer of the related Account Assets in addition to the transfer of FCM SwapClear Contracts:

(A) Upon completion of the transfer, the Account Assets deposited with or transferred to the Clearing House by the Carrying FCM Clearing Member and held by the Clearing House in respect of the FCM SwapClear Contracts that are being transferred shall, without limitation, be deemed to have been delivered by the Receiving FCM Clearing Member to the Clearing House and subject to the security interest granted by the Receiving FCM Clearing Member pursuant to FCM Regulation 10(n). Furthermore, and for the avoidance of doubt, the Carrying FCM Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the Account Assets transferred.

(B) The transfer of the FCM SwapClear Contracts and related Account Assets shall be deemed to occur simultaneously, and the transfer of the FCM SwapClear Contracts shall be conditioned on the transfer of the related Account Assets, and vice versa.

(C) If the transfer of all such FCM SwapClear Contracts and related Account Assets is not completed for any reason, then any actual transfer of Account Assets or FCM SwapClear

Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of Account Assets or FCM SwapClear Contracts that has occurred shall be immediately unwound.

- (f) ~~(d)~~ Rights under an Open Contract shall not be capable of assignment by an FCM Clearing Member. Any such purported assignment by an FCM Clearing Member, or any purported transfer that is not in compliance with this FCM Regulation ~~7~~, 9, shall be void.
- (g) ~~(e)~~ If an FCM Clearing Member is a defaulter, the Clearing House shall take such actions, subject to and in accordance with the Default Rules, and as may be required by the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM SwapClear Contracts carried by such FCM Clearing Member on behalf of its FCM Clients. If possible under such applicable laws and regulations and the Default Rules, the Clearing House shall undertake to dispose of open FCM SwapClear Contracts held by FCM Clients of the defaulter in accordance with the instructions of such FCM Clients, either by liquidating such FCM SwapClear Contracts or by transferring such FCM SwapClear Contracts to the FCM Clearing Member designated by such FCM Clients, provided that the Clearing House shall at all times act in accordance with the Default Rules, the requirements of the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM SwapClear Contracts and, provided further, that the Clearing House shall have no responsibility or liability whatsoever for any action taken or not taken with respect to the accounts and FCM SwapClear Contracts of FCM Clients of the defaulter in accordance with such laws or regulations or the directions of any Regulatory Body or bankruptcy trustee. In the event that the Clearing House does not receive instructions from FCM Clients in a timely manner, or the Clearing House for any reason deems it necessary or appropriate for its protection, or the protection of market participants, the Clearing House may take any action with respect to the ~~open FCM SwapClear~~ Open Contracts of FCM Clients of the defaulter that it determines to be appropriate in its sole discretion.
- (h) ~~(f)~~ If and to the extent permitted under the FCM Procedures, an FCM Clearing Member may transfer Open Contracts between its Proprietary Account and accounts of its FCM Clients, and vice versa, upon a client default or otherwise as permitted under and subject to applicable provisions of the CEA and CFTC Regulations regarding segregation of assets, and in accordance with the FCM Procedures.
- (i) Notwithstanding anything to the contrary in these FCM Regulations, in making any transfer of an FCM Client account (and the related FCM SwapClear Contracts and Account Assets) pursuant to this FCM Regulation 9, the Clearing House shall be authorized and entitled to rely conclusively on the instructions of and information provided by the relevant FCM Clearing Member(s), which shall be solely responsible for all such instructions and information, including ensuring that the transfer is properly authorized and that the appropriate account, FCM SwapClear Contracts and Account Assets have been identified, and the Clearing House shall have no responsibility or liability therefor.

**Regulation 10** Margin and Cover for Margin; Other Obligations

- (a) The Clearing House may in accordance with the FCM Procedures require an FCM Clearing Member to furnish it with cover, and to keep the Clearing House furnished with sufficient cover at all times, in an amount determined by the Clearing House in accordance with these FCM Regulations and the FCM Procedures, as security for the performance by such FCM Clearing Member of its obligations to the Clearing House in respect of all FCM SwapClear Contracts from time to time to be registered in its name as Open Contracts pursuant to these FCM Regulations. The obligation upon an FCM Clearing Member to furnish cover to the Clearing House pursuant to this paragraph shall be in addition to any other obligation of the FCM Clearing Member to furnish cover to the Clearing House pursuant to these FCM Regulations.
- (b) If insufficient monies are standing to the credit of an FCM Clearing Member's account, or if any security deposited by an FCM Clearing Member as cover is determined by the Clearing House in accordance with the FCM Procedures to be insufficient, such cover as the Clearing House requires an FCM Clearing Member to furnish to it pursuant to paragraph (a) above, FCM Regulation 5 or any other FCM Regulation shall be furnished by the FCM Clearing Member in such form and manner and by such time or times as may be prescribed by the FCM Procedures.
- (c) (i) The Clearing House shall be entitled to assume that all securities and other assets furnished or deposited by an FCM Clearing Member to or with the Clearing House as cover pursuant to these FCM Regulations or under the terms of any agreement made with the FCM Clearing Member are the sole legal and beneficial property of the FCM Clearing Member or are furnished or deposited for the purposes of these FCM Regulations with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House. An FCM Clearing Member may not furnish or deposit securities or other assets to or with the Clearing House as cover otherwise than in conformity to this paragraph. It shall be accepted by every person dealing on the terms of these FCM Regulations that an FCM Clearing Member has such person's unconditional consent to furnish or deposit to or with the Clearing House as cover for the purposes of these FCM Regulations any securities or other assets of such person in the FCM Clearing Member's possession.
- (ii) Each FCM Clearing Member represents and warrants to the Clearing House as at each date on which such FCM Clearing Member furnishes or deposits securities or other assets to or with the Clearing House as cover pursuant to these FCM Regulations (A) that such FCM Clearing 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 furnished or deposited with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House, and (B) that the provision to the Clearing House of such securities or other assets pursuant to these FCM 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 an FCM Clearing Member to furnish or deposit other securities or assets to or with the Clearing House in substitution of any securities or



assets deposited with the Clearing House pursuant to this FCM Regulation 10.

- (d) Notwithstanding paragraph (c) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to an FCM Clearing Member, to modify the amount of Initial Margin applicable to an FCM SwapClear Contract or to call for larger or additional amounts of cover for Initial Margin to be furnished to it by an FCM Clearing Member, either before registration of a contract or at any time after registration. Any cover called by the Clearing House pursuant to this paragraph shall be furnished by the FCM Clearing Member on demand and in such form as the Clearing House may require.
- (e) The Clearing House shall be entitled at any time to demand immediate provision of cover from an FCM Clearing Member 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 FCM Clearing Member's name, if, in the opinion of the Clearing House, the furnishing of such cover by the FCM Clearing 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 FCM Clearing 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. In this paragraph, "immediate provision" means payment to the Clearing House within one hour of demand.
- (f) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and specified in the FCM Procedures, in respect of any security furnished to it as cover in a form prescribed by the FCM Procedures. 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 specified in the FCM Procedures.
- (g) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, the Clearing House may at its absolute discretion accept cover in an agreed amount and in a form other than those specified in the FCM Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of cover in accordance with its standard risk management procedures and with 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.
- (h) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, and subject to the settlement of any other obligations of an FCM Clearing Member to the Clearing House: (i) an FCM Clearing Member may request the return of any Excess Margin at any time; and (ii) upon the close-out or termination of an FCM SwapClear Contract in accordance with the FCM Rulebook, the Clearing House shall return all Initial Margin attributable to such FCM SwapClear Contract to the respective FCM Clearing Member, provided that no portion of such Initial Margin is required as cover or otherwise required by the FCM Rulebook for any other positions established by the FCM Clearing Member with respect to its Proprietary Account (with respect to Initial Margin to be released in connection with positions for the Proprietary Account) or any of its FCM Segregated Accounts (with respect to Initial Margin to be released in connection with positions for the FCM Segregated Accounts).



- (i) ~~(h)~~ If, in the opinion of the Clearing House, any security which has been furnished to it by an FCM Clearing Member as cover pursuant to these FCM Regulations is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further provision of cover from such FCM Clearing Member. Such cover shall be furnished by such FCM Clearing Member on demand in a form prescribed by the FCM Procedures, provided that at any time the Clearing House shall be entitled to require the FCM Clearing Member to furnish it with cover in a specified form and to demand that the FCM Clearing Member replace the whole or part of any security furnished by an FCM Clearing Member pursuant to these FCM Regulations by cover in the form of cash.
- (j) ~~(i)~~ If, in respect of Open Contracts in an FCM Clearing Member's name ~~acting on behalf of its FCM Clients~~, Official Quotations indicate that ~~cover which has been furnished to~~ Excess Margin is maintained with the Clearing House by such FCM Clearing Member in respect of such contracts ~~is in excess of Variation Margin requirements~~, the Clearing House may, or at the FCM Clearing Member's request in accordance with FCM Regulation 10(h) shall, release the ~~excess of such cover~~ Excess Margin.
- (k) ~~(j)~~ If the Clearing House takes any step or steps under the Default Rules in relation to an FCM Clearing 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 FCM Clearing Member) standing to the credit of any of the FCM Clearing Member's accounts shall be treated as cover, provided that under no circumstances will any assets in the FCM Omnibus OTC Client Accounts with LCH be applied to the satisfaction of proprietary obligations of the FCM Clearing Member or any other obligations not related to such FCM Clearing Member's FCM Client Business.
- (l) ~~(k)~~ Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance with FCM Regulation 3(c), shall be obligated to perform all of their respective obligations (including without limitation to pay all amounts due) as required pursuant to the FCM Regulations, the Default Rules, the Default Fund Rules and the FCM Default Management Process Agreement, as applicable. Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance FCM Regulation 3(c), shall be entitled to the return of any amounts due to them (after all obligations to the Clearing House have been satisfied) pursuant to the FCM Regulations, the Default Rules, the Default Fund Rules and the FCM Default Management Process Agreement, as applicable.
- (m) ~~(l)~~ Unless the Clearing House otherwise agrees in writing, cover provided to the Clearing House by way of cash shall not be capable of assignment by any person. Any purported assignment by an FCM Clearing Member (whether by way of security or otherwise) of cash cover provided to the Clearing House shall be void. An FCM Clearing Member shall not otherwise encumber (or seek to encumber) any cash cover provided to the Clearing House.
- (n) ~~(m)~~ Each FCM Clearing Member hereby grants the Clearing House a first security interest in and a first priority and unencumbered first lien upon any and all cover, cash, securities, receivables, rights and intangibles and any other collateral or assets deposited with or transferred to the Clearing House, or otherwise held by the Clearing House (including without limitation all property deposited in the Default Fund, a Proprietary Account or in an FCM Omnibus OTC Client Account

with LCH, or any amounts owing to an FCM Clearing Member in the Default Fund or a Proprietary Account), including all substitutions for and proceeds of, any such property, in connection with any FCM SwapClear Contracts cleared for such FCM Clearing Member or its ~~clients~~FCM Clients or ~~affiliates~~Affiliates, as security for unconditional payment and satisfaction of the obligations and liabilities of the FCM Clearing Member to the Clearing House. The FCM Clearing Member agrees to take any and all actions, including but not limited to the execution of any and all documents, requested by the Clearing House in order to perfect, maintain or enforce the security interest granted to the Clearing House hereunder. The Clearing House may exercise any and all rights available to it with respect to the security interest granted hereunder, in accordance with the FCM Regulations and applicable laws. Notwithstanding the foregoing, in no event shall the Clearing House's security interest in an FCM Clearing Member's FCM Omnibus OTC Client Accounts with LCH be exercised to satisfy any obligations or liabilities of such FCM Clearing Member other than in connection with obligations or liabilities relating to such FCM Clearing Member's FCM Omnibus OTC Client Accounts with LCH.

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**Regulation 11 Official Quotations and Reference Price**

- (a) The Clearing House may determine Official Quotations and Reference Prices for the purposes of these FCM Regulations and the FCM Procedures in such manner and at such times as may be prescribed in the FCM Procedures. Except as prescribed in the FCM Procedures, an Official Quotation or Reference Price is binding on an FCM Clearing Member and may in no circumstances be called in question.
- (b) For the avoidance of doubt, the Clearing House is not responsible for and does not warrant the accuracy of any Settlement Price determined by a third party or any Reference Price.

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**Regulation 12** Daily Marking to Market

- (a) The Clearing House shall, in accordance with the FCM Procedures, in respect of each ~~Open~~ FCM SwapClear Contract in an FCM Clearing Member's name ~~which is subject to daily marking to market~~, mark each such Open Contract against the price determined by the Clearing House to be the current Settlement Price of such contract to be used for marking to market purposes.
- (b) The Clearing House shall, upon completion of the procedure set out in paragraph (a) above, calculate the daily mark-to-market amounts in accordance with the FCM Procedures and shall thereafter determine the status of the FCM Clearing Member's accounts.
- (c) For the avoidance of doubt, the completion of the calculation and settlement of daily marked-to-market amounts pursuant to paragraph (b) above by the Clearing House shall not affect the validity of any Open Contracts, which shall remain in effect as Open Contracts in all respects.
- (d) The net present value of each FCM SwapClear Contract shall be calculated by the Clearing House in accordance with paragraphs (a) and (b) of this FCM Regulation 12, in such manner and at such times as may be provided in the FCM Procedures. Except as prescribed in the FCM Procedures, the net present value calculated by the Clearing House may in no circumstances be called in question. The Clearing House shall, at least daily, receive payment from, or pay to, the FCM Clearing Member cash cover for Variation Margin, representing the change in the net present value of such FCM Clearing Member's portfolio of FCM SwapClear Contracts from the preceding Business Day, in accordance with the FCM Procedures.
- (e) In respect of a portfolio of FCM SwapClear Contracts and each payment date for coupon payments (in accordance with the FCM Procedures), the Clearing House shall net:
- (i) the sums which would otherwise have been payable by the FCM Clearing Member to the Clearing House as cash cover (in respect of Variation Margin) on such date and the Coupon Payments due on that date; and
  - (ii) the sums which would otherwise have been payable by the Clearing House to the FCM Clearing Member as cash cover (in respect of Variation Margin) on such date and the Coupon Payments due on that date,

and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party then the obligations of each party under this FCM Regulation 12 shall be automatically satisfied and discharged on payment by the applicable party of the excess. All netting in respect of a portfolio of FCM SwapClear Contracts shall be calculated separately with respect to FCM SwapClear Contracts held in an FCM Clearing Member's Proprietary Account and with respect to FCM SwapClear Contracts held on behalf of FCM Clients.

**Regulation 13** Market Disorders, Impossibility of Performance, Trade Emergency

(a) If the Clearing House, in relation to FCM SwapClear Contracts, determines that one of the following conditions exists, 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 an FCM SwapClear 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 an FCM SwapClear 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 an FCM SwapClear 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 FCM SwapClear Contracts as specified by the Clearing House, and notified to the affected FCM Clearing Members, the Clearing House shall be entitled to invoice back such FCM SwapClear Contracts in accordance with FCM Regulation 15 and the FCM Procedures at a price determined by the Clearing House or to require such FCM Clearing Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such FCM SwapClear Contracts. Accounts shall be made up by the Clearing House in accordance with the FCM Procedures for each FCM Clearing 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.

**Regulation 14** Force Majeure

- (a) Neither the Clearing House (nor any other member of the LCH.Clearnet Group) nor an FCM Clearing 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 FCM Regulations or of any FCM SwapClear 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 FCM Regulation 13(a)(i), (ii) or (iii) above, terrorist or other criminal action, sabotage, civil unrest, embargoes, blockades, fire, flood, earthquake, tornado, tsunami, other natural disasters, explosion, epidemics or plagues, labour dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, failures of software or communications systems, and any other causes beyond the parties reasonable control.
- (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 in respect of affected FCM SwapClear Contracts, the Clearing House shall be entitled to require any of the affected FCM SwapClear Contracts to be performed in accordance with directions issued by the Clearing House, or shall be entitled to require the FCM Clearing Member to take such action as the Clearing House may direct in respect of such FCM SwapClear Contracts.

**Regulation 15** Invoicing Back

- (a) Invoicing back of an FCM Clearing Member's FCM SwapClear Contracts pursuant to FCM Regulation 13 or FCM Regulation 14 or otherwise shall be carried out by the Clearing House effecting and registering pursuant to the FCM Procedures opposite contracts between itself and the FCM Clearing Member at the price referred to in the relevant FCM Regulation or, where applicable, in paragraph (d) below, and thereupon settling such FCM SwapClear Contracts against such opposite contracts.
- (b) The Clearing House shall, in addition to carrying out the procedures referred to in paragraph (a) above, register opposite contracts between itself and such other FCM Clearing Members as the Clearing House may select in its absolute discretion in proportion to the net position of Open Contracts in their names on the same FCM SwapClear Contract Terms as the FCM SwapClear Contracts invoiced back under paragraph (a) above.
- (c) Where Open Contracts are invoiced back pursuant to FCM Regulation 13 or FCM Regulation 14 the Clearing House shall make up the accounts of any FCM Clearing Member affected by such invoicing back in accordance with FCM Regulation ~~13~~ 13 or FCM Regulation 14, as applicable.
- (d) Opposite FCM SwapClear Contracts effected and registered by the Clearing House pursuant to paragraph (a) and (b) above shall, subject to FCM Regulation 13, be at a price determined by the Clearing House, and shall be binding as a final settlement upon the parties affected by invoicing back. This paragraph shall be without prejudice to any further liability of the defaulting FCM Clearing Member to the Clearing House or to any additional rights which the Clearing House may have against the defaulting FCM Clearing Member whether under these FCM Regulations, at law or otherwise.
- (e) In this FCM Regulation 15:
- (i) "net position" means: in respect of Open Contracts, one or more of such FCM SwapClear Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM SwapClear Contracts on the same Economic Terms;
  - (ii) "opposite contract" means an FCM SwapClear Contract on the same terms (except as to price), as the FCM SwapClear Contract to be invoiced back in accordance with this FCM Regulation 15, but where an FCM Clearing Member is a floating rate payer, in respect of an FCM SwapClear Contract to be invoiced back, such FCM Clearing Member shall be a fixed rate payer in respect of the opposite contract and vice versa.

**Regulation 16** Currency Conversion

For the purpose of exercising any rights under these FCM Regulations, the Clearing House shall be entitled in its discretion to convert monies standing to the debit or credit of an FCM Clearing Member's accounts (including FCM OTC Client Segregated Depository Accounts) into such other currency or currencies as it thinks fit, such conversion to be effected at such reasonable rate or rates of exchange as the Clearing House may determine in accordance with the FCM Procedures.

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**Regulation 17** Disclosure

- (a) The Clearing House shall have authority to supply any information whatsoever concerning an FCM Clearing Member and its trading to (a) any Regulatory Body which is entitled to receive or request any such details or information, (b) LCH.Clearnet Group Limited, (c) LCH.Clearnet SA or (d) any other person or body to which the Clearing House is, in its reasonable opinion, legally required to disclose the same.
- (b) The Clearing House shall also be entitled to supply any information whatsoever concerning an FCM Clearing Member to any person (and the Clearing House will solicit an undertaking from any such person that such person will keep such information confidential) who has provided or may be contemplating entering into arrangements to provide the Clearing House directly or indirectly with stand-by or other finance, insurance cover, guarantee or other financial backing, which the Clearing House has been requested or is legally required to disclose to assist such person in relation to the provision of, or continued provision of, such finance, insurance cover, guarantee or financial backing.

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**Regulation 18** Fees and Other Charges

- (a) The Clearing House shall be entitled to levy fees in respect of such matters and at such rates as may from time to time be prescribed. Such fees shall be payable by such FCM Clearing Members, by such times, and in such manner as may be prescribed by the FCM Procedures.
- (b) Accommodation charges made by the Clearing House pursuant to FCM Regulation 10(e) shall be payable to the Clearing House by such FCM Clearing Members, in such manner and by such times as may be prescribed by the FCM Procedures.
- (c) Any changes to be made to the fees and charges payable pursuant to paragraphs (a) and (b) above shall take effect, as prescribed by the FCM Procedures.

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**Regulation 19** Records

An FCM Clearing Member shall not be entitled to the return of any particulars, notices or any other documentation presented to the Clearing House pursuant to FCM Regulation 8, FCM Regulation 9 and FCM Regulation 12.

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**Regulation 20** FCM Procedures

The FCM Procedures shall take effect and shall be binding on FCM Clearing Members as if they formed part of these FCM Regulations save that, in the event of any conflict between the provisions of these FCM Regulations and the FCM Procedures, the provisions of these FCM Regulations shall prevail.

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**Regulation 21** Alteration of FCM Regulations and the FCM Procedures

- (a) Unless the FCM Clearing Membership Agreement or these FCM Regulations otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time, by notice delivered to FCM Clearing Members, amend or extend these FCM Regulations and such amendment or extension may be made with immediate effect or with such deferred effect as the Clearing House shall determine. Any amendment or extension to these FCM Regulations may take effect so as to apply to FCM SwapClear Contracts registered in an FCM Clearing Member's name at the time such amendment or extension comes into effect if the Clearing House so determines.
- (b) Unless the FCM Clearing Membership Agreement or these FCM Regulations or the FCM Procedures otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time amend or extend the FCM Procedures by notice to such FCM Clearing Members as may be affected.
- (c) The accidental omission to give notice under this FCM Regulation [21](#) to, or the non-receipt of notice under this FCM Regulation [21](#) by, any FCM Clearing Member shall not invalidate the amendment or extension with which the notice is concerned.

**Regulation 22** Interpretation of these FCM Regulations

- (a) In the event of inconsistency between the provisions of these FCM Regulations and the rules or regulations or other contractual provisions of any trading platform or other undertaking the provisions of these FCM Regulations shall prevail.
- (b) The headings to these FCM Regulations are for convenience only and shall not affect their interpretation.

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**Regulation 23** Waiver

No failure by the Clearing House to exercise, nor any delay on its part in exercising, any of its rights (in whole or in part) under these FCM Regulations shall operate as a waiver of the Clearing House's rights or remedies upon that or any subsequent occasion, nor shall any single or partial exercise of any right or remedy prevent any further exercise thereof or any other right or remedy.

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**Regulation 24** Validity of FCM Regulations and Action

If at any time any provision of these FCM Regulations becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of these FCM Regulations nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

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**Regulation 25** Governing Law and Jurisdiction

- (a) These FCM Regulations, the FCM Procedures and each FCM SwapClear Contract shall be governed by and construed in accordance with the laws of the State of New York, without regard to any conflicts of laws principles, and the laws of the United States of America, including the CEA and applicable bankruptcy and insolvency laws.
- (b) The Other Specific Regulations shall be governed by and construed in accordance with the laws of England and Wales.
- (c) The Clearing House and every FCM Clearing Member hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of America, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any claim or matter arising from or in relation to any FCM SwapClear Contract, these FCM Regulations, the FCM Procedures or to the Other Specific Regulations (in the case of the Other Specific Regulations, only with respect to a claim or matter arising from or in relation to an FCM SwapClear Contract, FCM SwapClear Clearing Services or these FCM Regulations), and each FCM Clearing Member irrevocably submits to such jurisdiction and ~~to waive~~ waives 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 courts of the State of New York, Borough of Manhattan in the United States of America, the United States District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the taking of action in any other jurisdiction, whether concurrently or not.
- (d) The Clearing House and each FCM Clearing Member hereby irrevocably waives any right to a trial by jury in any litigation directly or indirectly arising out of or relating to any FCM SwapClear Contract, the FCM Procedures, the Other Specific Regulations or to these FCM Regulations.
- (e) Each FCM Clearing 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.

**Regulation 26** Exclusion of Liability

- (a) Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to an FCM Clearing Member or any other person in respect of any dispute arising from or in relation to any FCM SwapClear Contract, including but not limited to, any dispute as to the validity or otherwise of such FCM SwapClear Contract, the terms of such FCM SwapClear Contract or whether any alleged agreement or arrangement constitutes an FCM SwapClear Contract.
- (b) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation 26(d), neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member, or to any other person in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of: any suspension of clearing services, whether for a temporary period or otherwise, a step taken by the Clearing House under FCM Regulations 13, 14 or 5(9) or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the FCM Regulations, or any decision by the Clearing House not to exercise any such discretion.
- (c) Without prejudice to FCM Regulation 26(b) and FCM Regulation 26(d), unless otherwise expressly provided in the FCM Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability under any circumstances (including, without limitation, as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives) to any FCM Clearing Member or any other Executing Party for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such FCM Clearing Member or other Executing Party and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.
- (d) Nothing in this FCM Regulation 26 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or wilful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or wilful default on the part of the Clearing House.
- (e) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation 26(d) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member or to any other person (including, without limitation, any FCM Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by an FCM Clearing Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology.

**Regulation 26A      Netting**

- (a) If at any time the Clearing House fails to make a payment to an FCM Clearing Member, other than a defaulter, under an FCM SwapClear Contract for a period of 30 days from the date when the obligation to pay fell due, then that FCM Clearing Member may exercise its rights under paragraph (c) below.
- (b) If at any time the Clearing House commences a voluntary case or other procedure seeking or proposing liquidation, administration, receivership, voluntary arrangement or a scheme of arrangement, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing cases or procedures is commenced in relation to the Clearing House by any other person which results in liquidation or winding up of the Clearing House, or if the Clearing House takes corporate action to authorize any of the foregoing, in any such case other than for the purposes of corporate restructuring (including any consolidation, amalgamation or merger), then an FCM Clearing Member, other than a defaulter, may exercise the right given to it under paragraph (c) below.
- (c) An FCM Clearing Member entitled to exercise rights under this paragraph may, at any time while any of the circumstances referred to in paragraph (a) or (b) above giving rise to such rights continue, by notice in writing to the Clearing House, specify a Termination Date for the termination and liquidation of all FCM SwapClear Contracts to which it is a party in accordance with paragraph (d) below.
- (d) Upon the occurrence of a Termination Date:
- (i) neither the Clearing House nor the FCM Clearing Member shall be obliged to make any further payments under any FCM SwapClear Contract between them which would, but for this FCM Regulation 26A, have fallen due for performance on or after the Termination Date, and any obligations to make further payments which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set-off or otherwise) of the Termination Amount;
  - (ii) the FCM Clearing Member shall (on, or as soon as reasonably practicable after, the Termination Date) determine (discounting if appropriate) in respect of each FCM SwapClear Contract its total loss or, as the case may be, gain, in each case expressed in the lawful currency of the United States or the currency of the relevant FCM SwapClear Contract where agreed by the Clearing House and the FCM Clearing Member (the "Base Currency"), (and, if appropriate, including any loss of bargain, cost of funding or, without duplication, loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position), as a result of the termination, pursuant to this agreement, of each payment which would otherwise have been required to be made under such FCM SwapClear Contract; and
  - (iii) the FCM Clearing Member shall treat each loss to it, determined as above, as a positive amount and each gain by it, so determined, as a negative amount and, subject to paragraph (iv) below, shall aggregate all of such amounts to produce a single, net positive or negative amount, denominated in the Base Currency (the "Termination Amount").

- (iv) Where an FCM Clearing Member has a Proprietary Account and one or more FCM OTC Client Segregated Depository Accounts:
- (1) the FCM Clearing Member shall determine two net amounts under paragraph (d)(iii); one net amount in respect of gains and losses arising on FCM SwapClear Contracts registered in the FCM Clearing Member's FCM OTC Client Segregated Depository Account (or in its multiple FCM OTC Client Segregated Depository Accounts as combined, if applicable) and a second net amount in respect of gains and losses arising on all other FCM SwapClear Contracts; and
  - (2) the two net amounts determined under paragraph (iv)(1) shall constitute Termination Amounts.
- (v) If a Termination Amount determined pursuant to paragraph (d)(iv) above is a positive amount, the Clearing House shall pay it to the FCM Clearing Member and if any such Termination Amount is a negative amount, the FCM Clearing Member shall pay it to the Clearing House, in either case in accordance with paragraph (vi). The FCM Clearing Member shall notify the Clearing House of each such Termination Amount, and by which party it is payable, immediately after the calculation thereof.
- (vi) A Termination Amount shall be paid in the Base Currency by the close of business on the Business Day following notification pursuant to paragraph (v) above (converted as required by applicable law into any other currency, any costs of such conversion to be borne by, and (if applicable) deducted from any payment to, the Clearing House). Any Termination Amount which is not paid on such day shall bear interest, at the average rate at which overnight deposits in the currency of such payment are offered by major banks in the London interbank market as of 11:00 hours (London time) (or, if no such rate is available, at such reasonable rate as the FCM Clearing Member may select) plus 1% per annum, for each day for which any such sum remains unpaid.
- (vii) For the purposes of any calculation required to be made under this FCM Regulation 26A, the FCM Clearing Member may convert amounts denominated in any other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select.

~~(f)~~—The FCM Clearing Member's rights under this FCM Regulation 26A shall be in addition to, and not in limitation or exclusion of, any other rights which the FCM Clearing Member may have (whether by agreement, operation of law or otherwise, including its rights under FCM Regulation 6(i)).

## ~~Regulation 27~~

~~Regulation 28~~

Regulation 27     ~~Regulation 29~~ **The reset rate for, and the net present value of, an FCM SwapClear Contract**

The Clearing House may determine the reset rate for, and the net present value of, an FCM SwapClear Contract for the purposes of these FCM Regulations and the FCM Procedures in such manner and at such times as may be prescribed in the FCM Procedures. Except as prescribed in the FCM Procedures, neither the reset rate nor the net present value determined by the Clearing House may in any circumstances be challenged.

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**Regulation 28**     ~~**Regulation 30**~~ **Withdrawal of the SwapClear Service by the Clearing House**

- (a) If at any time the Clearing House decides to withdraw the FCM SwapClear Service it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members of the date on which the service will be withdrawn ("the SwapClear Withdrawal Date"). The accidental omission by the Clearing House to give notice under this FCM Regulation 28 to, or the non-receipt of notice under this FCM Regulation 28 by, one or more FCM Clearing Members shall not invalidate the SwapClear Withdrawal Date.
- (b) Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules or pursuant to the entering of offsetting/compressing trades in accordance with FCM Regulation 5(n), register an FCM SwapClear Contract (other than a Closing-out Contract) after notice to withdraw the service has been given under FCM Regulation 28(a).
- (c) If, at the SwapClear Withdrawal Date, an FCM Clearing Member or SwapClear Clearing Member has not closed out all open FCM SwapClear Contracts registered in its name, the Clearing House may, in its sole discretion:
  - (i) liquidate any or all of such FCM SwapClear Contracts and require such FCM SwapClear Contracts to be cash settled at a price determined by the Clearing House; or
  - (ii) postpone the SwapClear Withdrawal Date until such time as the Clearing House determines.



**Regulation 29**     ~~**Regulation 31**~~ **Rules Relating to FCM OTC Client Segregated Accounts**

- (a) Notice of Deficiency in FCM OTC Client Segregated Depository Accounts. Whenever an FCM Clearing Member knows or should know that the aggregate amount of funds on deposit in its FCM Segregated Accounts is less than the total amount of such funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit, the FCM Clearing Member must report such deficiency immediately by telephone notice, confirmed immediately in writing by facsimile notice, to the Clearing House and the principal office of the CFTC in Washington, DC, to the attention of the Director and the Chief Accountant of the Division of Clearing and Intermediary Oversight, and, if the FCM Clearing Member is a securities broker or dealer, to the Securities and Exchange Commission, in accordance with 17 C.F.R. § 240.17a-11.
- (b) Segregation of Funds.
- (i) All FCM Client funds shall be separately accounted for and segregated as belonging to FCM Clients and shall be part of a separate account class, treated as a Cleared OTC Derivatives Account Class, as defined in and for purposes of Part 190 of the CFTC's regulations. Such funds, when deposited with the Clearing House, any bank, trust company or another FCM shall be deposited under an account name which clearly identifies them as such and shows that they are segregated as required by the FCM Rulebook. Each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment from such bank, trust company or FCM, that it was informed that the funds deposited in the FCM Segregated Accounts maintained by such bank, trust company or FCM for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook. For the avoidance of doubt, all FCM Segregated Accounts maintained by an FCM Clearing Member shall be treated as segregated accounts and shall be subject to the requirements of the CEA and CFTC Regulations applicable to segregated accounts and to this Regulation 29, regardless of the location of any such account. Without limitation of the foregoing, under no circumstances shall any portion of FCM Client funds held in FCM Segregated Accounts be obligated to the Clearing House, an FCM Clearing Member, any depository, or any other person except to purchase, margin, guarantee, secure, transfer, adjust or settle trades, contracts or transactions of FCM Clients. No person, including the Clearing House or any depository, that has received FCM Client funds for deposit in an FCM Segregated Account, as provided in this rule, may hold, dispose of, or use any such funds as belonging to any person other than the FCM Clients of the FCM Clearing Member which deposited such funds.
- (ii) All FCM Client funds received by the Clearing House from an FCM Clearing Member to purchase, margin, guarantee, secure or settle FCM SwapClear Contracts of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such FCM Clients, and the Clearing House shall not hold, use or dispose of such FCM Client funds except as belonging to such FCM Clients. Such FCM Client funds, when deposited in a bank or trust

company, shall be deposited under an account name which clearly shows that they are the FCM Client funds of FCM Clearing Members, and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, an acknowledgment from such bank or trust company that it was informed that the funds deposited in any LCH OTC Client Segregated Depository Accounts and any PPS Account(s) maintained by LCH are those of FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.

- (iii) Each FCM Clearing Member shall treat and deal with FCM Client funds as belonging to such FCM Clients. All FCM Client funds shall be separately accounted for, and shall not be commingled with the money, securities or property of an FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; provided, however, that FCM Client funds of an FCM Clearing Member may for convenience be commingled and deposited in the same account or accounts with any bank or trust company, with another person registered as an FCM Clearing Member, or with the Clearing House, and that such share thereof as in the normal course of business is necessary to purchase, margin, guarantee, secure, transfer, adjust, or settle the FCM SwapClear Contracts of such FCM Clients or resulting market positions, with the Clearing House or with any other person registered as an FCM Clearing Member, may be withdrawn and applied to such purposes, including the payment of commissions, brokerage, interest, taxes and other fees and charges, lawfully accruing in connection with such FCM SwapClear Contracts; provided, further, that FCM Client funds may be invested in accordance with FCM Regulation 29(g).
  - (iv) In no event may FCM Client funds be held or commingled and deposited with (A) FCM Client funds in the same account or accounts required to be separately accounted for and segregated pursuant to Section 4d of the CEA and the regulations thereunder, or (ii) money, securities or property representing the foreign futures or foreign options secured amount held in accordance with CFTC Regulation 30.7.
- (c) Care of Money and Securities Accruing to FCM Clients. All money received directly or indirectly by, and all money and securities accruing to, an FCM Clearing Member from the Clearing House or from any FCM Clearing Member or from any other person incident to or resulting from any cleared FCM SwapClear Contracts made by or through such FCM Clearing Member on behalf of any FCM Client shall be considered as accruing to such FCM Client within the meaning of the FCM Rulebook. Such money and securities shall be treated and dealt with as belonging to such FCM Client in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook. Money and securities accruing in connection with FCM Clients' ~~open cleared FCM SwapClear~~ Open Contracts need not be separately credited to individual accounts but may be treated and dealt with as belonging undivided to FCM Clients having open cleared FCM SwapClear Contracts which if closed would result in a credit to such FCM Clients.
- (d) Use of FCM Client Funds Restricted. No FCM Clearing Member shall use, or permit the use of, FCM Client funds to purchase, margin, or settle the trades,

contracts or transactions of, or to secure or extend the credit of, any person other than its FCM Clients. FCM Client funds shall not be used to carry trades or positions of the same FCM Client other than in connection with FCM SwapClear Contracts or other OTC derivatives cleared through the facilities of a derivatives clearing organization that has established rules or bylaws which require cleared OTC derivatives (as that term is defined in CFTC Regulation 190.01(o)), along with the money, securities and/or other property margining, guaranteeing or securing such derivatives, to be held in a separate account.

- (e) Interest of FCM Clearing Members in FCM Client Funds; Additions and Withdrawals. FCM Regulation 29(b), which prohibits the commingling of FCM Client funds with the funds of an FCM Clearing Member, shall not be construed to prevent an FCM Clearing Member from having a residual financial interest in FCM Client funds, segregated as required by the CEA, CFTC Regulations and the FCM Rulebook and set apart for the benefit of FCM Clients; nor shall such provisions be construed to prevent an FCM Clearing Member from adding to the segregated FCM Client funds such amount or amounts of money, from its own funds or unencumbered securities from its own inventory, of the type permitted under FCM Regulation 29(g), as it may deem necessary to ensure that its FCM Segregated Accounts hold at all times, at a minimum, an aggregate amount equal to the amount required by the CEA, CFTC Regulations and the FCM Rulebook. The books and records of an FCM Clearing Member shall at all times accurately reflect its interest in the segregated FCM Client funds. An FCM Clearing Member may draw upon such FCM Client funds to its own order, to the extent of its actual interest therein, including the withdrawal of securities held in FCM Segregated Accounts held by the Clearing House, a bank, trust company or other FCM Clearing Member, provided that any such withdrawals do not result in any such account holding less in segregated FCM Client assets than such account is required to contain at such time. Such withdrawal shall not result in FCM Client funds being used to purchase, margin or carry the trades, contracts or transactions, or extend the credit of any other FCM Client or other person.
- (f) Funds Held in FCM Segregated Accounts; Exclusions Therefrom. Money held in FCM Segregated Accounts by an FCM Clearing Member shall not include (i) money invested in obligations or stocks of any clearing organization or in memberships in or obligations of any contract market or (ii) money held by any clearing organization which it may use for any purpose other than to purchase, margin, guarantee, secure, transfer, adjust, or settle the FCM SwapClear Contracts of the FCM Clients of such FCM Clearing Member.
- (g) Investments of FCM Client Funds. An FCM Clearing Member or the Clearing House may invest FCM Client funds subject to the terms and conditions set forth in CFTC Regulation 1.25, which regulation shall apply to such funds in accordance with the provisions of the CEA and CFTC Regulations thereunder related to transactions in the ~~cleared OTC derivatives account class~~ Cleared OTC Derivatives Account Class.
- (h) Deposit of Instruments Purchased with FCM Client Funds.
- (i) Each FCM Clearing Member who invests FCM Client funds in instruments permitted under FCM Regulation 29(g) shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients. Such instruments, when deposited with the Clearing House, a bank, trust company or another FCM Clearing Member, shall be deposited under an account name which clearly shows

that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Each FCM Clearing Member, upon opening an FCM Segregated Account, shall obtain and retain in its files an acknowledgment from such bank, trust company or other FCM Clearing Member that it was informed that the instruments belong to FCM Clients and are being held in accordance with the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such bank, trust company or other FCM Clearing Member shall allow inspection of the records of such assets at any reasonable time by representatives of the Clearing House.

- (ii) When it invests money belonging or accruing to FCM Clients of its FCM Clearing Members in instruments permitted under FCM Regulation 29(g), the Clearing House shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients (provided that any such instruments may be held in commingled accounts, on behalf of all FCM Clients of all FCM Clearing Members, at one or more depositories). Such instruments, when deposited with a bank or trust company, shall be deposited under an account name which will clearly show that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Upon opening any such account, the Clearing House shall obtain and retain in its files a written acknowledgment from such bank or trust company that it was informed that the instruments belong to FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such bank or trust company shall allow inspection of such instruments at any reasonable time by representatives of the Clearing House.

(i) Record of Investments.

- (i) Each FCM Clearing Member that invests FCM Client funds shall keep a record showing the following:
  - (A) The date on which such investments were made;
  - (B) The name of the person through whom such investments were made;
  - (C) The amount of money or current market value of securities so invested;
  - (D) A description of the instruments in which such investments were made, including the CUSIP or ISIN numbers;
  - (E) The identity of the depositories or other places where such instruments are held;
  - (F) The date on which such investments were liquidated or otherwise disposed of and the amount of money or current market value of securities received of such disposition, if any;
  - (G) The name of the person to or through whom such investments were disposed of; and

- (H) Daily valuation for each instrument and readily available documentation supporting the daily valuation for each instrument. Such supporting documentation must be sufficient to enable auditors to verify the valuations and the accuracy of any information from external sources used in those valuations.
- (ii) When the Clearing House receives documents from its FCM Clearing Members representing or evidencing investment of FCM Client funds, the Clearing House shall keep a record showing separately for each clearing member the following:
  - (A) The date on which such documents were received from the clearing member;
  - (B) A description of such documents, including the CUSIP or ISIN numbers; and
  - (C) The date on which such documents were returned to the clearing member or the details of disposition by other means.
- (iii) Such records shall be retained in accordance with CFTC Regulation 1.31. No such investments shall be made except in instruments permitted under FCM Regulation 29(g).
- (j) Valuation of Instruments Purchased with FCM Client Funds. FCM Clearing Members who invest FCM Client funds in instruments permitted under FCM Regulation 29(g) shall include such instruments in their FCM Segregated Account records and reports at values which at no time exceed their then current market value, determined as of the close of the market on the date for which such computation is made.
- (k) Increment or Interest Resulting from Investment of FCM Client Funds. The investment of FCM Client funds in instruments permitted under FCM Regulation 29(g) shall not prevent the FCM Clearing Member or the Clearing House so investing such funds from receiving and retaining as its own any increment or interest resulting therefrom.
- (l) FCM Segregated Accounts; Daily Computation and Record.
  - (i) Each FCM Clearing Member must compute as of the close of the previous Business Day:
    - (A) the aggregate amount of FCM Client funds on deposit in its FCM Segregated Accounts on behalf of FCM Clients;
    - (B) the amount of such FCM Client funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit in its FCM Segregated Accounts on behalf of such FCM Clients; and
    - (C) the amount of the FCM Clearing Member's residual interest in such FCM Client funds .



- (ii) In computing the aggregate amount of funds required to be in its FCM Segregated Accounts, an FCM Clearing Member may offset any net deficit in a particular FCM Client's account against the then current market value of readily marketable securities, less applicable percentage deductions (i.e., "securities haircuts") as set forth in Rule 15c3-1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR § 241.15c3-1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with the Clearing House, a bank, trust company or another FCM Clearing Member. For purposes of this section, a security will be considered readily marketable if it is traded on a "ready market" as defined in Rule 15c3-1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3-1(c)(11)(i)).
- (iii) The daily computations required by this FCM Regulation 29 must be completed by the FCM Clearing Member prior to noon on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.
- (m) Classification of Positions. Each FCM Clearing Member shall maintain, as provided in CFTC Regulation 1.31, a record of all securities and property received from FCM Clients in lieu of money to margin, purchase, guarantee or settle the cleared FCM SwapClear Contracts of such FCM Clients. Such record shall show separately for each FCM Client: a description of the securities or property received; the name and address of such FCM Client; the dates when the securities or property were received; the identity of the depositories or other places where such securities or property are segregated; the dates of deposits and withdrawals from such depositories; and the dates of return of such securities or property to such FCM Client, or other disposition thereof, together with the facts and circumstances of such other disposition.
- (n) Change in Law or Regulations. The Clearing House shall enforce the rules set forth in this FCM Regulation 29 (and set forth in these FCM Regulations generally) at all times in accordance with and subject to the CEA and CFTC Regulations. In the event that a change in law or in CFTC Regulations occurs but has not yet been reflected appropriately in the FCM Rulebook, the CFTC Regulations and applicable law will prevail, the provisions of this FCM Rulebook shall be deemed to be modified accordingly and the Clearing House will enforce these FCM Regulations in accordance with CFTC Regulations and applicable law.
- (o) Notwithstanding any other provision of these FCM Regulations, any assets held in or credited to an FCM Omnibus OTC Client Account with LCH, an LCH OTC Client Segregated Depository Account or a PPS Account held by LCH shall be treated as segregated assets, to the same extent and with the same force and effect as required with respect to margin held in connection with transactions in futures contracts under the CEA and CFTC Regulations and will, without limitation, be held in trust in accordance with the CEA and CFTC Regulations.

**Regulation 30 Acknowledgements and Agreements of FCM Clients and Affiliates**

Each FCM Client and Affiliate, by participating in FCM SwapClear Transactions and entering FCM SwapClear Contracts through its respective FCM Clearing Member(s), shall be deemed to understand, acknowledge and agree that:

- (a) the services provided by the Clearing House with regard to the FCM SwapClear Clearing Services will be subject to and governed by the FCM Rulebook between the Clearing House and the FCM Clearing Member;
- (b) the FCM Regulations shall govern the registration of FCM SwapClear Contracts and all transactions between an FCM Client or Affiliate and its FCM Clearing Member resulting in the registration of FCM SwapClear Contracts, and at the time of registration of an FCM SwapClear Contract the FCM Client or Affiliate on whose behalf it was registered will be deemed to be bound by the relevant FCM SwapClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House (including, without limitation, all applicable terms of the FCM Regulations and Schedule A thereto) automatically and without any further action by such FCM Client or Affiliate or by its FCM Clearing Member, and such FCM Client or Affiliate agrees to be bound by the applicable provisions of the FCM Regulations and by the terms of the applicable FCM SwapClear Contracts in all respects;
- (c) FCM Clients and Affiliates shall not violate applicable provisions of the FCM Rulebook;
- (d) the provisions of FCM Regulation 26 (Exclusion of Liability) shall apply to each FCM Client and Affiliate mutatis mutandis as though entered into by each FCM Client and Affiliate directly with the Clearing House;
- (e) the Clearing House shall be under no obligation to deal directly with any FCM Client or Affiliate, and the Clearing House may deal exclusively with the FCM Clearing Members;
- (f) upon the default of an FCM Client's or Affiliate's FCM Clearing Member, if the Clearing House is required to do so by any Regulatory Body or applicable laws or regulations or determines in its discretion that it is necessary for its protection, the Clearing House may close out and terminate the FCM Client's or Affiliate's FCM SwapClear Contracts entered into by such FCM Clearing Member, subject to applicable law, regardless of whether such FCM Client or Affiliate had itself defaulted, and in certain circumstances the Clearing House will not transfer or otherwise re-establish such positions;
- (g) the Clearing House will not hold any assets transferred to it on behalf of any individual FCM Client or an Affiliate;
- (h) where an FCM Clearing Member provides an FCM Client's or Affiliate's securities or other assets to the Clearing House as collateral, such securities and other assets shall be held by the Clearing House in accordance with the FCM Rulebook and applicable law, and FCM Clients and Affiliates shall not be entitled to assert any equitable or other claim to any such securities or assets in circumstances where the assertion of such a claim would delay or inhibit (x) the disposal by the Clearing House of such securities or assets and/or (y) the application of the



proceeds of sale of such securities or assets, in each case in accordance with the provisions of the FCM Rulebook and applicable law; and

- (i) each FCM Client and Affiliate provides its respective FCM Clearing Member(s) with its unconditional consent for such FCM Clearing Member(s) to furnish or deposit to or with the Clearing House any securities or other assets of such FCM Client or Affiliate in the FCM Clearing Member's possession, and to repledge such property to the Clearing House, as cover for the purposes of clearing FCM SwapClear Contracts entered on behalf of the FCM Client or Affiliate.

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SCHEDULE A TO THE FCM REGULATIONS

**Part A**

**Part A**

**FCM SwapClear Contract Terms**

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

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

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

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

**1. Interpretation**

- 1.1. "ISDA 2000 Definitions" means the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), and the same are incorporated by reference herein and "ISDA 2006 Definitions" means the 2006 ISDA Definitions as published by ISDA, and the same are incorporated by reference herein.
- 1.2. Words and expressions used in these FCM SwapClear Contract Terms which are not defined in the FCM Regulations and the FCM Procedures but which are defined in the "ISDA 2000 Definitions" or the "ISDA 2006 Definitions" shall have the same meaning herein as in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be, unless expressly provided otherwise. For the avoidance of doubt where the FCM SwapClear Contract identifies the ISDA 2000 Definitions as being applicable to that FCM SwapClear Contract then those definitions will apply and where the FCM SwapClear Contract identifies the ISDA 2006 Definitions as being applicable to that FCM SwapClear Contract then those definitions will apply
- 1.3. In the event of an inconsistency between the FCM Regulations and the FCM Procedures and either the ISDA 2000 Definitions or the ISDA 2006 Definitions, the FCM Regulations and FCM Procedures will prevail.
- 1.4. References in the ISDA 2000 Definitions and the ISDA 2006 Definitions to a "Swap Transaction" shall be deemed to be references to an "FCM SwapClear Transaction" for the purposes of SwapClear.
- 1.5. Except where expressly stated otherwise, all reference to "Articles" means Articles in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be as published by ISDA:

- (a) in relation to any amendments to either the ISDA 2000 Definitions and the ISDA 2006 Definitions, the Clearing House may from time to time, by notice delivered to the FCM Clearing Members and the SwapClear Clearing Members, give directions as to whether such amendment shall apply to FCM SwapClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine;
- (b) any such notice may provide that the amendment to the ISDA 2000 Definitions and the ISDA 2006 Definitions may take effect so as to apply to FCM SwapClear Contracts registered in an FCM Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines;
- (c) the accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by, an FCM Clearing Member or a SwapClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

## **2. Economic Terms**

- 2.1. The Economic Terms of an FCM SwapClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM SwapClear Transaction in respect of the terms designated as Economic Terms in this Schedule.
- 2.2. It is part of the eligibility criteria for registration as an FCM SwapClear Contract that the particulars of an FCM SwapClear Transaction presented to the Clearing House must include matched information in respect of such designated Economic Terms, except that information in respect of (j), (viii) or (ix) (not both) for vanilla interest rate swaps with constant notional principal and variable notional swaps must be provided.
- 2.3. The Economic Terms for vanilla interest rate swaps with constant notional principal and variable notional swaps comprise:
  - (a) Notional Amount (see Article 4.7 ~~for definition~~) of the ISDA 2000 Definitions and Article 4.7 of the ISDA 2006 Definitions for definition (for variable notional swaps, the Notional Amount can be set out in a Notional Amount Schedule<sup>1</sup>);
  - (b) Currency (see Article 1.7 of the ISDA 2000 Definitions and Article 1.7 of the ISDA 2006 Definitions for definition);
  - (c) Trade Date (see Article 3.7 of the ISDA 2000 Definitions and Article 3.7 of the ISDA 2006 Definitions for definition);
  - (d) Effective Date (see Article 3.2 of the ISDA 2000 Definitions and Article 3.2 of the ISDA 2006 Definitions for definition);

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<sup>1</sup> SwapClear will accept IRS, Basis or zero coupon swaps with a Notional Amount which for each payment calculation period may remain unchanged, increase or decrease relative to its previous value. The changes in notional can only take place at the calculation period start dates and must be pre-determined at the point of registration. The notional schedule will be applied at the start of the corresponding calculation period, adjusted (or unadjusted) with the calculation period calendar specified in the trade. Notional schedules need not be identical for the two legs of the trade.

- (e) Termination Date (see Article 3.3 of the ISDA 2000 Definitions and Article 3.3 of the ISDA 2006 Definitions for definition);
- (f) Additional Payments/Fees:
  - (i) the Payer of the Additional Payments/Fees (if any);
  - (ii) the amount of the Additional Payments/Fees (specify zero if none).
- (g) Business Days (see Article 1.4 of the ISDA 2000 Definitions and Article 1.4 of the ISDA 2006 Definitions for definition);
- (h) Business Day Convention (see Article 4.12 of the ISDA 2000 Definitions and Article 4.12 of the ISDA 2006 Definitions for definition);
  - (i) Where Fixed Rate – Floating Rate Swap:
    - (i) Fixed Rate Payer (see Article 2.1 of the ISDA 2000 Definitions and Article 2.1 of the ISDA 2006 Definitions for definition);
    - (ii) Fixed Rate Payer Payment Dates;
    - (iii) Fixed Amount (see Article 4.4 of the ISDA 2000 Definitions and Article 4.4 of the ISDA 2006 Definitions for definition) [or Fixed Rate and Fixed Rate Day Count Fraction] [or Fixed Rate Payer Schedule]<sup>2</sup>;
    - (iv) Floating Rate Payer (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition);
    - (v) Floating Rate Payer Payment Dates;
    - (vi) Floating Rate Payer compounding dates (if applicable);
    - (vii) Floating Amount (see Article 4.5 of the ISDA 2000 Definitions and Article 4.5 of the ISDA 2006 Definitions for definition);
    - (viii) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);

**(Note:** The details of each such option are as provided in the Procedures).

  - (ix) Designated Maturity (see Article 7.3(b) and Article 7.3 (b) of the ISDA 2006 Definitions of the “Annex to the 2000 ISDA Definitions (June 2000 Version)” for definition);
  - (x) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>3</sup>;

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<sup>2</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a Fixed Rate on the fixed leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The Fixed Rate must be greater than or equal to 0%.

<sup>3</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

- (xi) Reset Dates (see Article 6.2(b) [of the ISDA 2000 Definitions and Article 6.2 \(b\) of the ISDA 2006 Definitions](#) for definition);
- (xii) Floating Rate Day Count Fraction (see Article 6.2(g) [of the ISDA 2000 Definitions and Article 6.2 \(f\) of the ISDA 2006 Definitions](#) for definition).
- (j) Where Floating Rate – Floating Rate Swap (“basis” swap):
  - (i) Floating Rate Payer 1 (see Article 2.2 ~~for~~ [of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions](#)for definition):
    - (a) Floating Rate Payer Payment Dates;
    - (b) Floating Rate Payer compounding dates (if applicable);
    - (c) Floating Rate Option (see Article 6.2(i) [of the ISDA 2000 Definitions and Article 6.2\(h\) of the ISDA 2006 Definitions](#) for definition);

(Note: the details of each such option are as provided in the Procedures)
    - (d) Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 version)” [and Article 7.3 \(b\) of the ISDA 2006 Definitions](#) for definition);
    - (e) Spread (see Article 6.2(f) [of the ISDA 2000 Definitions and Article 6.2 \(e\) of the ISDA 2006 Definitions](#) for definition)<sup>4</sup>;
    - (f) Reset Dates (see Article 6.2(b) [of the ISDA 2000 Definitions and Article 6.2 \(b\) of the ISDA 2006 Definitions](#) for definition);
    - (g) Floating Rate Day Count Fraction (see Article 6.2(g) [of the ISDA 2000 Definitions and Article 6.2 \(f\) of the ISDA 2006 Definitions](#) for definition)
  - (ii) Floating Rate Payer 2 (see Article 2.2 [of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions](#) for definition):
    - (a) Floating Rate Payer Payment Dates;
    - (b) Floating Rate Payer compounding dates (if applicable);
    - (c) Floating Rate Option (see Article 6.2(i) [of the ISDA 2000 Definitions and Article 6.2\(h\) of the ISDA 2006 Definitions](#) for definition)

(Note: The details of each such option are as provided in the Procedures)

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<sup>4</sup> [SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.](#)

- (d) Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 version)” [and Article 7.3 \(b\) of the ISDA 2006 Definitions](#) for definition);
- (e) Spread (see Article 6.2(f) [of the ISDA 2000 Definitions and Article 6.2 \(e\) of the ISDA 2006 Definitions](#) for definition)<sup>5</sup>;
- (f) Reset Dates (see Article 6.2(b) [of the ISDA 2000 Definitions and Article 6.2 \(b\) of the ISDA 2006 Definitions](#) for definition);
- (g) Floating Rate Day Count Fraction (see Article 6.2(g) [of the ISDA 2000 Definitions and Article 6.2 \(f\) of the ISDA 2006 Definitions](#) for definition)

#### 2.4. Financial Centers

Detail of the relevant financial center/s must be provided using the appropriate [SWIFT/Marketwire/FpML](#) code as set out below:

<b>Financial Center</b>	<b>SWIFT Code <a href="#">Marketwire/FpML</a></b>
Sydney	AUSY
Brussels	BEBR
Montreal	CAMO
Toronto	CATO
Geneva	CHGE
Zurich	CHZU
Prague	CZPR
Frankfurt	DEFR
Copenhagen	DKCO
Madrid	ESMA
Helsinki	FIHE
Paris	FRPA
London	GBLO
Hong Kong	HKHK

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<sup>5</sup> [SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.](#)

<b>Financial Center</b>	<b>SWIFT Code</b> <b><u>Marketwire/FpML</u></b>
Budapest	HUBU
Milan	ITMI
Rome	ITRO
Tokyo	JPTO
Luxemburg	LULU
Amsterdam	NLAM
Oslo	NOOS
Auckland	NZAU
Wellington	NZWE
Stockholm	SEST
Chicago	USCH
Los Angeles	USLA
New York	USNY
Target/Euro	EUTA
Warsaw	PLWA
Singapore	SGSI
Johannesburg	ZAJ0

### **3. Standard Terms**

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

#### **3.1. Business Days**

In addition to the Business Days for the financial centers specified in the Economic Terms, (such Business Days to be determined in accordance with the SwapsMonitor Financial Calendar) the Business Days specified in the calendar published by the Clearing House, from time to time, will apply to an FCM SwapClear Contract.

#### **3.2. Negative Interest Rates**

The "Negative Interest Rate Method" as set out in Article 6.4(b) of the ISDA Definitions, will apply to an FCM SwapClear Contract.

#### **3.3. Withholding Tax Provisions**

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

The Clearing House shall make any payments due to an FCM Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.

#### **3.4. Payment of Stamp Tax**

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

#### **3.5. Payments under an FCM SwapClear Contract**

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

#### **3.6. FCM Regulations**

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

#### **3.7. Governing Law**

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



shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

**3.8. Third Party Rights**

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

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**Part B**

**Part B**

**Product Eligibility Criteria for Registration of an FCM SwapClear Contract**

**1. FCM SwapClear Transaction**

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

- (a) the transaction meets the eligibility criteria, set out in paragraph [4.2, 1.2\(A\), \(B\) and 1.3](#), below for an FCM SwapClear Transaction; and
- (b) each party to the transaction is an Executing Party;

and the requirements of (a) and (b) continue to be satisfied at Registration Time.

**1.2. Product eligibility criteria for an FCM SwapClear Transaction**

[\(A\) Vanilla interest rate swaps with constant notional principal having the characteristics set out in the table below:](#)

Instrument	Acceptable Currencies	Acceptable Indices <sup>4-1</sup>	Types	Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)	
Vanilla interest rate swaps with constant notional principal	Sterling (GBP)	GBP-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
			Fixed vs. Floating	Single currency	736 days	
	US Dollar (USD)	USD-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
			See Article 7.1(ab) (xxii) for	Floating vs. Floating		

<sup>4-1</sup> References in this column are to the 2006 ISDA Definitions

Instrument	Acceptable Currencies	Acceptable Indices <sup>41</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		definition	Floating			
		USD-Federal Funds H.15-OIS-COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See article 7.1(ab)(xxxix) for definition				
	Euro (EUR)	EUR-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		See Article 7.1(f)(vii) for definition	Floating vs. Floating			99,999,999,999.99
		EUR-EURIBOR-Telerate				
		See article 7.1 (f)(ii) for definition				
		EUR-EONIA-OIS-COMPOUND	Fixed vs. Floating	736 days		
		See Article 7.1(f) (viii) for definition				
	Australian Dollar (AUD)	AUD-BBR-BBSW	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99

Instrument	Acceptable Currencies	Acceptable Indices <sup>41</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
Vanilla interest rate swaps with constant notional principal		See Article 7.1(a) (iv) for definition	Floating vs. Floating			
		AUD-LIBOR-BBA				
		See Article 7.1(a) (viii) for definition				
	Canadian Dollar (CAD)	CAD-BA-CDOR	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(b) (ii) for definition	Floating vs. Floating			
		CAD-LIBOR-BBA				
	See Article 7.1(b) (viii) for definition					
Czech Koruna (CZK)	CZK-PRIBOR-PRBO		FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
	See Article 7.1r (i) for definition	FLOAT vs. FLOAT				
Danish Krone (DKK)	DKK-CIBOR-DKNA13		Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99

Instrument	Acceptable Currencies	Acceptable Indices <sup>41</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		See Article 7.1(e) (i) for definition	Floating vs. Floating			
		DKK-CIBOR2-DKNA13				
		See Article 7.1(e) (ii) for definition				
	Hong Kong Dollar (HKD)	HKD-HIBOR-HIBOR=	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(g) (ii) for definition	Floating vs. Floating			
		HKD-HIBOR-HKAB				
		See Article 7.1(g) (iii) for definition				
		HKD-HIBOR-ISDC				
		See Article 7.1(g) (i) for definition				
	Hungarian Forint (HUF)	HUF-BUBOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	1-10,000,000,000,000
		See Article 7.1r (i) for definition	FLOAT vs. FLOAT			
	Japanese Yen (JPY)	JPY-LIBOR-	Fixed vs.	Single currency	10970 days	1-10,000,000,000

Instrument	Acceptable Currencies	Acceptable Indices <sup>41</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		BBA	Floating			00,000
		See Article 7.1(l) (iv) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-Telerate	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(l) (iii) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-FRA	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(p) (iii) for definition	Floating vs. Floating			
	Norwegian Krone (NOK)	NOK-NIBOR-NIBR	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(q) (i) for definition	Floating vs. Floating			
	Singapore Dollar (SGD)	SGD-SOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		<a href="#">SGD-SOR-Reuters</a>				
		See Article 7.1(q) (i) for definition	Floating vs. Floating			

Instrument	Acceptable Currencies	Acceptable Indices <sup>41</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
	Swedish Krona (SEK)	SEK-STIBOR-SIDE	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(x) (i) for definition	Floating vs. Floating			
	Swiss Franc (CHF)	CHF-LIBOR-BBA	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(y) (ii) for definition				
		CHF-TOIS_OIS_COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See Article 7.1(y) (iv) for definition	Floating vs. Floating			
	Polish Zloty(PLN)	PLN	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		WIBOR-WIBO				
		See Article 7.1r (i) for definition	FLOAT vs. FLOAT			
	South African Rand (ZAR)	ZAR	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		JIBAR-SAFEX				
		See Article 7.1v (i) for definition	FLOAT vs. FLOAT			

(B) Variable notional swaps having the characteristics set out in the table below:

<u>Instrument</u>	<u>Acceptable Currencies</u>	<u>Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)</u>	<u>Types</u>	<u>Single currency</u>	<u>Maximum Residual Term</u>	<u>Notional Amount (Min - Max of the relevant currency unit)</u>
<u>Variable Notional Swap</u>	<u>USD</u>	<u>USD-LIBOR-BBA</u>	<u>Interest Rate Swap</u>	<u>Single currency</u>	<u>18,275 Days</u>	
<u>Variable Notional Swap</u>	<u>USD</u>	<u>USD-LIBOR-BBA</u>	<u>Basis Swap</u>	<u>Single currency</u>	<u>18,275 Days</u>	
<u>Variable Notional Swap</u>	<u>USD</u>	<u>USD-LIBOR-BBA</u>	<u>Zero Coupon Swap</u>	<u>Single currency</u>	<u>18,275 Days</u>	
<u>Variable Notional Swap</u>	<u>EUR</u>	<u>EUR-LIBOR-BBA</u>	<u>Interest Rate Swap</u>	<u>Single currency</u>	<u>18,275 Days</u>	
<u>Variable Notional Swap</u>	<u>EUR</u>	<u>EUR-LIBOR-BBA</u>	<u>Basis Swap</u>	<u>Single currency</u>	<u>18,275 Days</u>	
<u>Variable Notional Swap</u>	<u>EUR</u>	<u>EUR-LIBOR-BBA</u>	<u>Zero Coupon Swap</u>	<u>Single currency</u>	<u>18,275 Days</u>	
<u>Variable Notional Swap</u>	<u>EUR</u>	<u>EUR-EURIBOR-REUTERS</u>	<u>Interest Rate Swap</u>	<u>Single currency</u>	<u>18,275 Days</u>	
<u>Variable Notional Swap</u>	<u>EUR</u>	<u>EUR-EURIBOR-REUTERS</u>	<u>Basis Swap</u>	<u>Single currency</u>	<u>18,275 Days</u>	
<u>Variable Notional Swap</u>	<u>EUR</u>	<u>EUR-EURIBOR-REUTERS</u>	<u>Zero Coupon Swap</u>	<u>Single currency</u>	<u>18,275 Days</u>	
<u>Variable Notional Swap</u>	<u>GBP</u>	<u>GBP-LIBOR-BBA</u>	<u>Interest Rate Swap</u>	<u>Single currency</u>	<u>18,275 Days</u>	
<u>Variable Notional Swap</u>	<u>GBP</u>	<u>GBP-LIBOR-BBA</u>	<u>Basis Swap</u>	<u>Single currency</u>	<u>18,275 Days</u>	
<u>Variable Notional Swap</u>	<u>GBP</u>	<u>GBP-LIBOR-BBA</u>	<u>Zero Coupon Swap</u>	<u>Single currency</u>	<u>18,275 Days</u>	

2. [ Intentionally Omitted ]

3. **Additional Criteria for an FCM SwapClear Transaction**



3.1. A contract must also meet the following additional criteria to be eligible as an FCM SwapClear Transaction:

(A) ~~3.1.1.~~ Day Count Fractions

(See Article 4.16 of the “Annex to 2000 ISDA Definitions (June 2000 Version)”, and Article 4.16 of the ISDA 2006 Definitions for definition)

(a) The Clearing House will only accept the following day count fractions for vanilla interest rate swaps with constant notional principal and variable notional swaps. Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:

Day Count Fractions using the ISDA 2000 Definitions

<u>Day Count Fraction</u>	<u>MarkitWire/FpML Code</u>
<u>30/360 (or Bond Basis)</u>	<u>30/360</u>
<u>30E/360 (or Eurobond Basis)</u>	<u>30E/360</u>
<u>Actual/360</u>	<u>ACT/360</u>
<u>Actual/365 (Fixed)</u>	<u>ACT/365.FIXED</u>
<u>Actual/365 (or Actual/Actual)</u>	<u>ACT/365.ISDA</u>
<u>Actual/Actual (ISMA)</u>	<u>ACT/ACT.ISMA</u>

Day Count Fractions using the ISDA 2006 Definitions:

<u>Day Count Fraction</u>	<u>MarkitWire/FpML Code</u>
<u>30/360 (or Bond Basis)</u>	<u>30/360</u>
<u>30E/360 (or Eurobond Basis)</u>	<u>30E/360</u>
<u>Actual/360</u>	<u>ACT/360</u>
<u>Actual/365 (Fixed)</u>	<u>ACT/365.FIXED</u>
<u>Actual/Actual</u>	<u>ACT/ACT.ISDA</u>
<u>30E/360 (ISDA)</u>	<u>30E/360.ISDA</u>
<u>Actual/Actual (ICMA)</u>	<u>ACT/ACT.ICMA</u>

<b>Fraction</b>	<b>SWIFT Code</b>
Actual/365, Actual/Actual <i>(See Article 4.16(b) for definition)</i>	ACT/365
Actual/365 (Fixed) <i>(See Article 4.16(c) for definition)</i>	AFI/365
Actual/360 <i>(See Article 4.16(d) for definition)</i>	ACT/360

Fraction	SWIFT Code
30/360,360/360, Bond Basis (See Article 4.16(e) for definition)	360/360
30E/360 (See Article 4.16(f) for definition)	30E/360

**(B)** ~~3.1.2.~~ Business Day Conventions

The Business Day Convention specified in the Economic Terms must be one of the following:

Following (see Article 4.12 (i) [of the ISDA 2000 Definitions and Article 4.12 \(i\) of the ISDA 2006 Definitions](#) for definition)

Modified Following (see Article 4.12 (ii) [of the ISDA 2000 Definitions and Article 4.12\(ii\) of the ISDA 2006 Definitions](#) for definition)

[Preceding \(see Article 4.12 \(iii\) of the ISDA 2000 Definitions and Article 4.12 \(iii\) of the ISDA 2006 Definitions for definition\)](#)

[For vanilla interest rate swaps with constant notional principal SwapClear does not support trades where a different business day convention is used for:](#)

[\(a\) fixed period end dates and the termination date](#)

[\(b\) float period end dates and the termination date](#)

**(C)** ~~3.1.3.~~ Minimum [and Maximum](#) Residual Term of the Trade ([Termination date – Today](#))

~~The residual term of the trade is the period from the date of submission of the trade for registration by the Clearing House to the date of termination. It must be greater than or equal to the period of the load status lag added to the period of the currency settlement lag. For these purposes the period of the load status lag is nil for new trades submitted through an Approved Trade Matching system, and one day for trades registered through any applicable Backloading Procedures, and the period of the currency settlement lag is one day for euro (EUR). Trades in respect of vanilla interest rate swaps with constant notional principal and variable notional swaps are subject to a minimum and maximum Residual Term on the day they are received by SwapClear.~~

[Minimum Residual Term of trade:](#)

[Termination date - Today >= 1 + currency settlement lag](#)

[where currency settlement lag is:](#)

~~1 day for EUR, US dollar (USD) Canadian Dollars (CAD) USD, GBP and Sterling (GBP) CAD~~ [denominated trades and two](#)

~~2~~ days for ~~Japanese Yen (JPY), Norwegian Krone (NOK), Danish Krone (DKK), Swedish Krona (SEK), Australian Dollar (AUD), New Zealand Dollar (NZD), Hong Kong Dollar (HKD), Swiss Franc (CHF), Polish Zloty (PLN) and South African Rand (ZAR), Czech Koruna (CZK), Hungarian Forint (HUF) and Singapore Dollar (SGD) denominated trades.~~ CHF, AUD, DKK, HKD, NZD, SEK, NOK, PLN, ZAR, SAD, HUF & CZK denominated trades

(D) ~~3.1.4.~~ Designated Maturity

The Designated Maturity must be no less than one month and no more than twelve months. The Clearing House will, excepting stub periods, only accept a Designated Maturity that is a whole calendar month.

(E) ~~3.1.5.~~ Calculation Periods

(See Article 4.13 of the ISDA 2000 Definitions and Article 4.13 of the ISDA 2006 Definitions for definition.)

~~The~~ For vanilla interest rate swaps with constant notional principal and variable notional swaps the Clearing House will only accept non-standard Calculation Periods ("stub periods") at either the start or end of the contract. Transactions with stub periods at both the start and end of the transaction will not be eligible as FCM SwapClear Transactions.

## **SCHEDULE B TO THE FCM REGULATIONS**

### **Clearing House Prescribed Language**

~~Capitalised terms used in this Annex shall have the meaning specified in the FCM Rulebook.~~

~~[FCM Client] hereby understands, acknowledges and agrees that:~~

- ~~(a) the services provided by the Clearing House with regard to the FCM SwapClear Clearing Services will be subject to and governed by the FCM Rulebook and the FCM Default Management Process Agreement between the Clearing House and the FCM Clearing Member. [FCM Client] agrees that: (i) it shall not act so as to cause — whether directly or indirectly — any breach of the FCM Rulebook; and (ii) it shall refrain, upon receiving notice, from actions which cause or may cause — whether directly or indirectly — any breach of the FCM Default Management Process Agreement. The provisions of the amended text of FCM Regulation 26 (Exclusion of Liability) of the FCM Rulebook set out below shall apply *mutatis mutandis* as though entered into by [FCM Client] directly with the Clearing House;~~
- ~~(b) all transactions between [FCM Client] and its FCM Clearing Member resulting in the registration of FCM SwapClear Contracts on behalf of [FCM Client] will be governed by the FCM Regulations and [FCM Client] agrees to be bound by such FCM Regulations with respect to such transactions in all respects. Without limitation of the~~

~~foregoing, [FCM Client] understands, acknowledges and agrees that, at the time that an FCM SwapClear Contract is registered in the name of its FCM Clearing Member on behalf of [FCM Client], [FCM Client] will be deemed to be bound by the relevant FCM SwapClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House, automatically and without any further actions by such FCM Clearing Member or [FCM Client], which such terms shall, without limitation, incorporate all applicable terms of FCM Regulations and Schedule A hereto;~~

- ~~(c) the Clearing House deals only with its FCM Clearing Members and [FCM Client] will have no right or authority to deal directly with the Clearing House, including but not limited to in connection with the matters addressed herein. [FCM Client] shall deal only with its FCM Clearing Member in connection with all FCM SwapClear Contracts cleared on [FCM Client]'s behalf through the Clearing House;~~
- ~~(d) upon the default of an FCM Clearing Member, if the Clearing House is required to do so by any Regulatory Body or applicable laws or regulations or determines in its discretion that it is necessary for its protection, the Clearing House will close out and terminate the FCM SwapClear Contracts entered into by that FCM Clearing Member in respect of [FCM Client] and will not transfer or otherwise re-establish such positions;~~
- ~~(e) [FCM Client] will not be entitled to instruct the Clearing House to act or omit to act in any manner at any time prior to the default of the relevant FCM Clearing Member;~~
- ~~(f) [FCM Client] will not be entitled to any information from the Clearing House as to any balance held by the Clearing House for any person at any time;~~
- ~~(g) the Clearing House will not hold any assets transferred to it in trust for any person;~~
- ~~(h) where the FCM Clearing Member provides securities to the Clearing House as collateral (the "Securities"), [FCM Client] will not be entitled to assert any equitable or other claim to any such Securities in circumstances where the assertion of such a claim would delay or inhibit the disposal by the Clearing House of such Securities and/or the application of the proceeds of sale of such Securities in accordance with the provisions of the FCM Rulebook; and~~
- ~~(i) an FCM Clearing Member has [FCM Client]'s unconditional consent to furnish or deposit to or with the Clearing House as cover for the purposes of the FCM Regulations any securities or other assets of [FCM Client] in the FCM Clearing Member's possession, and to repledge such property to the Clearing House.~~

For variable notional swaps the stub rate should be detailed either as a percentage (i.e. 5.5%), an interpolation (i.e. 1 month/3months) or as a designated maturity (i.e. 1 month). Stub Rates within the Final Stub are calculated via interpolation or as a designated maturity.

For interpolated coupons, payment dates must fall between the rolled dates, according to the Modified Following business day convention, of the specified designated maturities. Where this does not occur and extrapolation would be required, SwapClear will reject the trade.

The minimum stub period of a variable notional swap accepted by SwapClear is 1 + Currency Settlement Lag. The minimum stub rate tenor must be  $\geq$  1 week for IRS and basis swap and  $\geq$  1 month for zero coupon swaps.

SwapClear also calculates floating periods subject to 'IMM settlement dates as per ISDA definitions.

#### Regulation 26 (Exclusion of Liability) of the FCM Regulations

- ~~(a) — Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to an FCM Clearing Member or any other person in respect of any dispute arising from or in relation to any FCM SwapClear Contract, but not limited to, any dispute as to the validity or otherwise of such FCM SwapClear Contract, the terms of such FCM SwapClear Contract or whether any alleged agreement or arrangement constitutes an FCM SwapClear Contract.~~
- ~~(b) — Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation 26(d), neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member, or to any other person in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of: any suspension of clearing services, whether for a temporary period or otherwise, a step taken by the Clearing House under FCM Regulations 13, 14 or 5(f) or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the FCM Regulations, or any decision by the Clearing House not to exercise any such discretion.~~
- ~~(c) — Without prejudice to FCM Regulation 26(b) and FCM Regulation 26(d), unless otherwise expressly provided in the FCM Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability under any circumstances (including, without limitation, as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives) to any FCM Clearing Member or any other Executing Party for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such FCM Clearing Member or other Executing Party and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.~~
- ~~(d) — Nothing in this FCM Regulation 26 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or wilful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or wilful default on the part of the Clearing House.~~

~~(e) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation 26(d) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member or to any other person (including, without limitation, any FCM Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by an FCM Clearing Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology.~~

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Document 2 ID	file:///I:/Legal Department Files/PROJECTS/SwapClear Client Clearing/FCM MODEL/FCM 2/CFTC Submission/FCM Regulations (Clean - Final Submitted) 16.11.11.doc
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Total changes	817

**Exhibit A-2**  
**FCM Procedures**

See Attached.



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## FCM PROCEDURES

Except where the context otherwise requires, defined terms used herein have the meaning ascribed to them in the FCM Regulations or in other portions of the FCM Rulebook.

### **1. FCM CLEARING MEMBER STATUS**

#### **1.1 FCM Clearing Member Application Procedure**

- (a) Application Procedure: An application for FCM Clearing Member status of the Clearing House must be made on the appropriate form which can be obtained from the Clearing House's Membership Department. Additional information (including legal documents) must be supplied where required and submitted to the Clearing House with the completed form.

Applicants approved by the Clearing House for FCM Clearing Member status ("Approved Applicants") must, within three months of notification of their approval as an applicant, fulfil all conditions attached to their approval. If an Approved Applicant does not fulfil all such conditions within these three months, the Clearing House may, at its sole discretion, require that an Approved Applicant re-apply for FCM Clearing Member status.

Approved Applicants will become FCM Clearing Members with the right to clear FCM SwapClear Contracts. Please note that FCM Clearing Member status does not provide membership of the company LCH.Clearnet Limited or any right to a shareholding therein, nor does it provide the right to any shareholding in LCH.Clearnet Group Limited or any entitlement or right to participate in any way in LCH.Clearnet SA or the clearing services it offers. LCH.Clearnet SA has its own arrangements and admission criteria for Clearing Member status – see the LCH.Clearnet SA sections of the LCH.Clearnet website for further details.

- (b) FCM Clearing Member Status: The terms and conditions binding on each FCM Clearing Member are set out in the FCM Rulebook (which includes these FCM Procedures), the FCM Clearing Membership Agreement, the FCM Default Management Process Agreement and the FCM Default Fund Agreement, each as amended from time to time. Two copies of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement will be provided to the applicant who must sign both copies of each (but not date them) and return them to the Clearing House's Membership Department along with the application documentation.

The applicant must pay the stipulated application fee to the Clearing House. This fee must accompany the application for FCM Clearing Member status and is non-refundable.

If and when FCM Clearing Member status is granted, new FCM Clearing Members will receive a duly executed (and dated) copy of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement together with the notification of acceptance and details of any condition(s) attached to FCM Clearing Member status. If granted, FCM Clearing Member status is subject to a Contribution to the Default Fund of the Clearing House (DF), as determined by the Clearing House under the Default Fund Rules.

- (c) Conditions of Application: An applicant for FCM Clearing Member status must accept that the Clearing House:
- (i) is entitled to make enquiries of any nature about the applicant and any person connected or associated with the applicant;
  - (ii) is entitled to ask the applicant to supply additional information and take whatever steps are necessary to verify information;
  - (iii) is entitled to provide and/or disclose information to an exchange, governmental department, regulatory organization, other authority, or to the Clearing House's insurers in connection with any form of insurance, or to any person pursuant to the provisions of the CEA, any rules made thereunder, or in accordance with any other statutory requirement, and in accordance with the terms of the FCM Clearing Membership Agreement;
  - (iv) may disclose to any other party the name, address, registered number and details of any exchange or clearing memberships held or applied for; and
  - (v) will endeavour to process, consider and decide upon an application in a timely fashion, but owes no duty or obligation to the applicant to do so.

### **General**

An applicant must, in accordance with the FCM Regulations satisfy the criteria set out in the FCM Regulations and these FCM Procedures in order to be considered for FCM Clearing Member status. These requirements are without prejudice to the provisions of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement which must be executed by the applicant, and must equally be met by FCM Clearing Members.

The applicant and those of its staff who exercise an executive or managerial role, must have a high standard of integrity and a level of knowledge, as determined by and acceptable to the Clearing House, of the nature, risks and obligations of trading in the market they wish to clear.

The applicant must satisfy the minimum Net Capital requirements, as set out in the FCM Regulations or such greater amounts as may be required by the Clearing House.

The applicant must open Protected Payments System (PPS) bank account(s) at one or more of the bank branches participating in the PPS system:

- (i) in London in each currency including in US dollars and GBP;
- (ii) in the USA in US dollars,

and must execute all necessary PPS mandates for House and Client accounts.

The applicant must maintain a back office:

- (i) remote from the trading desk;
- (ii) with adequate systems (including but not limited to computer and communications systems) and records;
- (iii) with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the contracts cleared by the Clearing House in which the applicant participates; and
- (iv) with such technology and connectivity as may be stipulated by the Clearing House.

The applicant must at all times respond promptly to enquiries or requests for information made by the Clearing House.

- (d) Termination of FCM Clearing Member Status: In the event that an FCM Clearing Member wishes to terminate its FCM Clearing Member status, it may do so by giving notice of not less than three months ahead of its proposed termination date. By the close of business on the termination date, the FCM Clearing Member shall ensure that all registered FCM SwapClear Contracts in its name have been closed-out or transferred so as to ensure that there are no ~~open-registered FCM SwapClear~~Open Contracts to which ~~they are~~it is party to at the termination date. A resigning FCM Clearing Member should note that any and all Executing ~~Dealers with~~Parties for which it clears FCM SwapClear Transactions will be required to find alternative clearing arrangements by this date or will be unable to ~~trade on the relevant cleared market~~enter into FCM SwapClear Transactions unless such Executing ~~Dealer~~Party already has other clearing arrangements in place. For further information on the resignation process, FCM Clearing Members should contact the Clearing House's Membership Department.

If an FCM Clearing Member has not been active in a market for a continuous period of three months, it will be asked to confirm that they intend to utilize their FCM Clearing Member status and, failing a satisfactory response, they may be required to resign their FCM Clearing Member status.

- (e) Guarantees:

FCM Clearing Members are required to notify promptly or pre-notify the Clearing House of any changes which may result in non-compliance with the FCM Clearing Member status criteria as stated in the FCM Regulations and these FCM Procedures.

## 1.2 **Net Capital**

### 1.2.1 **Net Capital Requirements**

FCM Clearing Members are required to maintain a minimum level of net capital as set out in the FCM Regulations.

### 1.2.2 **Additional Net Capital Requirements**

Additional resources will be required when, in the Clearing House's assessment, an FCM Clearing Member's Net Capital is not commensurate with its level of business.

### 1.3 **Calculation Of Net Capital**

Net capital is calculated in line with CFTC ~~Rule~~[Regulation](#) 1.17.

### 1.4 **Financial Reporting**

FCM Clearing Members must provide the financial information detailed below in order to demonstrate that they continue to comply with the Clearing House's Net Capital requirements at all times.

#### 1.4.1 **FCM Clearing Members**

- (a) All FCM Clearing Members must, within six months from the date on which their annual accounts are made up, provide the Clearing House with an English-language copy of their profit and loss account and balance sheet, together with a statement that their auditors have reviewed and approved them, drawn up in accordance with CFTC ~~Rule~~[Regulation](#) 1.16 requirements or otherwise in accordance with the requirements of the Clearing House. In addition, the Clearing House may at its discretion require the provision of financial accounts for the ultimate or immediate parent of the FCM Clearing Member.
- (b) All FCM Clearing Members must provide the Clearing House with copies of all financial returns made to their regulators, and upon request from the Clearing House, any other notifications made to the CFTC as required under the CFTC's ~~Rules~~[Regulations](#) (including ~~Rule~~[Regulation](#) 1.12).

#### 1.4.2 **Reduction in Net Capital**

All FCM Clearing Members must immediately notify the Clearing House of any significant reduction (usually 10% or more), from the figures shown in their last financial returns, in:

- (a) shareholders' funds;
- (b) Net Capital.

### 1.5 **Additional Requirements**

#### 1.5.1 **Notification of Changes of Ownership**

FCM Clearing Members are required to notify or pre-notify the Clearing House of changes in controlling holdings (defined as the exercise or control of 20% or more of the voting power of the firm). In cases of changes in ownership, and particularly where those potentially acquiring a dominant stake in an FCM Clearing Member are not known to the Clearing House, FCM Clearing Members are required to pre-notify the Clearing House of their plans. The proposed change of ownership may be subject to an approval process involving the Risk Committee and Board of the Clearing House (LCH.Clearnet Limited).

### 1.6 **Other Conditions**

The Clearing House may, at any time, impose additional conditions relating to continued FCM Clearing Member status, and at any time vary or withdraw any such conditions. These conditions may include, but are not limited to, a requirement to



deposit additional security in cash or other collateral as determined by the Clearing House.

## FCM SWAPCLEAR

### **2. SWAPCLEAR**

#### **2.1 The Clearing Process**

The FCM SwapClear Service is an interface that processes and stores all FCM SwapClear Transactions received from an [FCM](#) Approved Trade Source System.

Only FCM Clearing Members are authorised by the Clearing House to submit trades for clearing in the FCM SwapClear Service.

##### **2.1.1 FCM SwapClear Service Functions**

The following functions are performed within the FCM SwapClear Service:

- (a) processing and settlement of coupon payments;
- (b) processing and settlement of consideration (fee) payments;
- (c) calculation of initial and variation margin requirements;
- (d) calculation of Price Alignment Interest;
- (e) adjustment of cash payments to conform with Opening Days and the SwapClear Calendars;
- (f) allocation and designation of trades to a position-keeping account; and
- (g) reporting of registered trades.

FCM SwapClear Transactions submitted via an [FCM](#) Approved Trade Source System (i.e. new trades submitted for intra-day registration or existing trades submitted for overnight registration – see sections 2.3.2 and 2.3.3) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the FCM SwapClear clearing system. Information regarding FCM SwapClear Contracts and margin reporting will be disseminated via the Clearing House's FCM Clearing Member Reporting (see section 2.1.3).

##### **2.1.2 Clearing House System Requirements**

An FCM Clearing Member must, in order to submit FCM SwapClear Transactions to the Clearing House, be a user of an [FCM](#) Approved Trade Source System.

##### **2.1.3 SwapClear FCM Clearing Member Reporting**

There are two methods of notification to FCM Clearing Members of FCM SwapClear Contract registrations:

Report 001

Via the [FCM](#) Approved Trade Source System.

An end-user report generation and analytical capability is provided by the Clearing House to FCM Clearing Members. All FCM SwapClear reports will be disseminated via the Clearing House's secure password access FCM Clearing Member-only

website. These reports are the definitive record as to registration by the Clearing House.

The Clearing House is not liable for any corruption or alteration of messages or loss of data which may take place within any [FCM](#) Approved Trade Source System.

FCM Clearing Members will be able to customize and produce reports either to print locally or to download in machine-readable data-file format. Queries about the FCM Clearing Member-only website should be directed to the Clearing House Service Desk on +44 (0)20 7426 7200.

## 2.2 **Operating Times And Calendars**

### 2.2.1 **Opening Days**

The Clearing House will publish a circular detailing the days on which the FCM SwapClear clearing system will be open.

### 2.2.2 **Opening Hours**

The FCM SwapClear clearing system will be operational during the following hours:

07:30 to ~~22~~24:00 hours London time (a "Business Day")

### 2.2.3 **FCM SwapClear Clearing System Calendars**

The FCM SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. This will require all FCM Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM SwapClear clearing system, will be available online for inspection and for file download from FCM Clearing Member Reporting (see section 2.1.3).

## 2.3 **Registration**

### 2.3.1 **Submission for Registration**

The Clearing House receives [details of](#) a new eligible ~~swap-trade~~[FCM SwapClear Transaction](#) using agreed format messages via ~~the~~[an FCM](#) Approved Trade Source System. ~~Where an FCM Clearing Member wishing to submit an FCM SwapClear Transaction to the Clearing House for registration via MarkitWire it must first request that the trade be cleared using either the appropriate GUI or API functions.~~ The [FCM](#) Approved Trade Source System will ~~then~~ send these trades to the Clearing House ~~when~~[once](#) they have been bi-laterally agreed [by two Executing Parties and will confirm which FCM Clearing Member\(s\) has been elected to register the FCM SwapClear Transaction.](#)

### 2.3.2 **Clearing House Notification**

[Following receipt of information from the FCM Approved Trade Source System, the Clearing House will notify the relevant FCM Clearing Member\(s\), via member reports, the SwapClear API or otherwise, that an Executing Party has elected it to register the FCM SwapClear Transaction with the Clearing House \(the "FCM Notification"\).](#)

Following receipt of the FCM Notification, an FCM Clearing Member may choose to accept or refuse to register the FCM SwapClear Transaction on behalf of the Executing Party.

Where an FCM Clearing Member accepts registration of the FCM SwapClear Transaction and notifies the Clearing House of such acceptance, the FCM Clearing Member shall, pursuant to FCM Regulation 5(b), (i) be deemed to have presented the FCM SwapClear Transaction for clearing and (ii) become obligated to pay all cover required by the Clearing House in connection with the registration of the FCM SwapClear Transaction upon request of the Clearing House.

It is a condition for registration of an FCM SwapClear Transaction that, where both Executing Parties intend to register the FCM SwapClear Transaction through an FCM Clearing Member, both FCM Clearing Members accept the FCM Notification (or where such Executing Parties nominate the same FCM Clearing Member, such FCM Clearing Member accepts both acceptances) and therefore submit the FCM SwapClear Transaction to the Clearing House. In accordance with Section 2.3.4 of these FCM Procedures, it is a condition for registration of an FCM SwapClear Contract that the applicable FCM Clearing Member provide sufficient cover to the Clearing House in respect of such FCM SwapClear Contract prior to registration.

### 2.3.3 ~~2.3.2~~ SwapClear FCM Approved Trade Source Systems

Currently the ~~only~~ FCM Approved Trade Source ~~System~~ Systems designated by the Clearing House for SwapClear ~~is~~ are ~~[MarkitWire, Bloomberg and Tradeweb].~~ Where the Clearing House approves additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.

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

Notwithstanding the designation by the Clearing House of any system as an FCM Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM SwapClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System. ~~The ability of FCM Clearing Members to submit FCM SwapClear Transactions through a given Approved Trade Source System may be suspended from time to time.~~

~~FCM Clearing Members should ensure that only trades which meet the criteria to be FCM SwapClear Transactions are submitted to the Clearing House from any Approved Trade Source System.~~—The Clearing House will process any FCM SwapClear Transaction reported to it by an FCM Approved Trade Source System on an “as is” basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM SwapClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant ~~FCM Clearing Members~~ Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an [FCM Approved Trade Source System](#) to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM SwapClear Contract~~s~~ on the basis of incorrect or corrupted data sent to it by an [FCM Approved Trade Source System](#) and accepted by an FCM Clearing Member, the FCM Clearing ~~Members~~[Member](#) concerned shall be bound by the terms of such FCM SwapClear Contract~~(s)~~. The Clearing House ~~may agree to~~[shall](#) use its reasonable endeavours to assist the relevant FCM Clearing Members in re-registering the trade on the correct basis but ~~it shall be under no obligation to do so~~ ~~and~~ the Clearing House shall not be liable to the FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Contract~~(s)~~.

FCM Clearing Members shall ensure that ~~all transaction details entered into an Approved Trade Source System for reporting to the Clearing House are input~~[accepted for registration are accepted](#) by appropriately authorised personnel. ~~FCM Clearing Members must ensure that the security and access procedures of the relevant Approved Trade Source System are complied with at all times. The~~[Apart from the foregoing acceptance, the](#) Clearing House is not able to, and will not, verify the authorisation of the source of any details of any transaction reported to it for registration by any [FCM Approved Trade Source System](#). The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorised ~~input of details into a system of an Approved Trade Source System~~[acceptance of an FCM Notification](#).

#### [2.3.4](#) ~~2.3.3~~ **Registration of New Trades**

New trades are registered on an intra-day basis. ~~The~~[Following acceptance by an FCM Clearing Member, the](#) FCM SwapClear Clearing System will respond, after processing, with a message either confirming the registration or giving a reason for rejection (see section ~~2.3.6~~[2.3.7](#)). The registration notification or rejection message will be sent via the originating [FCM Approved Trade Source System](#), the SwapClear API or otherwise. The definitive report of a registered FCM SwapClear Contract will be shown on Reporting (see section 2.1.3) on the FCM Clearing Member reporting account in the FCM SwapClear clearing system.

The Clearing House ~~may~~[will](#) require an FCM Clearing Member in whose name an open contract is to be registered to provide it with cover for initial and variation margin prior to registration. In ~~these circumstances variation~~[accordance with FCM Regulation 5\(b\), an FCM Clearing Member becomes obligated to pay such cover to the Clearing House upon the FCM Clearing Member's acceptance for registration of an FCM SwapClear Transaction and the FCM Clearing Member shall pay such cover prior to registration upon request of the Clearing House. Variation](#) margin can be covered intra-day in non-cash collateral.

FCM SwapClear Transactions that are submitted for registration ~~near to the closing time of the service~~[after 14:30](#) are registered the following morning, subject to the normal requirements for margin (unless the FCM Clearing Member has provided excess cover).

#### [2.3.5](#) ~~2.3.4~~ **Backloading of Existing Trades**

The Clearing House provides the facility for FCM Clearing Members to load eligible existing ~~swap trades~~[FCM SwapClear Transactions](#), through an [FCM Approved](#)

Trade Source System. ~~This [(currently only MarkitWire)]. Where the Clearing House approves additional FCM Approved Trade Source Systems for this purposes, it will notify FCM Clearing Members via member circular. Backloading~~ requires bilateral agreement between the relevant ~~FCM Clearing Members or Executing Parties and acceptance by~~ the FCM Clearing Member(s) and the SwapClear Clearing Member ~~(as the case may be), if any,~~ of the full particulars required by the Clearing House for each such ~~swap trade, with both parties re-confirming the trades via an Approved Trade Source System~~ FCM SwapClear Transactions. Following acceptance, the backloaded trade shall be deemed to have been presented by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, for registration by the Clearing House. In any backloading of transactions where one leg is to be registered as an SCM SwapClear Contract, the UK General Regulations will apply with respect to such registration of an SCM SwapClear Contract.

The Clearing House will, in the case of FCM SwapClear Transactions that have a Trade Date of greater than ten calendar days prior to the date of submission, hold the FCM SwapClear Transaction overnight for registration the following day. For ~~Backloaded~~ backloaded trades the Clearing House will notify FCM Clearing Members of their submission and status via FCM Clearing Member Reporting (see section 2.1.3). It is a pre-condition of registration that sufficient cover for initial and variation margin is provided.

### 2.3.6 ~~2.3.5~~ Notification

The Clearing House will notify FCM Clearing Members of the registration or rejection of FCM SwapClear Transactions, or contracts purported as such, via the SwapClear FCM Clearing Member Reporting System (see section 2.1.3) and the originating FCM Approved Trade Source System messaging service for onward transmission to the submitting FCM Clearing Member.

### 2.3.7 ~~2.3.6~~ Rejected Trades

Trades submitted for registration that do not meet the product or other eligibility criteria prescribed from time to time by the Clearing House or which contain invalid or incomplete message data will be rejected. If, at any time, the Clearing House does not register a trade presented for registration it will notify the contracting parties of the reasons for rejection.

## 2.4 Position Accounts

### 2.4.1 FCM Accounts

For identification purposes each FCM Clearing Member is assigned a unique three-character mnemonic. An FCM Clearing Member's position and financial information are further identified by a single character code: C for client business; and H for house business.

### 2.4.2 Position-Keeping Accounts

FCM Clearing Member Accounts

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

All registered FCM SwapClear Contracts will be identifiable to FCM Clearing Members via FCM SwapClear Reporting (see section 2.1.3). Each FCM SwapClear Contract will also be assigned a unique trade identifier. The FCM Clearing Member Reporting functionality also allows FCM Clearing Members to identify all FCM SwapClear Contracts registered in their name.

## 2.5 **Financial Accounts**

FCM Clearing Member accounts have financial accounts associated with them. These are, inter alia, used to record cash balances and securities/ documentary credits. Information contained within position-keeping accounts is consolidated into financial accounts, as follows:

### 2.5.1 **Relationship with Position-Keeping Accounts**

Trading Account	Financial Account		
H	House	H	Proprietary Account
C	Client	C	LCH OTC Client Segregated Depository Account

### 2.5.2 **Other Financial Accounts**

At the Clearing House's discretion, further financial accounts, used only to record financial balances, may be opened as follows:

	Code
Buffer accounts (House), used for holding additional cash in relation to Proprietary business	B
Buffer account (Client), used for holding additional cash in relation to FCM Client Business	E

### 2.5.3 **Default Fund (DF) Account**

Each FCM's Default Fund Contribution is held in a separate financial account. The DF account code is "F".

## 2.6 **FCM SwapClear Contract Valuation**

### 2.6.1 **Net Present Value**

The Clearing House will calculate the Net Present Value (NPV) of each eligible FCM SwapClear Contract using the Clearing House's zero coupon yield curves.

It is a condition of registration that sufficient cover, as determined by the Clearing House, is held with the Clearing House to cover both the NPV and Initial Margin of each FCM SwapClear Transaction.

All FCM SwapClear Contracts credited to an FCM Clearing Member will, on submission to the Clearing House, be marked-to-market, in accordance with FCM Regulation 12(d). The Net Present Value so determined must, subject to Intra-day Registration (see section [2.3.3](#)[2.3.4](#)), be paid by the FCM Clearing Member in cash in the currency of the FCM SwapClear Contract. Where an FCM SwapClear



Transaction is registered intra-day, and the NPV is covered with non-cash collateral, the Clearing House will, the following Business Day, require payment of the full cash amount.

### 2.6.1 Zero Coupon Yield Curve Construction

The Clearing House will determine, at its sole discretion, appropriate instruments, points and market prices for the construction of zero coupon curves and portfolio valuation. Details of the construction method and Instruments used are available on request from the Clearing House Risk Management Department at +44 (0)20 7426 7549, but may be subject to change without prior notification.

### 2.6.2 Official Quotations

Zero Coupon Yield curves will use prices and rates taken at:

All times quoted, are London time.

AUD	12:00
CAD	20:00
CHF LIBOR & OIS	16: <del>30</del> <u>15</u>
CZK	16: <del>30</del> <u>15</u>
DKK	16: <del>30</del> <u>15</u>
EURO LIBOR	16: <del>30</del> <u>15</u>
GBP LIBOR	16: <del>30</del> <u>15</u>
HKD	12:00
HUF	16: <del>30</del> <u>15</u>
JPY	12:00
NOK	16: <del>30</del> <u>15</u>
<del>NZD</del> <u>NKD</u>	12:00
PLN	16: <del>30</del> <u>15</u>
SEK	16: <del>30</del> <u>15</u>

SGD	12:00
USD	
LIBOR & OIS	20:00
ZAR	16: <del>30</del> <u>15</u>
EURO	
OIS	18: <del>00</del> <u>15</u>
GBP	
OIS	<del>18</del> <u>17</u> : <del>00</del> <u>1</u> <u>5</u>

Zero coupon yield curves used for daily marking to market will be published on the Clearing House's Member Reporting website ~~at intervals during the day as the prices and rates are captured~~ after the end of each Business Day.

### 2.6.3 Variation Margin

On the date of registration, the Net Present Value of an FCM SwapClear Contract will be credited to or debited from the applicable FCM Clearing Member's financial accounts in cash in denomination currency.

On all subsequent days, the change in the Net Present Value from one Business Day to the next will be credited to or debited from such FCM Clearing Member's financial accounts in cash in denomination currency.

### 2.6.4 Price Alignment Interest

In order to compensate for the payment of changes in NPV on a daily basis for ~~swap contracts~~ FCM SwapClear Transactions cleared through the Clearing House, the Clearing House will for each FCM Clearing Member either charge interest on cumulative variation margin received, or pay interest on cumulative variation margin paid (see section 3.5.2). Price Alignment Interest is debited, credited and netted in accordance with the Clearing House's normal practices.

## 2.7 Coupon Payments

### 2.7.1 Calendars and Coupons

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see section 2.2.3). Changes to the calendar that affect FCM SwapClear Contracts will be published and made available to FCM Clearing Members by the Clearing House in an FCM Clearing Member Report. The central control and publication of these calendars will assist the reconciliation of coupon payments between FCM Clearing Members and the Clearing House. Coupon payments will be adjusted, in the event of a holiday amendment, in accordance with the FCM SwapClear Contract Terms.

### 2.7.2 Calculation of Fixed Amount

The Clearing House will calculate the Fixed Amount payable by a party on a Payment Date as either:

- (a) if an amount is specified for the FCM SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, such amount; or
- (b) if an amount is not specified for the FCM SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, an amount calculated on a formula basis for that Payment date or for the related Calculation Period as follows:

$$\text{Fixed Amount} = \text{Calculation Amount} \times \text{Fixed Rate} \times \text{Fixed Rate Day Count Fraction}$$

### 2.7.3 Calculation of Floating Amount

The Clearing House will calculate the Floating Amount payable by a party on a Payment Date as an amount calculated on a formula basis for that Payment Date or for the related Calculation Period as follows:

$$\text{Floating Amount} = \text{Calculation Amount} \times \text{Floating Rate} \times \text{Floating Rate Day Count Fraction} \\ (+/- \text{ Spread})$$

### 2.7.4 OIS Coupon Calculation

Compounding Rate Calculations

The rate used for the OIS rate is calculated according to ISDA 2006 definitions. The formula for these calculations is given below.

USD-Federal Funds-H.15-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{FEDFUND}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

“d0” for any Calculation Period is the number of New York Banking Days in the relevant Calculation Period;

“i” is a series of whole numbers from 1 to d0, each representing the relevant New York Banking Days in chronological order from, and including, the first New York Banking Day in the relevant Calculation Period;

“FEDFUND<sub>i</sub>”, for any day “i” in the relevant Calculation Period, is a reference rate equal to the rate set forth in H.15(519) in respect of the day under the caption “EFFECT”, as such rate is displayed on the Reuters Screen FEDFUNDS1 Page, in

respect of any day “i”, the rate for that will be agreed between the parties, acting in good faith and in a commercially reasonable manner. If the parties cannot agree, the rate for that day will be the rate displayed on the Reuters FEDFUNDS1 Page, in respect of the first preceding New York Banking Day;

“ni” is the number of calendar days in the relevant Calculation Period on which the rate is FEDFUNDi; and

“d” is the number of calendar days in the relevant Calculation Period.

#### CHF-TOIS-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{TOIS}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

“d0” for any Calculation Period is the number of Zurich Banking Days in the relevant Calculation Period;

“i” is a series of whole numbers from 1 to d0, each representing the relevant Zurich Banking Days in chronological order from, and including, the first Zurich Banking Day in the relevant Calculation Period;

“TOIS<sub>i</sub>”, for any day “i” in the relevant Calculation Period, is a reference rate equal to the rate for tomorrow next deposits in Swiss Francs which appears on the Reuters Screen CHFTOIS= as of 11:00 a.m., Zurich time, on the day that is one Zurich Banking Day preceding that day;

“ni” is the number of calendar days in the relevant Calculation Period on which the rate is TOIS<sub>i</sub>; and

“d” is the number of calendar days in the relevant Calculation Period.

#### GBP-WMBA-SONIA-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{SONIA}_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

Where:

“d0” for any Calculation Period is the number of London Banking Days in the relevant Calculation Period;

“i” is a series of whole numbers from 1 to d0, each representing the relevant London Banking Days in chronological order from, and including, the first London Banking Day in the relevant Calculation Period;

“SONIA<sub>i</sub>”, for any day “i” in the relevant Calculation Period, is a reference rate equal to the overnight rate as calculated by the Wholesale Market Brokers’ Association and appearing on the Reuters Screen SONIA Page in respect of that day;

“ni” is the number of calendar days in the relevant Calculation Period on which the rate is SONIA<sub>i</sub>; and

“d” is the number of calendar days in the relevant Calculation Period.

EUR-EONIA-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{EONIA}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

“d0” for any Calculation Period is the number of TARGET Settlement Days in the relevant Calculation Period;

“i” is a series of whole numbers from 1 to d0, each representing the relevant TARGET Settlement Days in chronological order from, and including, the first TARGET Settlement Days in the relevant Calculation Period;

“EONIA<sub>i</sub>”, for any day “i” in the relevant Calculation Period, is a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page in respect of that day;

“ni” is the number of calendar days in the relevant Calculation Period on which the rate is EONIA<sub>i</sub>; and

“d” is the number of calendar days in the relevant Calculation Period.

### 2.7.5 Calculation of Compounded Amount

Depending on whether the FCM SwapClear Contract is submitted under ISDA 2000 or ISDA 2006 Definitions, the Clearing House will calculate the compounded floating amount payable by an FCM Clearing Member on a Payment Date as an amount calculated in accordance with Articles 6.1 to 6.3 inclusive of the relevant Definitions.

### 2.7.6 Business Day and Business Day Convention

In determining whether a day is a Business Day the Clearing House will only apply the Financial Centres specified in the matched FCM SwapClear Transaction message. The Clearing House will in the event of non-business days apply the Business Day Conventions as specified in the matched FCM SwapClear Transaction message.

### 2.7.7 Payment of Coupons

After adjusting coupons, in accordance with the appropriate Business Day and Business Day Conventions, the Clearing House will credit or debit FCM Clearing Members' Accounts with the appropriate Fixed or Floating Amount with a value date matching the Coupon Payment Date. In the event of SwapClear being closed on a Coupon Payment Date it will pay the Fixed and Floating Amounts on the next Business Day following the Coupon Payment Date.

### 2.7.8 Calculation Periods

In respect of any Calculation Period that is not a whole calendar month (a stub period), the Reset Rate for the Reset Date in respect of that Calculation Period shall be determined by the Clearing House with reference to the rate(s) specified in the matched format message.

### 2.7.9 Day Count Fractions: ISDA 2000

Day count fractions will be applied to deal legs independently as they are communicated via the matched format message.

Where the FCM SwapClear Transaction is submitted under the ISDA 2000 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

- (a) if "Actual/365" or "Actual/Actual" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if "Actual/365 (Fixed)" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (c) if "Actual/360" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (d) if "30/360", "360/360", "Bond Basis", "30E/360" or "Eurobond Basis" is specified the actual number of days in the Calculation Period in respect of which payment is being made will be determined in accordance with the following formula:

$$((Y2 - Y1) * 360) + ((M2 - M1) * 30) + (D2 - D1)$$

where D1, M1 and Y1 are the day, month and year respectively on which the period begins and D2, M2 and Y2 are the day, month and year respectively on which the period ends (coupon payment date).

In accordance with this formula the following will be applied:

- (i) ~~(e)~~ if "30/360", "360/360" or "Bond Basis" is specified the Clearing House will

if D1 is 31 amend it to 30,

if D2 is 31 amend it to 30 only if D1 is 30 or 31; or

- (ii) ~~(f)~~ if "30E/360" or "Eurobond Basis" is specified the Clearing House will

if D1 is 31 then amend it to 30

if D2 is 31 then amend it to 30.

(e) For Actual/Actual (ISMA): “The [Fixed/Floating] Amount will be calculated in accordance with Rule 251 of the statutes, by-laws, rules and recommendations of the International Securities Market Association, as published in April 1999, as applied to straight and convertible bonds issued after December 31, 1998, as though the [Fixed/Floating] Amount were the interest coupon on such a bond”.

#### 2.7.10 Day Count Fractions: ISDA 2006

Day count fractions will be applied to deal legs independently as they are communicated via the matched format message.

Where the FCM SwapClear Transaction is submitted under the ISDA 2006 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

- (a) if “Actual/Actual”, Actual/Actual (ISDA)”, “Act/Act”, or “Act/Act-(ISDA)” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if “Actual/365 (Fixed)” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (c) if “Actual/360” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (d) “30/360”, “360/360” or “Bond Basis” is specified the number of days in the Calculation Period or Compounding Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30 and

“D2” is the Calendar day, expressed as a number, immediately following the last day included in the Calculation Period or Compounding Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30; and

- (e) if “30/E60” or “Eurobond basis is specified, the number of days in the Calculation or Compounding Period in respect of which payment is being made divided by 360, calculate on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where: “Y1” is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30 and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless such number would be 31, in which case D2 will be 30.

- (f) if 30E/360(ISDA) is specified, the number of days in the Calculation or Compounding period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where: “Y1” is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;



“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless (i) that day is the last day of February but NOT the termination date or (ii) such number would be 31, in which case D2 will be 30.

(g) If “Actual/Actual” (ICMA) or “Act/Act” (ICMA) is specified, a fraction equal to “number of days accrued/number of days in year”, as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Market Association (the “ICMA Rule Book”), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non-US Dollar denominated straight and convertible bonds issued after December 21, 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period or Compounding Period in respect of which payment is being made.

#### 2.7.11 Reset Rates

Reset Rates will be published by the Clearing House via the Rate Reset reports.

The Clearing House will apply the following principles in calculating Reset Rates:

- (a) “GBP-LIBOR-BBA” means that the rate for a Reset Date will be the rate for deposits in Sterling for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 Page as of 11:00 hours, London time, on that Reset Date.
- (b) “USD--LIBOR-BBA” the rate for US Dollar deposits for a period of the Designated Maturity which appears on Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.
- (c) “Euro-LIBOR-BBA” the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two TARGET Settlement Days preceding that Reset Date.
- (d) “Euro-EURIBOR-Telerate (ISDA2000) / “Euro-EURIBOR-Reuters” the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen EURIBOR01 as of 11:00 hours Brussels time, on the day that is two TARGET Settlement Days preceding that Reset Date.
- (e) “JPY-LIBOR-BBA” the rate for Japanese Yen deposits or a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.

- (f) "CHF-LIBOR-BBA" means that the rate for a Reset Date will be the rate for deposits in Swiss Francs for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (g) "AUD-BBR-BBSW" means that the rate for a Reset Date will be the average mid rate, for Australian Dollar bills of exchange having a tenor of the Designated Maturity, which appears on the Reuters screen BBSW Page at approximately 10:10 hours, Sydney time, on that Reset Date.
- (h) "AUD-LIBOR-BBA" means that the rate for a Reset Date will be the rate for deposits in Australian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (i) "CAD-BA-CDOR" means that the rate for a Reset Date will be the average rate for Canadian Dollar bankers acceptances for a period of the Designated Maturity which appears on the Reuters Screen CDOR page as of 10:00 hours, Toronto time, on that Reset Date.
- (j) "CAD-LIBOR-BBA" means that the rate for a Reset Date will be the rate for deposits in Canadian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.
- (k) "CZK-PRIBOR-PRBO" means that the rate for a Reset Date will be the rate for deposits in Czech Koruna for a period of the Designated Maturity which appears on the Reuters Screen PRBO page as of 10:00 hours, Prague time, on the day that is two Prague Banking days preceding that Reset Date.
- (l) "DKK-CIBOR-DKNA13" means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on that Reset Date.
- (m) "DKK-CIBOR2-DKNA13" means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on the day that is two Copenhagen Banking Days preceding that Reset Date.
- (n) "HKD-HIBOR-HIBOR=" means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HIBOR1=R Page (for Designated Maturities of one month to six months, inclusive) or the Reuters Screen HIBOR2=R Page (for Designated Maturities of seven months to one year, inclusive), in each case across from the caption "FIXING@11:00" as of 11:00 hours, Hong Kong time, on that Reset Date.
- (o) "HKD-HIBOR-HKAB" means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HKABHIBOR as of 11:00 hours, Hong Kong time, on that Reset Date.

- (p) "HKD-HIBOR-ISDC" (ISDA2000) means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen ISDC Page as of 11:00 hours, Hong Kong time, on that Reset Date.
- (q) "HUF-BUBOR-Reuters" means that the rate for a Reset Date will be the rate for deposits in Hungarian Forint for a period of the Designated Maturity which appears on the Reuters Screen BUBOR= page as of 10:00 hours, Budapest time, on the day that is two Budapest Banking days preceding that Reset Date.
- (r) "NOK-NIBOR-NIBR" means that the rate for a Reset Date will be the rate for deposits in Norwegian Kroner for a period of the Designated Maturity which appears on the Reuters Screen NIBR Page as of 12:00 noon, Oslo time, on the day that is two Oslo Banking Days preceding that Reset Date.
- (s) "NZD-BBR-Telerate" (ISDA2000) means that the rate for a Reset Date will be the fixed midrate for New Zealand Dollar bills of exchange for a period of the Designated Maturity which appears on the Telerate Page 2484 as of 11:00 hours, Wellington time, on that Reset Date.
- (t) "NZD-BBR-FRA" means that the rate for a Reset Date will be the rate for the New Zealand Dollar bills of exchange for a period of designated maturity which appears on the Reuters Screen BKBM Page opposite the caption of "FRA" as of 11:00 hours, Wellington time, on that Reset Date.
- (u) "SEK-STIBOR-SIDE" means that the rate for a Reset Date will be the rate for deposits in Swedish Kronor for a period of the Designated Maturity which appears on the Reuters Screen SIDE page under the caption "FIXINGS" as of 11:00 hours, Stockholm time, on the day that is two Stockholm Banking days preceding that Reset Date.
- (v) "SGD-SOR-Reuters" means that the rate for a Reset Date will be the rate for deposits in Singapore Dollars for a period of the Designated Maturity which appears on the Reuters Screen ABSIRFIX01 as of 11:00 hours, Singapore time, on the day that is two Singapore Banking days preceding that Reset Date.
- (w) "PLN-WIBOR-WIBO" means that the rate for a Reset Date will be the rate for deposits in Polish Zloty for a period of the Designated Maturity which appears on the Reuters Screen WIBO page under the caption "FIXINGS" as of 11:00 hours, Warsaw time, on the day that is two Warsaw Banking days preceding that Reset Date.
- (x) "ZAR-JIBAR-SAFEX" means that the rate for a Reset Date will be the mid-market rate for deposits in South African Rand for a period of the Designated Maturity which appears on the Reuters screen SAFEY page under the caption "YIELD" as of 11:00 hours, Johannesburg time, on that reset date. If such rate does not appear on the Reuters screen SAFEY page, the rate for that Reset Date will be determined as if the parties had specified "ZAR-JIBAR-Reference Banks" as the applicable Floating Rate Option.
- (y) "CHF-TOIS-OIS-COMPOUND" means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2.7.4, will be the rate of return of a daily compound interest investment (it being

understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Swiss interbank money market).

- (z) “GBP-WMBA-SONIA-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2 7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the Sterling daily overnight reference rate).
- (aa) “USD-Federal Funds-H.15-OIS-Compound” means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2 7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the daily effective federal funds rate determined by the Federal Reserve as the weighted average of the rates on brokered trades).
- (bb) “EUR-EONIA-OIS-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in section 2 7.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Euro-zone interbank euro money market).

In the event of no rate being available the Clearing House will, at its sole discretion, determine an applicable rate.

#### 2.7.12 ~~(a)~~ — **Applying Reset Rate**

The Clearing House will identify the reset dates of floating legs that require the application of a Reset Rate. The Reset Rate will be applied to the appropriate floating legs and the coupon payments calculated.

The coupon payments will be adjusted to fall on actual business days according to the Calendar(s) and Business Day Convention specified.

#### 2.7.13 ~~(b)~~ — **Negative Interest Rate Method**

FCM Clearing Member should note the provisions of section 3.3 of Part A of the Schedule to the FCM Regulations regarding the applicability of the Negative Interest Rate Method, to an FCM SwapClear Contract. FCM Clearing Members may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative interest Rate Method.

### 2.8 **Initial Margin**

The Clearing House will require FCM Clearing Members to post initial margin. This amount will be determined by the prevailing market conditions and the expected time to close out the portfolio. The Portfolio Approach to Interest Rate Scenarios (PAIRS) will be used to calculate initial margin requirements for FCM SwapClear Contracts.

Separate initial margin calculations are performed for an FCM Clearing Member's house “H” and client “C” accounts.

The Clearing House reserves the right to require additional amounts of cover from a specific FCM Clearing Member or from all FCM Clearing Members in accordance with FCM Regulation 10.

### 2.8.1 Liquidity Multiplier

Risk Management applies a liquidity multiplier based on Worst Case Loss (WCL) exceeding certain thresholds on the FCM Clearing Member's whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an ongoing basis.

### 2.8.2 Intra-day Margin Calls

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls can be called at any time throughout the business day (08:30 to 21:00 hours London time). Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section 2.9).

In certain circumstances the Clearing House may wish to make a call for additional funds after the closure of London PPS facilities at 16:00 hours London time. In this event the Clearing House will require payment of additional funds through PPS facilities in the USA (see section 3.2.2). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

### 2.8.3 Calculation of Initial Margin

#### (a) Portfolio Approach to Interest Rate Scenarios (PAIRS)

The PAIRS calculation is a VAR based approach based on filtered historical simulations. All positions in each currency are re-valued under a series of cross portfolio yield curve scenarios to estimate the highest forecast loss and therefore the initial margin requirement. Further details of this method are available upon request and are detailed in the PAIRS TIP document. The PAIRS document and further information relating to Initial Margin calculations can be obtained from the Rates team at +44 (020) 7426 6325 or +44 (020) 7426 ~~7428~~[7428](#).

## 2.9 Intra-Day Margin Call: Collateral Management

### 2.9.1 General – Intra-day Margining

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

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

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

## 2.10 Declearing and Compression

Pursuant to FCM Regulation 5(n), an FCM Clearing Member may compress existing FCM SwapClear Contracts in accordance with that FCM Regulation. There are two options available to an FCM Clearing Member that wishes to compress existing FCM SwapClear Contracts:

- (a) An FCM Clearing Member can request that all FCM SwapClear Contracts entered into (i) on behalf of a designated FCM Client, (ii) on behalf of a designated Affiliate or (iii) on such FCM Clearing Member's own behalf be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the FCM Clearing Member by 19:00 New York City time on each applicable day) until the FCM Clearing Member notifies the Clearing House to discontinue such compression of FCM SwapClear Contracts. FCM Clearing Members should contact the Clearing House's Membership Department to request such a compression of FCM SwapClear Contracts.
- (b) An FCM Clearing Member may notify the Clearing House directly through the SwapClear API, specifying which FCM SwapClear Contracts should be compressed. The FCM Clearing Member will be notified by 19:00 New York City time on the applicable day whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

~~In order to declare an FCM SwapClear Contract, the Clearing House normally requires consent from the relevant FCM Clearing Member, Executing Dealer and FCM Client. Where an FCM Client is unable to provide the necessary consent, the Clearing House will declare the FCM SwapClear Contract upon receipt of: (i) appropriate instructions from the FCM Clearing Member and Executing Dealer; (ii) a copy of a notice served by the FCM Clearing Member on the FCM Client alerting that FCM Client of its intention to declare the relevant trade; and (iii) an indemnity from the FCM Clearing Member in a form suitable to the Clearing House.~~ an FCM Clearing Member must register with an FCM Approved Trade Source System an offsetting FCM SwapClear Contract and shall then follow the process for compression as set out above.

~~The Clearing House will usually declare the relevant trade within 24 hours of receipt of the above, unless an FCM Client contests the declaring of the trade(s).~~

~~In the event that all FCM SwapClear Contracts are declared in accordance with this section 2.10, the relevant FCM Clearing Member shall be entitled to any collateral lodged in respect of the relevant FCM Client.~~

~~The ability to declare is subject to the segregation requirements under the Commodity Exchange Act and the regulations promulgated thereunder.~~ shall process the compression of all FCM SwapClear Contracts as notified to it prior to 18:00 New York City time shortly after 18:00 New York City time and shall notify the applicable FCM Clearing Member by 19:00 New York City time of the result of such compression procedure. A notification received after 18:00 shall be treated as if such notification was submitted on the following day prior to 18:00 New York City time, and as such shall be considered shortly after 18:00 New York City time on



such following day and the results notified to the applicable FCM Clearing Member by 19:00 on such following day.

Following the compression process described above and as further set out in FCM Regulation 5(n), the applicable FCM Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed FCM SwapClear Contracts as notified to the FCM Clearing Member by the Clearing House.

## 2.11 **ProprietaryAffiliate Clearing**

Under FCM Regulation ~~54~~(c), FCM Clearing Members are permitted to clear for ~~affiliates~~Affiliates through their Proprietary accounts. ~~However, this service is not currently provided by the Clearing House.~~

~~An FCM Clearing Member is only entitled to enter into Proprietary business in the event of an FCM Client default, or, where an FCM Clearing Member assumes FCM Swapclear Contracts or SGM Swapclear Contracts pursuant to the FCM Default Management Process Agreement or in such other circumstances as the Clearing House specifies.~~

## 2.12 **FCM SwapClear TransactionsTransfer of FCM Clients**

~~The Clearing House does not currently permit FCM Clearing Members to submit FCM SwapClear Transactions credited to their Proprietary Account or to clear directly through another FCM Clearing Member as described in FCM Regulations 5(h)(2) and 5(h)(3).~~

In certain circumstance the Clearing House will transfer FCM SwapClear Contracts from one Carrying FCM Clearing Member to a Receiving FCM Clearing Member on behalf of an FCM Client and pursuant to FCM Regulation 9(b) or 9(c).

### 2.12.1 Partial Transfers

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of a portion of such FCM Client's portfolio of FCM Swapclear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with an FCM Client Partial Transfer Form (see Appendix [ ]), signed on behalf of the relevant FCM Client. Such form shall list all of the FCM SwapClear Contracts that are to be transferred pursuant to this procedure. Following receipt of an FCM Client Partial Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM SwapClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in Procedure 2.12.4.

In the event that any of the conditions set forth in FCM Regulation 9(c) are not satisfied, the Clearing House shall not proceed with the transfer of the FCM SwapClear Contracts.

### 2.12.2 Full Transfers

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of such FCM Client's entire portfolio of FCM SwapClear Contracts held with a Carrying FCM Clearing Member, it shall provide the Clearing House with

an FCM Client Full Transfer Form (see Appendix [ ]), signed on behalf of the relevant FCM Client. Such form shall confirm that all FCM SwapClear Contracts attributable to the applicable FCM Client shall be transferred pursuant to this procedure. Where a Receiving FCM Clearing Member submits an FCM Client Full Transfer Form, it must confirm whether or not the FCM Client also wishes to transfer the cover held by the Clearing House in respect of the transferring FCM SwapClear Contracts. Following receipt of an FCM Client Full Transfer Form, the Clearing House shall notify the Carrying FCM Clearing Member that a request has been received to transfer FCM SwapClear Contracts. All full transfers shall take place in accordance with the timing and notice requirements set out in Procedure 2.12.4.

In the event that any of the conditions set forth in FCM Regulation 9(b) are not satisfied, the Clearing House shall not proceed with the transfer of the FCM SwapClear Contracts or the transfer of Account Assets (when applicable).

Following receipt of a Full Transfer Form, the Carrying FCM Clearing Member shall not be permitted to register additional FCM SwapClear Contracts on behalf of the FCM Client whose FCM SwapClear Contracts are subject to transfer, until such transfer (and the transfer of the related Account Assets, if applicable) is actually effected or is rejected.

### 2.12.3 Collateral Transfers

Where a Receiving FCM Clearing Member notifies the Clearing House that an FCM Client wishes to transfer cover from a Carrying FCM Clearing Member to a Receiving FCM Clearing Member, the Clearing House shall notify the Carrying FCM Clearing Member of such transfer in accordance with the timetable below.

Following such notification and upon request from the Clearing House, the Carrying FCM Clearing Member shall confirm to the Clearing House (in the form [prescribed by the Clearing House]) which cover is attributable to the transferring FCM Client and the associated FCM SwapClear Contracts. In the event that the Carrying FCM Clearing Member fails to do so in accordance with the timetable below, the Clearing House shall transfer sufficient cash or non-cash cover from the FCM Clearing Member's FCM Omnibus OTC Client Account with LCH (such cover as selected in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the cover that is to be transferred, it shall notify the Carrying FCM Clearing Member and the Receiving FCM Clearing Member of the cover that will be transferred in accordance with the timetable below.

In the event that any of the conditions set forth in FCM Regulation 9(b) are not satisfied, the Clearing House shall not proceed with the transfer of the related cover. In such circumstances, the Clearing House will notify the Receiving FCM Clearing Member that the associated cover will not be transferred and, in order to proceed with the transfer of the associated FCM SwapClear Contracts, the Receiving FCM Clearing Member will have to provide the Clearing House with sufficient cover in respect of the transferring FCM SwapClear Contracts.

In the event that the Clearing House transfers cover pursuant to these FCM Procedures and the FCM Regulations, it will also transfer the aggregate Variation Margin and next day settlement coupons and fees associated with the transferring FCM SwapClear Contracts.



2.12.4 Timetable for FCM Client Transfer

<u>Time</u> <u>(all references below are to New York City Time)</u>	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
<u>Day 0 - 15:00</u>	<u>Deadline for receipt from Receiving FCM Clearing Member of FCM Client Partial Transfer Form.</u>	<u>Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form and confirmation that cover is to be transferred.</u>	<u>Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form.</u>
<u>Day 1 – 05:00</u>	<u>Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer certain FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.</u>	<u>Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.</u>	<u>Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.</u>
<u>Day 2 – 09:00</u>	<u>Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 9(c)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.</u>	<u>Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 9(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.</u>  <u>Deadline for confirmation from Carrying FCM Clearing Member of the</u>	<u>Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 9(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.</u>

		<u>collateral which is to be ported to the Receiving FCM Clearing Member.</u>	
<u>Day 2 – 09:00 to 10:00</u>		<u>LCH notifies the Receiving FCM Clearing Member of the collateral that will be transferred or that collateral will not be transferred.</u>  <u>Where collateral will not be transferred, transfer is treated as a full transfer (without collateral).</u>	
<u>Day 2 – 14:30</u>	<u>Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.</u>	<u>Deadline for receipt by the Clearing House of consent of transfer and associated collateral from the Receiving FCM Clearing Member.</u>	<u>Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.</u>
<u>Day 3 – 03:00</u>	<u>Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.</u>	<u>Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.</u>	<u>Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.</u>
<u>Day 3 – 04:00</u>	<u>Deadline for receipt by Clearing House of any additional cover from the Carrying FCM Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.</u>	<u>Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.</u>	<u>Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.</u>
<u>Day 3 – 04:00</u>	<u>Clearing House transfers FCM SwapClear Contracts.</u>	<u>Clearing House transfers FCM SwapClear Contracts and associated collateral.</u>	<u>Clearing House transfers FCM SwapClear Contracts.</u>

## 2.13 Proprietary Account Position Transfers

The FCM SwapClear clearing system provides functionality for the transfer of positions ~~between FCM Clearing Members~~from an FCM Clearing Member's Proprietary Account, either in respect of FCM SwapClear Contracts held on an FCM Clearing Member's own behalf or in respect of FCM SwapClear Contracts held on behalf of an Affiliate. In either case, any such transfer may only occur if the Receiving FCM Clearing Member is an Affiliate of the Carrying FCM Clearing Member. An FCM Clearing Member who wishes to effect a position transfer to another FCM Clearing Member should contact the Clearing House Risk Management Department.

Transfers will only be effected once adequate cover has been provided by both parties to the transfer. Transfers of Affiliate positions shall not be permitted to another FCM Clearing Member's Proprietary Account unless such Affiliate is an Affiliate of the FCM Clearing Member receiving the transferred position.

### 2.13.1 Legal Documentation

The Clearing House will provide standard legal documentation for the transfer of positions. The transfer must be authorised by both parties and by individuals with appropriate signing authority.

### 2.13.2 Position Transfer Notice Period

The Clearing House will usually require five Business Days notice ahead of an intended transfer.

## 2.14 Amendment of Trade References

Sometimes FCM Clearing Members wish to change their own trade reference numbers/codes by which they identify trades registered in the FCM SwapClear Service. Subject to any such FCM Clearing Member meeting all the Clearing House's requirements including under these FCM Procedures, the Clearing House will, as part of its service to FCM Clearing Members, amend its records in order to reflect any such change. Such change has no effect whatsoever on the terms of any registered FCM SwapClear Contract or any other obligations of the FCM Clearing Member party to such contract.

### 2.14.1 Trade Reference Amendment Request Form

The Clearing House requires a completed Trade Amendment Request Form (in the form prescribed by the Clearing House) to be submitted by any FCM Clearing Member wishing to amend a trade reference. The form must be signed by two persons from within the FCM Clearing Member with appropriate signing authority and must set out the required full details of each registered trade in respect of which the FCM Clearing Member wishes to change its trade reference. Evidence of such signing authority may be required by the Clearing House. All parts of the form must be properly and fully completed, including the requested date for trade reference amendment, and, in respect of each trade identified therein, details of the current trade reference and the new trade reference and the Clearing House trade reference number.

The requested date for trade reference amendment must be no earlier than two Business Days (“the Trade Reference Amendment Notice Period”) after the date upon which the form is received by the Clearing House. While the Clearing House will do what it reasonably can to meet the requested date for the amendment it is under no obligation to do so. The date for the amendment in the Clearing House’s records and FCM SwapClear clearing system is a matter entirely within the discretion of the Clearing House and the FCM Clearing Member will be advised in due course of the date set by the Clearing House.

#### 2.14.2 Multi-trade Amendments

If an FCM Clearing Member requests amendment to several trades it must (in addition to providing the hard copy Trade Reference Amendment Request Form) provide to the Clearing House an electronic text file containing all the relevant details required by the Trade Reference Amendment Request Form. Detail of the required formats of the file can be obtained from SwapClear Operations (Tel: +44 (0) 20 7426 7697). If the file is not submitted in the correct format and containing all the required details, the request for deletion will be rejected by the Clearing House and the FCM Clearing Member will be advised accordingly.

#### 2.14.3 Processing

The Clearing House will usually agree to process any request for amendment of trade reference properly submitted; however the Clearing House will reject any such request if:

- it is not made in accordance with these FCM Procedures [:](#)
- any trade reference notified to the Clearing House in the Trade Reference Amendment Request Form does not match the FCM Clearing Member’s trade reference which the Clearing House has recorded [:](#)
- the Clearing House trade reference number notified in the Trade Reference Amendment Request Form does not refer to a trade registered in the FCM SwapClear clearing system [:](#)
- any trade referred to in the Trade Reference Amendment Request Form is not already registered in the FCM SwapClear clearing system or is not recorded by the Clearing House against the BIC code of the FCM Clearing Member requesting the amendment [:](#) [or](#)
- it would not be practical in all the circumstances or would subject the Clearing House to unacceptable cost if the Clearing House were to make the requested amendments or the Clearing House forms the view that to do so would adversely affect its risk.

Following notification of agreement to make the requested amendments, the Clearing House will use its reasonable endeavours to process the amendments on the anticipated date of amendments; if, for whatever reason the Clearing House is unable to do so, it will notify the FCM Clearing Member and process the amendment as soon as reasonably practicable thereafter.

After close of business of the day of processing, the Clearing House will produce a report setting out details of the time and date that it has amended its records in accordance with the request, details of the old and new FCM Clearing Member trade

references and the status of the amendment in respect of each trade set out in the Trade Reference Amendment Request – namely “amended” or “rejected”. All records of the Clearing House and data held in the FCM SwapClear clearing system will then be updated overnight following the close of business on that day.

#### 2.14.4 **Legal Documentation**

The Clearing House will provide the requesting FCM Clearing Member with legal documentation in Clearing House standard form for that FCM Clearing Member to sign. No trade reference will be amended unless such documentation is completed and signed. The documentation must be signed by a person within the FCM Clearing Member with appropriate signing authority. Evidence of such authority may be required by the Clearing House. No amendment to such documentation will be accepted by the Clearing House.

#### 2.14.5 **Notification**

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

#### 2.15 **Default Management**

In performing its rights and obligations under the Default Management Process Agreement, the Clearing House undertakes that, in any allocation of Allocation Units amongst Currency Participants that are part of the same Group pursuant to clause 4.1.5 and 4.1.3 of the Default Management Process Agreement, the Clearing House shall, if such Group consists of one or more FCM Clearing Members and one or more SwapClear Clearing Members and one or more of such SwapClear Clearing Members is/are a US FDIC-insured bank, the Clearing House will make such allocations in accordance with the instructions of the Bank(s) provided that such instructions are received in a timely manner. In the event that the Bank(s) does not provide the Clearing House with instructions in a timely manner, the Clearing House will make the allocations pro-rata between the members of the Group in accordance with the market risk associated with those members’ open positions at the time of the clearing member default. A member of the Group shall be responsible solely for the allocations made to it and shall not be responsible or liable for allocations made to any other member of the Group pursuant hereto.

#### 2.16 **Payment of Stamp Tax**

Each FCM Clearing Member shall pay any stamp tax or duty levied or imposed upon it or in respect of its execution or performance of the FCM Clearing Membership Agreement, the FCM Default Fund Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM SwapClear Contract) by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction and shall indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House or in respect of the Clearing House’s execution or performance of the FCM Clearing Membership

Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM SwapClear Contract) by any such jurisdiction.

#### 2.17 **Section 168, Finance Act 1994**

[Under section 696 Corporation Tax Act 2009 ("CTA 2009"), net payments in relation to certain derivative contracts (as defined in Section 576 CTA 2009) by any company (company "A") to a non-UK resident are denied UK tax relief unless one or more of the following conditions in section 697 CTA 2009 are met:

Company A is a bank, building society, financial trader or recognised clearing house acting as principal who has entered into the qualifying contract for the purposes of a UK trade.

The non-UK resident holds the qualifying contract (as principal) for the purposes of its UK trade.

A double tax treaty, that makes provision for interest, is in force between the UK and the country of residence of the non-UK resident (or, if different, the country of residence of the beneficial counterparty to the contract).

The Clearing House is considered a "recognised clearing house" as defined in section 285 of FSMA 2000.

Any contract must not be submitted to the Clearing House by FCM Clearing Members for clearing where one or more of the conditions in section 697 CTA 2009 are not satisfied, thereby bringing the contract within section 696 CTA 2009, nor should any FCM Clearing Member knowingly permit any such contract to be submitted by a SwapClear Participant. Should this occur the SwapClear FCM Clearing Member in whose name the contract is to be or has been registered must promptly notify the Clearing House and, in any event, within 30 days of that FCM Clearing Member becoming aware of the situation. Having investigated the circumstances, the Clearing House has an obligation to notify the HM Revenue & Customs of the event and the Clearing House may, in its absolute discretion suspend any ~~SwapClear-Executing~~ [Dealer][Party] submitting such a contract for registration ~~for~~from the Register of Executing [Dealers][Parties]. The Clearing House may also, in its absolute discretion take such action in respect of the SwapClear FCM Clearing Member as it deems fit in accordance with the Regulations. The SwapClear FCM Clearing Member shall indemnify the Clearing House against any Corporation Tax or any other tax levied or imposed upon the Clearing House in respect of any such contract, and any other costs and expenses incurred by the Clearing House in connection therewith.

If in doubt, FCM Clearing Members should consult their professional advisers as to the potential application of sections 696 and 697 CTA 2009 to their transaction.]

## APPENDIX 2A

**SWAPCLEAR PROCESSING SCHEDULE**

This table outlines the daily processes and timetable of the FCM SwapClear operation and constitutes a "Business Day" for the purpose of the FCM Regulations. FCM Clearing Members will be informed of changes to this timetable via member circular. All times shown are in London time.

SWAPCLEAR PROCESSING SCHEDULE	
Time	
07:30	SwapClear Opens
by 09:30	Registration of Backloaded trades and confirmation of deleted trades from T-1 (see section <a href="#">2.3.4</a> <a href="#">2.3.5</a> )
16:00	Deadline for PPS calls in London
<del>22</del> <a href="#">24</a> :00	SwapClear Closes



**APPENDIX 2B****~~'CLEARING HOUSE PRESCRIBED LANGUAGE'~~**

~~Capitalised terms used in this Annex shall have the meaning specified in the FCM Rulebook.~~

~~FCM Client hereby acknowledges and agrees that:~~

- ~~(a) the services provided by the Clearing House with regard to the FCM SwapClear Clearing Services will be subject to and governed by the FCM Rulebook and the FCM Default Management Process Agreement between the Clearing House and the FCM Clearing Member. The FCM Client agrees that it shall not act so as to cause — whether directly or indirectly — any breach of the FCM Rulebook or the FCM Default Management Process Agreement. The provisions of the amended text of FCM Regulation 26 (Exclusion of Liability) of the FCM Rulebook set out below shall apply *mutatis mutandis* as though entered into by the FCM Client directly with the Clearing House;~~
- ~~(b) The FCM Client understands, acknowledges and agrees that all transactions between the FCM Client and its FCM Clearing Member resulting in the registration of FCM SwapClear Contracts on behalf of FCM Client will be governed by these FCM Regulations and FCM Client agrees to be bound by such Regulations with respect to such transactions in all respects. Without limitation of the foregoing, FCM Client understands, acknowledges and agrees that, at the time that an FCM SwapClear Contract is registered in the name of its FCM Clearing Member on behalf of the FCM Client, there shall be deemed to have been created, automatically and without any further action by such FCM Clearing Member or FCM Client, an agreement between such FCM Clearing Member and FCM Client on terms and conditions identical to those of the FCM SwapClear Contract, which shall, without limitation, incorporate all applicable terms of these FCM Regulations and Schedule A hereto;~~
- ~~(c) the Clearing House deals only with its FCM Clearing Members and FCM Client will have no right or authority to deal directly with the Clearing House, including but not limited to in connection with the matters addressed herein. FCM Client shall deal only with its FCM Clearing Member in connection with all FCM SwapClear Contracts cleared on FCM Client's behalf through the Clearing House;~~
- ~~(d) upon the default of an FCM Clearing Member, if the Clearing House is required to do so by any Regulatory Body or applicable laws or regulations or determines in its discretion that it is necessary for its protection, the Clearing House will close out and terminate the FCM SwapClear Contracts entered into by that FCM Clearing Member in respect of the FCM Client and will not transfer or otherwise re-establish such positions;~~
- ~~(e) the FCM Client will not be entitled to instruct the Clearing House to act or omit to act in any manner at any time prior to the default of the relevant FCM Clearing Member;~~
- ~~(f) the FCM Client will not be entitled to any information from the Clearing House as to any balance held by the Clearing House for any person at any time;~~



- ~~(g) — the Clearing House will not hold any assets transferred to it in trust for any person;~~
- ~~(h) — where the FCM Clearing Member provides securities to the Clearing House as collateral (the “Securities”), the FCM Client will not be entitled to assert any equitable or other claim to any such Securities in circumstances where the assertion of such a claim would delay or inhibit the disposal by the Clearing House of such Securities and/or the application of the proceeds of sale of such Securities in accordance with the provisions of the FCM Rulebook; and~~
- ~~(i) — AN FCM CLEARING MEMBER HAS SUCH FCM CLIENT’S UNCONDITIONAL CONSENT TO FURNISH OR DEPOSIT TO OR WITH THE CLEARING HOUSE AS COVER FOR THE PURPOSES OF THE FCM REGULATIONS ANY SECURITIES OR OTHER ASSETS OF SUCH FCM CLIENT IN THE FCM CLEARING MEMBER’S POSSESSION, AND TO REPLEDGE SUCH PROPERTY TO THE CLEARING HOUSE.~~
- FINANCIAL TRANSACTIONS

### 3. FINANCIAL TRANSACTIONS

#### 3.1 Accounts

##### 3.1.1 Overview

FCM Clearing Members are usually provided with two sub-accounts per financial account:

**Cover account;**

**Tender account (not applicable to Default Fund (DF) accounts)**

These accounts are used to record cash movements between the Clearing House and the FCM Clearing Member. Refer to section 2.5 for a full description of financial accounts.

##### 3.1.2 Cover Account Postings

Transactions posted to the Cover account include but are not limited to:

**PPS payments and receipts;**

**Interest and accommodation charges;**

**Currency purchases and sales;**

**Clearing House fees, charges and rebates;**

**SwapClear coupon payments;**

**SwapClear coupon adjustments;**

**Net Present Value (NPV);**

**Price alignment interest;**

**Consideration.**

### 3.1.3 Tender Account Postings

Transactions posted to the Tender account include but are not limited to:

**PPS payments and receipts;**

**Coupon Payments relating to member collateral.**

### 3.1.4 Financial Transaction Reporting

Details of postings to these accounts are available to FCM Clearing Members with direct access to the LCH.Clearnet Limited Member Intranet Site. FCM Clearing Members with direct access to the LCH.Clearnet Limited's Member Intranet Site for SwapClear (see section 2.1.3) should use the "Yesterday's Cover Account Postings" report.

## 3.2 **Protected Payments System (PPS)**

The Clearing House operates a direct debit system, known as the Protected Payments System (PPS), for the transfer of funds to and from FCM Clearing Members. It is operated in both London ("London PPS") and in the United States (where it is known as "US PPS").

### 3.2.1 London PPS

#### (a) Introduction

An FCM Clearing Member must open and maintain PPS accounts in GBP and USD ~~for its~~ [and such other currencies in which it incurs settlements on its Client or House ~~account~~accounts](#).

In addition, FCM Clearing Members must open PPS accounts in London in USD and in all other currencies in which it incurs settlements (see Appendix 3A for a list of the relevant participating PPS banks in London)

Any bank charges connected with the holding of any PPS bank account or related to any activity on that account must be paid by the account holding FCM Clearing Member.

The GBP non-segregated PPS account will, inter alia, be used to process DF contributions.

Where applicable, all PPS accounts that hold FCM Clients' funds and collateral must be segregated in line with the FCM Regulations and CFTC ~~Rule~~[Regulation](#) 1.49.

#### (b) PPS Mandate

Each FCM Clearing Member is required to complete a standard form London PPS Mandate(s) (see Appendix 3B) for each bank branch at which they wish to operate an account before clearing can commence.

#### (c) Morning PPS Calls

FCM Clearing Members' liabilities are calculated overnight. Should the amount not be covered by acceptable forms of cover held by the Clearing

House (see section 3.3) the difference is called through London PPS with separate calls made for each currency. It is the responsibility of each FCM Clearing Member to ensure that its London PPS bank(s) meets all payment instructions received from the Clearing House. Confirmation of payments, as notified, must be received by the Clearing House from the relevant PPS bank(s) by 09:00 hours or earlier on the day on which the PPS Call is made.

(d) Other PPS Functions

In addition to the morning calls, London PPS is used to:

- (i) remit surplus cash balances to the FCM Clearing Member's PPS bank(s) upon instruction to LCH.Clearnet Limited Treasury Operations between 07:00 and 9:30 hours or by prior arrangement with LCH.Clearnet Limited Treasury Operations;
- (ii) call intra-day cover payments, where the Clearing House must receive confirmation of payment from the PPS bank(s) within one hour of receipt by the relevant bank of the PPS Call. Such PPS calls will usually be made up until 16:00 hours.

(e) Value Date

FCM Clearing Members should note that the PPS (both in London and in the USA) is a system for facilitating payment to the Clearing House of monies due from FCM Clearing Members to the Clearing House and vice versa. The giving of a commitment by a participating Bank through PPS to make any payment, and the receipt of that commitment by the Clearing House is not to be regarded as satisfaction of any payment due to the Clearing House. Each FCM Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, inter alia, by the FCM Clearing Membership Agreement, the FCM Default Fund Agreement, clearing extension documentation, these FCM Procedures, the Default Rules and the FCM Regulations. Payment is only completed when the funds have been credited for value to the relevant Clearing House bank account, and any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

(f) Foreign Bank Holidays

The Clearing House has made arrangements with its London PPS bankers to operate the PPS on all UK banking days including foreign bank holidays.

Confirmation that PPS payments will be made must still be received within the deadlines set out in section 3.2.1.5 and 3.2.1.6. However, the value date for any PPS transactions made on a day which is a bank or public holiday in the country of that currency will be for the next business day on which both the foreign currency centre and the Clearing House are open for business.

Example: 20 August is a public holiday in the USA but not in the UK. 21 August is a normal banking day in the USA.

On the 20 August the Clearing House will issue its normal USD instructions to PPS banks, and receive confirmation in response to the PPS Call, for value 21 August.

### UK Bank Holidays

The Clearing House does not give value to any payment on a UK bank holiday, if the Clearing House is closed for business on that bank holiday. PPS Calls will be made on the next following business day.

However, the Clearing House may sometimes be open for business on a UK bank holiday – in such circumstances PPS Calls will be made as normal that day. Value will be given the same day providing that US banks are open for business that day too.

#### (g) Secured Debit Cash Balances

FCM Clearing Members may, at the discretion of the Clearing House, secure debit cash balances up to defined limits with collateral or cash in another currency. Once the cash balance exceeds any such limit, the London PPS automatically issues an instruction demanding payment of the full amount in that currency.

For current debit cash limits, refer to LCH.Clearnet Limited circulars or contact LCH.Clearnet Limited Treasury Operations.

LCH.Clearnet Limited reserves the right to alter the levels set and/or to demand immediate payment of the total sum due or any part thereof.

### 3.2.2 US PPS

Each FCM Clearing Member is required to maintain a US dollar PPS account for its House and Client account with at least one of the US PPS Banks – a list of the participating branches appears at Appendix 3C.

Where applicable all PPS accounts must be segregated in line with the FCM Regulations and CFTC [RuleRegulations 1.20 and](#) 1.49.

This requirement is supplemental to and additional to the requirement that each FCM Clearing Member must hold relevant PPS accounts in London, which must also segregate FCM Clients' funds and collateral as required by the FCM Regulations and CFTC [RuleRegulation](#) 1.49.

#### (a) US PPS Mandates

An FCM Clearing Member is required to complete a standard form US PPS mandate (see Appendix 3D). The original of the US PPS mandate must be signed by a person with the appropriate authority within the FCM Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House.

#### (b) Intra-Day Margin Call

The intra-day margin call by the Clearing House is for intra-day cover payments.

Normally the Clearing House will call intra-day margin through London PPS accounts. However where the Clearing House wishes to make such an

intra-day call after London PPS closes (16:00 London time), such a call will be made upon the FCM Clearing Member's nominated US PPS account.

The Clearing House has the ability to call US dollars in respect of an intra-day margin call up until 16:00 hours New York Time (21:00 hours London Time).

Funds will be called through US PPS until 16:00 hours NY Time (21:00 hours London Time)

(c) Confirmations

The Clearing House must receive confirmation of payment from the FCM Clearing Member's nominated US PPS bank within one hour of receipt of the US PPS Call by the relevant US bank branch.

(d) Use of London PPS and US PPS

These FCM Procedures indicate which part of the PPS system will be used in the normal course of events for making PPS Calls. Generally London PPS will be used for Morning PPS Calls (including contributions to the Default Fund), remitting surplus cash balances to an FCM Clearing Member, and for making intra-day margin calls up to 16:00 hours London time. However FCM Clearing Members should be aware that the Clearing House reserves the right to direct a Morning PPS Call or intra-day margin calls before 16:00 hours London time to an FCM Clearing Member's US PPS account in exceptional circumstances ("Exceptional PPS Call"). The Clearing House will use all reasonable commercial endeavours to notify the FCM Clearing Member in advance of issuing any such Exceptional PPS Call.

### 3.3 **Acceptable Forms Of Cover**

The Clearing House accepts certain types of securities and cash in the Clearing House's prescribed form against liabilities

The Clearing House may vary, at its discretion, the standard requirements and valuation procedures set out in this section, either generally or in a particular case, without giving prior written notice to FCM Clearing Members. Further, the Clearing House may vary the types of cover acceptable to it, including but not limited to cash, performance bonds or securities.

To view our acceptable collateral list, go to:  
[http://www.lchclearnet.com/risk\\_management/ltl/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltl/acceptable_collateral.asp).

#### 3.3.1 **Cash**

In order not to fall within the scope of deposit-taking regulations applying to banks and similar institutions, the Clearing House can accept cash from FCM Clearing Members only in relation to current or anticipated obligations.

FCM Clearing Members must give LCH.Clearnet Limited Treasury Operations no less than two (2) Business Days notice of their intention to request withdrawal of cash used as cover for margin and its replacement by the lodgement of collateral. In the event that an FCM Clearing Member seeks to withdraw such cash cover without

giving such notice, the Clearing House will decline to release such cash cover until the end of the required notice period.

### 3.3.2 **Securities**

Please refer to the following pages on our website for both prevailing haircuts and notes on collateral acceptable for margin purposes

[http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp)

### 3.3.3 **Securities Value Notification**

FCM Clearing Members may obtain details on the value of securities credited to their account on a daily basis. FCM Clearing Members with direct access to the LCH.Clearnet Limited Member Intranet site should use the "Collateral by Member" report.

## 3.4 **Distribution Of Cover**

### 3.4.1 **Overview**

As different types of cover attract different utilisation fees and different contracts are assessed for VAT in different ways (see section 3.5.4), the Clearing House identifies the cover applied to liabilities in order to allow utilisation fees and VAT to be calculated correctly.

This is done by establishing a specified order for both types of liabilities and types of cover and applying cover sequentially, such that cover type 1 is applied first to liability type 1, cover type 2 to liability type 1 if there is a deficiency when cover type 1 has been exhausted and so on.

The following procedures are not in any way intended to restrict, vary, or alter the Clearing House's rights to apply cover held (including any described in LCH.Clearnet Limited reports/records as "unutilised" or "excess") to meet the FCM Clearing Member's liabilities/obligations to LCH.Clearnet Limited.

### 3.4.2 **Liability Order**

**Note:** The following provision applies solely for the purpose of calculating fees. In case of default by an FCM Clearing Member, please see section 3.4.4 below.

Liabilities will be covered in the order:

- (a) Secured debit cash balances (see section 3.2.1.10);
- (b) Variation and initial margin including offset of contingent credits.

### 3.4.3 **Cover Application**

**Note:** The following provision applies solely for the purpose of calculating fees. In case of default by an FCM Clearing Member, please see section 3.4.7 below.

Cash will be applied before to each liability.

FCM Clearing Members may choose to have cash applied before securities:

#### 3.4.4 **Order of Priority on Default**

Post-default the Clearing House is entitled to realise and/or apply cover in whatever order it deems appropriate.

### 3.5 **Interest And Accommodation Charge Structure**

This Section applies to accounts other than DF accounts.

#### 3.5.1 **London Deposit Rate (LDR)**

The LDR is the rate at which the Clearing House will normally pay interest on credit cash balances (excluding DF Contributions).

##### (a) Calculation

LDR is calculated daily for each currency by 10:00 hours. It is derived from bid rates for overnight funds quoted by selected money brokers and/or major banks. For next day value currencies, LDR is calculated the day prior using the tom/next rate.

Rates are available on and on the Clearing House banking system (screen code CBRDS) or by telephone from LCH.Cleernet Limited Treasury Operations.

##### (b) Alteration

The Clearing House reserves the right to alter the basis of calculating LDR. Any alteration will be effective on the date notified.

#### 3.5.2 **Contingency Payment Arrangements**

Clearing Members must ensure that they have contingency arrangements to ensure continuity of margin payment in the event of failure of their nominated PPS Bank.

#### 3.5.3 **Price Alignment Interest (PAI) Rate**

To minimise the impact of daily cash variation margin payments on the pricing of interest rate swaps, the Clearing House will charge interest on cumulative variation margin received by the clearing member and pay interest on cumulative variation margin paid in by the clearing member respect of these instruments. This interest element is known as price alignment interest ("PAI").

The calculation of PAI shall use the interest rates specified as below. The amount of PAI for each currency shall be calculated as:

The amount of NPV in such currency from the previous day's COB multiplied by:

The relevant interest rate in effect for that day; divided by

360 or in the case of AUD, CAD, GBP, HKD, JPY, NZD, PLN, SGD and ZAR, 365



In the case of the currencies marked below with an asterisk, the Clearing House, as provided in Regulation 21(b), specifies that it will not change the PAI rate without the consent of all SwapClear Clearing Members holding open contracts in such currencies.

Currency	PAI Rate
USD *	The rate used shall be the Effective Federal Funds rate, the rate published by the Board of Governors of the Federal Reserve System as such rate appears on Reuters page "FEDFUNDS1" or Telerate 120 or on any successor page(s) thereto.
EUR *	The rate used shall be the EONIA rate, the rate published by the European Banking Federation and ACI – The Financial Market Association as such rate appears on Reuters page "EONIA" or Telerate 247 or on any successor page(s) thereto.
GBP *	The rate used shall be the SONIA rate, the rate published by the Wholesale Markets Broker Association as such rate appears on Reuters page "SONIA" or on any successor page(s) thereto.
JPY *	The rate used shall be the Mutan call rate, the rate published by the Bank of Japan as such rate appears on Reuters page "TONAR" or on any successor page(s) thereto.
CHF *	The rate used shall be the TOIS rate, the T/N interbank fixing as such rate appears on Reuters page "CHFTOIS" or Telerate 3450 or any successor page(s) thereto.
AUD	The rate used shall be the "AONIA" rate, the rate published by the Reserve Bank of Australia – as such rate appears on Reuters page "RBA30" or any successor page(s) thereto.
CAD	The rate used shall be the "CORRA" rate, the rate published by the Bank of Canada website – as such rate appears on Reuters page "CORRA" or any successor page(s) thereto.
DKK	The rate used shall be the "DKKOIS" rate, the rate published by the Danish Central Bank – as such rate appears on Reuters page "DKNA14" or any successor page(s) thereto.
HKD	The rate used shall be the "HONIX" rate, the rate published by the Hong Kong Brokers Association – as such rate appears on Reuters page "HONIX" or any successor page(s) thereto.
NZD	The rate used shall be the "NZIONA" rate, the rate published by the Reserve bank of New Zealand – as such rate appears on Reuters page "RBNZ02" or any successor page(s) thereto.



Currency	PAI Rate
PLN	The rate used shall be the "POLONIA" rate, the rate published by the National Bank of Poland – as such rate appears on Reuters page "NBPS" or any successor page(s) thereto.
SEK	The rate used shall be the "SIOR" rate, the rate published by the OMX Exchange – as such rate appears on Reuters page "SIOR" or any successor page(s) thereto.
ZAR	The rate used shall be the SFX ZAR OND rate, the rate published by SAFEX JIBAR – as such rate appears on Reuters page "SFXROD" or any successor page(s) thereto.
CZK	The rate used shall be the "CZEONIA" rate, the rate published by the Czech National Bank – as such rate appears on Reuters page "CZEONIA" or any successor page(s) thereto.
HUF	The rate used shall be the "HUFONIA" rate, the rate published by the National Bank of Hungary – as such rate appears on Reuters page "HUFONIA" or any successor page(s) thereto.
SGD	The rate used shall be the "SONAR" rate, the rate published by the Association of Banks in Singapore – as such rate appears on Reuters page "ABSIRFIX01" or any successor page(s) thereto.
NOK	The rate used shall be the NOK sight deposit rate, the rate published by Norges Bank – as such rate appears on Reuters page "NOINTR=ECl" or any successor page(s) thereto

[For currency NOK, PAI is calculated using an appropriate overnight deposit rate for the currency](#)

### 3.5.4 Interest/Accommodation Structure

Application of Cover	Type of Cover					
	Credit Variation Margin	Performance Bonds	Securities	Cash	Foreign Cash	Forward Cash
Debit Cash (GBP, USD, EUR)	Not allowed	Charge LDR of debit currency plus 1.10%	Charge LDR of debit currency plus 1.10%	Not applicable	Charge LDR of debit currency plus 1.00%; pay LDR of cover currency	Charge LDR of debit currency plus 1.00%
Debit Cash (CHF, JPY, DKK, NOK, SEK)	Not allowed	Charge LDR of debit currency plus 2.10%	Charge LDR of debit currency plus 2.10%	Not applicable	Charge LDR of debit currency plus 2.00%; pay LDR of cover currency	Charge LDR of debit currency plus 2.00%
Initial & Variation margin after offset	No charge or payment	Charge 0.10%	Charge 0.10%	Pay LDR	pay LDR of cover currency	No charge or payment
Excess or Surplus	No charge or payment	No charge or payment	No charge or payment	Pay LDR	Pay LDR	No charge or payment

**Note:**

1. "Foreign Cash" means cash in a currency other than that of the liability.
2. "Forward Cash" means cash which has been credited to an account for later value, e.g. an amount called via PPS for next-day value.

### 3.5.5 Payment of Interest and Charges

Interest and accommodation charges (other than PAI) are calculated on a daily basis and the resultant monthly total is posted to FCM Clearing Members' cover accounts at the beginning of the following calendar month. A VAT invoice is issued monthly detailing the interest and accommodation charges applicable for the previous month. Separate invoices are issued for each currency.

VAT is charged, dependent on contract, on accommodation charges and collateral utilisation fees at current rates. On foreign currency amounts VAT is charged in sterling on the converted value of any relevant charges. The sterling cover account shows separate postings for sterling VAT amounts arising from foreign currency charges.

The net invoice value for each currency is posted to the relevant cover account for value on the second working day of the month succeeding the month in which the charges arose.

The invoice provides detail in respect of:

- (a) interest due;
- (b) accommodation charges;

- (c) collateral/performance bonds utilisation fees.

Accommodation charges and collateral utilisation fees are combined and reported as accommodation charges for each appropriate category on the monthly invoice.

### 3.6 **Fees**

Details of fees and refunds pending are collated during the month.

An invoice or credit note is produced detailing the fees to be posted to the house cover account.

The invoice/credit note displays the type of fee, contract, currency, fee rate, volume, fee amount, VAT amount, sub totals for each fee class and the overall total posted to the cover account.

Monthly postings are processed via the cover account at the beginning of the following month, on the third working day. Other postings, such as various Market Maker Scheme rebates, are processed by the Clearing House following receipt of data from the relevant exchange.

### 3.7 **Participation Monies**

#### 3.7.1 **DF Contributions**

DF contributions will be called via PPS normally on the fourth working day ("Reset Day") of the quarter (i.e. early February, May, August and November). Contribution requirements will be notified to FCM Clearing Members at least two working days prior to each Reset Day or Banking screen MDFCT, or Member Intranet Report 000032.

Excess DF amounts due to FCM Clearing Members following the adjustment to DF accounts and the crediting of interest will be repaid to FCM Clearing Members' PPS accounts on the Reset Days.

APPENDIX 3A

**BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM**

Bank of America [N.A.](#)

Barclays Bank Plc

JP Morgan Chase Bank

Citibank NA

Deutsche Bank AG

HSBC Bank Plc

Lloyds TSB Bank Plc

National Westminster Bank Plc

The Royal Bank of Scotland plc

Skandinaviska Enskilda Banken AB

For more information on PPS Banks please contact LCH.Clearnet Limited Treasury Operations.

## APPENDIX 3B

**BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM**

Name of Relationship Manager:	
Contact Details (telephone & email):	
Name of Bank:	
Address:	
LCH.Clearnet Limited MNEMONIC(S):	

**LCH.CLEARNET LIMITED**

**I/We authorise you, until further notice in writing, to debit my/our account(s) with unspecified amounts from time to time at the instance of LCH.Clearnet Limited without further reference to me/us.**

In acting on this Mandate, you may rely, without qualification, upon the information provided to you by LCH.Clearnet Limited in whatsoever form this information is submitted to you.

HOUSE ACCOUNT		
TICK <input type="checkbox"/>	CURRENCY	ACCOUNT NUMBER
	AUD	
	CAD	
	CHF	
	CZK	
	DKK	
	EUR	
	GBP	
	HKD	
	HUF	
	ISK	
	JPY	
	NOK	
	NZD	
	PLN	
	SEK	
	USD	
	ZAR	

CLIENT ACCOUNT		
TICK <input type="checkbox"/>	CURRENCY	ACCOUNT NUMBER
	AUD	
	CAD	
	CHF	
	CZK	
	DKK	
	EUR	
	GBP	
	HKD	
	HUF	
	ISK	
	JPY	
	NOK	
	NZD	
	PLN	
	SEK	
	USD	
	ZAR	

For and on behalf of:

Name of FCM Clearing  
Member: \_\_\_\_\_

Signature of Director: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date \_\_\_\_\_

When completed and signed, this form should be sent to your Relationship Manager at the above-mentioned Bank and a copy issued to: Treasury Operations, LCH.Clearnet Limited, 3<sup>rd</sup> Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA. Email: [lchoperations-treasury@lchclearnet.com](mailto:lchoperations-treasury@lchclearnet.com) Telephone: 020 7426 7505 Fax: 020 7426 7037.

APPENDIX 3C

**BANK PARTICIPANTS IN THE US PROTECTED PAYMENTS SYSTEM**

(In New York unless stated otherwise)

Bank of America ~~NA~~ N.A.

J P Morgan Chase (New York or London)

Citibank NA

HSBC Bank USA

The Bank of New York

Harris Trust and Savings Bank (Chicago)

For more information on US PPS Banks please contact LCH.Clearent Limited Treasury Operations on +44 (0)20 7426 7505.

## APPENDIX 3D

**MANDATE FOR LCH.CLEARNET LIMITED: CLEARING OPERATIONS**

Name of Relationship Manager:	
Contact Details (telephone & email):	
Name of Bank:	
Address:	
LCH.Clearnet Limited MNEMONIC(S):	

**LCH.CLEARNET LIMITED**

I/We authorise you, until further notice in writing, to debit my/our account(s) with unspecified amounts from time to time at the instance of LCH.Clearnet Limited without further reference to me/us.

In acting on this Mandate, you may rely, without qualification, upon the information provided to you by LCH.Clearnet Limited in whatsoever form this information is submitted to you.

HOUSE ACCOUNT		CLIENT ACCOUNT	
CURRENCY	ACCOUNT NUMBER	CURRENCY	ACCOUNT NUMBER
USD		USD	

The above information is correct and LCH.Clearnet Limited will rely on this information in making debit and credit transactions for the identified accounts and will have no liability to the extent of such reliance.

For and on behalf of:

Name of FCM Clearing  
Member: \_\_\_\_\_

Signature of Director: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date \_\_\_\_\_

**Notes:**

A separate Mandate must be completed and delivered to LCH.Clearnet Limited for each different PPS bank.

Twenty days notice must be given to LCH.Clearnet Limited in writing in respect of any change of bank account name or bank account number and a fresh Mandate provided.

When completed and signed, this form should be sent to your Relationship Manager at the above-mentioned Bank and a copy issued to: Treasury Operations, LCH.Clearnet Limited, 3<sup>rd</sup> Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA; E-mail: [lchoperations-treasury@lchclearnet.com](mailto:lchoperations-treasury@lchclearnet.com); Telephone: 020 7426 7505; Fax: 020 7426 7037.



## COLLATERAL

**4. COLLATERAL****4.1 General Information****4.1.1 Non-Cash Collateral**

FCM Clearing Members wishing may lodge securities with the Clearing House. Securities lodged will be subject to a security interest and held in an account with the Clearing House by the FCM Clearing Member (LCH OTC Client Segregated Depository Account).

Collateral pledged in respect of an FCM Clearing Member will not be applied by the Clearing House to [hisits](#) liabilities on a house account (see FCM Regulation [16\(d\)](#)).

**FCM Clearing Members are warned that the taking of collateral is a complex legal matter. These FCM Procedures, and any communication with the Clearing House, whether of an oral or written nature, are not to be taken as containing legal advice. An FCM Clearing Member who contemplates taking an interest in securities belonging to a client should seek independent professional advice on the matter.**

**4.1.2 GENERAL INFORMATION****LCH.Clearnet Security Arrangements**

FCM Clearing Members wishing to lodge securities with the Clearing House may do so under the security arrangements set out in the FCM Clearing Membership Agreement and the FCM Regulations.

Collateral pledged in respect of an FCM Clearing Member's Client account will not be applied by the Clearing House to [hisits](#) liabilities on a House account (see FCM Regulation [5\[29\(d\)\]](#)).

Unless stated otherwise in the FCM Rulebook, collateral pledged in respect of an FCM Clearing Member's House account may be applied by the FCM Clearing House towards the payment of any sum whatsoever due by the FCM Clearing Member to the Clearing House, save that no collateral charged in respect of an FCM Clearing Member's Client accounts shall be applied on or towards payment or satisfaction of any of the FCM Clearing Member's liabilities to the Clearing House on any of the FCM Clearing Member's House accounts.

As set out in FCM Regulation 10(c), where an FCM Clearing Member wishes to pass an FCM Client's collateral to the Clearing House, the FCM Clearing Member must, inter alia, ensure that at all times it remains expressly agreed with the FCM Client that the FCM Clearing Member may pledge the collateral to the Clearing House, on the Clearing House's terms and free of the FCM Client's interest to secure the FCM Clearing Member's obligations to the Clearing House. This is a further requirement as set out in the Clearing House Prescribed Language. The Clearing House gives no undertaking that, on the default of an FCM Clearing Member, it will not utilise FCM Clients' collateral which has been passed to it by an FCM Clearing Member, before utilising any other form of cover the Clearing House may hold.

#### 4.1.3 General Information

The Clearing House is, at its sole discretion, entitled to determine what will be acceptable to it as collateral and to determine when a security will cease to be acceptable as collateral.

If any instrument or security, lodged in accordance with any of the following procedures, is in any way found to be unacceptable, it will immediately be given a zero value in the FCM Clearing Member's cover account with the Clearing House. Replacement cover may be required immediately from the FCM Clearing Member.

The Clearing House accepts faxed copies of Collateral Lodgement Forms and Collateral Release Forms. These will be valid for a period of fourteen days, by which time original copies must have been received. If original copies are not received by the Clearing House within fourteen days cover value will not be given on the FCM Clearing Member's account and the collateral may be returned.

The Clearing House will only accept delivery of securities in accordance with these FCM Procedures, and will not sell, purchase or encash securities for FCM Clearing Members, except in so far as it is acting under its Default Rules and related FCM Regulations and the UK General Regulations.

Subject to the FCM Regulations in the event that the Clearing House at any time determines that it is holding excess collateral (as defined below) from an FCM Clearing Member, the Clearing House may notify that FCM Clearing Member of the intention to levy a charge in respect of excess collateral with effect from such date as is notified to the FCM Clearing Member. In the event that the FCM Clearing Member does not remove excess collateral before the date so notified, the Clearing House may, in its discretion, charge the FCM Clearing Member at the rate of 1 basis point until excess collateral is removed by the FCM Clearing Member through use of a Collateral Release Form. Payment of this charge shall be collected on a monthly basis through that FCM Clearing Member's appropriate PPS account.

For the purposes of this section, "excess collateral" means that collateral identified by the Clearing House as being collateral over and above that which is required by the Clearing House in order to cover the obligations to the Clearing House of that FCM Clearing Member. The Clearing House shall have absolute discretion to decide whether and to what extent it is holding excess collateral at any time.

#### 4.1.4 Communications

The Clearing House is entitled to act upon documentation instructions or communications appearing to have been issued by, or have come from, an FCM Clearing Member. These will be accepted by the Clearing House as genuine, even if, for example, they are later found:

- (a) to be inaccurate, whether in whole or in part; or
- (b) not to have been given by the FCM Clearing Member or an FCM Client or with the authority of the FCM Clearing Member or FCM Client.

#### 4.1.5 Lodgement of Collateral as Replacement for Cash Cover for Margin

FCM Clearing Members should note that they must give Treasury Operations no less than two (2) Business Days notice of their intention to lodge collateral with a

value of £50 million sterling or more, and which is reasonably likely to have the effect that cash to a similar value is repayable by the Clearing House to that FCM Clearing Member as a result of such lodgement. In the event that an FCM Clearing Member seeks to withdraw such cash cover without giving such notice, the Clearing House will decline to release such cash cover until the end of the required notice period.

#### 4.1.6 Force Majeure

The Clearing House will not be liable for any failure, hindrance or delay in the performance (in whole or in part) of any of its obligations to FCM Clearing Members with regard to instruments or securities accepted as collateral where such failure, hindrance or delay arises from causes beyond the control of the Clearing House, such as but not limited to the failure whether partial or total, interruption or suspension of any depository or custodian or other service (“depository”) that the Clearing House is using, the termination or suspension of the Clearing House’s membership or use of the depository or any variation of the depository’s operational timetable, whether or not occasioned by action of the depository operator or other party, or any embargo, unavailability or restriction of bank transfer systems or wires, malfunction or overload of the depository or other emergency. This provision is without prejudice to the force majeure provisions of FCM Clearing Members’ agreements with the Clearing House.

#### 4.1.7 Regulatory and Supervisory Information

In every case, the Clearing House will be entitled to supply a securities depository with all the information it requires for any purposes relating to an FCM Clearing Member, or to securities received by the Clearing House from an FCM Clearing Member which are or may at any time have been held by the depository. Securities will be lodged and held within such depository or other systems as the Clearing House may select or allow, subject to the conditions of such systems and to any applicable law and subordinate rules relating thereto as well as to the terms of the FCM Rulebook and these FCM Procedures.

#### 4.1.8 Interest Payments

The Clearing House will remit interest amounts, taking into account any withheld tax, to FCM Clearing Members’ PPS banks on the appropriate value date. These are processed using “Tender” sub-accounts designated “I” for house or “L” for segregated client.

### 4.2 US Securities

#### 4.2.1 General Information

US Treasury securities must be lodged via “Fed Wire” in the Clearing House’s LCH OTC Client Segregated Depository Account with Citibank N.A., New York (“Citibank”).

#### 4.2.2 Lodgement Procedure

##### Day One

- (a) FCM Clearing Members must submit, (by 15:30 hours), a completed Lodgement Form in respect of each lodgement. FCM Clearing Members may also need to supply a tax form (see section 4.2.5).

- (b) The Clearing House will enter a receipt instruction into the Citibank system.
- (c) The FCM Clearing Member or his agent bank should enter “free of payment” delivery instructions into the “Fed Wire” system in the case of Treasury securities.

The details of the account are:

#### Treasury Securities

(Via Fed Wire)  
Citibank NYC/CUST  
ABA 021000089  
A/c #206203 - “LCH.Clearnet Limited”

The securities are transferred into the Clearing House’s account through the Citibank system.

Unless the Clearing House contacts the FCM Clearing Member to notify that a lodgement has been rejected, value will normally be given overnight on the following Business Day. However, if settlement has taken place before 17:00 hours, value may be given overnight the same day.

### 4.2.3 Release Procedure

#### **Day One**

- (a) The FCM Clearing Member submits a completed Release Form to Treasury Operations by 15:30 hours (London).
- (b) Where the security is not utilised as margin cover, the Clearing House will input appropriate delivery instructions into the Citibank system.
- (c) The Clearing House reduces the level of cover held for the FCM Clearing Member’s relevant cover account by the amount of the value of the security which is being withdrawn.
- (d) The FCM Clearing Member passes acceptance instructions to its own agent bank and the Treasury securities will then be transferred to the FCM Clearing Member’s agent bank through the Fed Wire system.
- (e) The Treasury securities are transferred to the FCM Clearing Member’s bank.

#### **Day Two**

Where alternative cover is required it will be called in cash by PPS

After 09:00 hours (London)

Where the security has been utilised on day one, and providing the morning PPS call has been met, the security will be released as follows:

- (a) the Clearing House inputs appropriate delivery instructions into the Citibank system;

- (b) the FCM Clearing Member passes acceptance instructions to its own agent bank;
- (c) treasury securities will then be transferred to the FCM Clearing Member's agent bank through the Fed Wire system; or
- (d) the Treasury securities are transferred to the FCM Clearing Member's bank

#### 4.2.4 US Withholding Tax

US income tax laws impose a withholding tax on payments of US source interest, including original issue discount, to a foreign person unless an exemption or reduced rate applies. Interest is US source income, if the debtor is a US corporation. Interest on debt obligations issued after July 18 1984 is generally exempt from US withholding tax. In addition, a foreign person who is a resident of a country with which the US has an income tax treaty may be entitled to a reduced withholding tax rate or an exemption from the US withholding tax.

In order to reduce or eliminate US withholding tax, the correct tax documentation must have been provided in respect of each owner. To this end, FCM Clearing Members will be expected to provide one of the forms (noted below) to the Clearing House. A current form will be required for each FCM Clearing Member.

The relevant forms will normally be one of:

- (a) 'W-9 (Request for Taxpayer Identification Number and Certification)'. Applies to a US corporation including a foreign branch of a US corporation ; or
- (b) 'W-8BEN (Certificate of Foreign Status)'.  
  
Applies to non-resident alien individuals, foreign corporations, partnerships and estates.

FCM Clearing Members may obtain originals of forms W-8BEN and W-9 from Treasury Operations.

Note: The Clearing House's arrangements with Citibank only allow for securities holdings of US corporations or foreign (i.e. non-US) entities or individuals. FCM Clearing Members who wish to discuss the possibility of lodging securities belonging to owners excluded from this arrangement should contact Treasury Operations.

Unless the Clearing House has already received the appropriate tax form, lodgements into A/c #206203 must be accompanied by form W-9.

The Clearing House's acceptance of US securities does not indicate any responsibility for the adequacy or otherwise of tax documentation. Any queries in relation to these tax forms should be referred to your company accountant or professional advisers.

Completed tax forms should be returned to Treasury Operations for onward transmission to Citibank, New York.

APPENDIX 4A

Collateral Lodgement Form



FCM COLLATERAL LODGEMENT FORM

To: LCH.Clearnet Limited ("the Clearing House")

Version 1: June 2011

LCH.Clearnet Limited Ref No:

From: Clearing Member (full name): .....

House/Client Account\* Mnemonic: ..... \* Please delete as appropriate

We hereby transfer the securities described below to the Clearing House under the terms of regulation 10(m) of the FCM Regulations.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator. We hereby confirm that the securities detailed below are customer funds subject to segregation pursuant to the U.S. Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security(Issue - Coupon - Maturity)

Delivery from: Depository/Agent: .....

US Securities, Broker Code: .....

Account Holder: .....

Account Number: .....

Delivery to:

Depository	Citibank
Clearing House Account No	206203

Signatories for and on behalf of the Clearing Member:

1. \_\_\_\_\_  
 (Signature) (Print Name) (Print Name)

2. \_\_\_\_\_  
 (Signature) (Print Name) (Print Name)

Date:

To: THE ABOVE-NAMED CLEARING MEMBER


We accept delivery of the above-mentioned securities under the terms of the FCM Rulebook.

For and on behalf of LCH.Clearnet Limited: Date: Time:

(Authorised Signatory):

APPENDIX 4B

Collateral Release Form

		<b>COLLATERAL RELEASE FORM</b> Version 1: June 2011		
To: LCH.Clearnet Limited ("the Clearing House")				
From: Clearing Member (full name): .....				
House/Client Account*		Mnemonic: .....		* Please delete as appropriate
We hereby request you to release the securities described below.				
Security Code Number(e.g . ISI N )	Delivery Date	Trade Date	Amount/Nominal Value(Issue - Coupon - Maturity)	Description of Security
The Clearing House Ref No: ..... (from lodgement form)				
Delivery to: Depository/Agent .....				
US Securities, Broker Code .....				
Account Holder .....				
Account Number .....				
Signatories for and on behalf of the Clearing Member:				
1	.....	.....	.....	.....
	(Signature)	(Print Name)	(Position)	
2	.....	.....	.....	.....
	(Signature)	(Print Name)	(Position)	
	Date			
To: THE ABOVE-NAMED CLEARING MEMBER				
The release of the above-mentioned securities is agreed.				
For and on behalf of .....				
LCH.Clearnet Limited:		Date: .....	Time: .....	
(Authorised Signatory):				

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

LCH.CLEARNET LIMITED COPY

## BUSINESS CONTINUITY

### **5. BUSINESS RECOVERY**

#### **5.1 Recovery Situations**

The FCM Procedures set out in this section are intended to provide FCM Clearing Members with a guide to the changes in working practices which would follow the invocation of the Clearing House's Business Continuity Plans.

Due to the uncertain nature of the events which would lead to the need for Business Recovery the Clearing House reserves the right to depart from these FCM Procedures to meet the characteristics of specific business recovery situations.

These FCM Procedures provide for the evacuation or decommissioning of Aldgate House. The procedures detail the alterations to the Clearing House's operations and also the action to be taken on invocation of the Business Continuity Plans.

#### **5.2 Recovery Situations Affecting Members' Offices**

##### **5.2.1 During Office Hours**

FCM Clearing Members that are unable to gain access to their principal office accommodation and as a result require the Clearing House assistance should contact the Help Desk on +44 (0)20 7426 7200.

##### **5.2.2 Outside Office Hours**

FCM Clearing Members should telephone the Clearing House on +44 (0)20 7426 7545, leaving the following information:

Name:  
Company Name:  
Contact Telephone Number:  
Brief Details of the Nature of the Problem:

A member of the Clearing House operational staff will then make contact regarding any assistance that can be given.

#### **5.3 Aldgate House Evacuation**

##### **5.3.1 Communicating with FCM Clearing Members**

Should the Clearing House be forced to evacuate Aldgate House it will need to inform its FCM Clearing Members as soon as practicable. The following sections detail a number of different messages that the Clearing House may wish to communicate. However, in all cases the means by which information will be disseminated is the same. Information will be communicated to FCM Clearing Members by the following methods:

- (a) facsimile transmissions to FCM Clearing Members designated fax machines;
- (b) posting messages on [www.lchclearnet.com](http://www.lchclearnet.com);



- (c) posting messages on the following toll free number 0044 800 1 69 69 09.

Some of the above communications methods can only be used to disseminate very short messages. However the toll free number is capable of recording a message of up to ten minutes duration, and handling unlimited concurrent connections. It is therefore likely to be the main method used for providing FCM Clearing Members with progress reports following an initial broadcast message.

### 5.3.2 Evacuation of Aldgate House

If it is necessary for the Clearing House to evacuate Aldgate House, and if re-entry to the building is unlikely within thirty minutes, FCM Clearing Members will be informed by disseminating the following message using the methods described in section 5.3.1 above.

“The Clearing House has been forced to evacuate Aldgate House. Please refer to Clearing House Procedures - Business Continuity Arrangements for further information.”

At this time all of the activities normally carried out at Aldgate House will have ceased, if only temporarily. FCM Clearing Members will be kept informed of developments as further details become available.

Please note that the reason for broadcasting the above message is to provide FCM Clearing Members with early notification of an evacuation of Aldgate House. At this stage no decision will have been taken to invoke Business Continuity Plans. See section 5.3.3 below for advice on how FCM Clearing Members will be notified of an invocation of the recovery plan.

### 5.3.3 Invoking of Business Continuity Plans

The Clearing House is contracted with a specialist provider for dedicated and syndicated work area recovery facilities. The agreement between the Clearing House and the provider stipulates that dedicated work area recovery positions will be available immediately. Syndicated recovery positions will be available within four hours of invocation.

Depending on the severity of an incident a full or partial invocation of the service may be required.

### 5.3.4 Limited Invocation

If the Clearing House’s assessment of the incident suggests that reoccupation of Aldgate House will be possible within two hours, then it is likely that only the mission critical activities (MCA) will be recovered to the recovery site. All other activities will cease until Aldgate House becomes available.

The following message will be posted:

*“The Clearing House has invoked business continuity plans for its MCA’s. Please refer to the Clearing House’s Procedures - Business Continuity Arrangements for further information.”*

### 5.3.5 Full Invocation

Once a decision has been taken to proceed with full invocation of business continuity plans FCM Clearing Members will be informed at the earliest opportunity. This will be achieved by disseminating the following message using the methods described in section 5.3.1 above.

*“The Clearing House has invoked all business continuity plans. Please refer to the Clearing House’s Procedures - Business Continuity Arrangements for further information.”*

It is anticipated that a period of approximately two hours will elapse between the invocation of full business continuity plans and relocation of recovery teams. During this time most of the activities normally carried out at Aldgate House will cease.

Please note that the Clearing House’s primary data centre is not located at Aldgate House and so an evacuation of the site will not affect FCM Clearing Members’ ability to access IT applications.

### 5.3.6 Cover Calling

In order to simplify the Treasury process, it is likely that a number of routine Treasury Procedures may be amended or suspended. These may include but are not limited to:

- (a) the acceptance/release of securities and guarantees;
- (b) the conversion of currencies;
- (c) the ability to cover liabilities in currencies other than their original currency.

### 5.3.7 Registration of Contracts

The Clearing House reserves the right, at its discretion, to amend the timing of registration as it deems necessary. In the event that registration is to be delayed the Clearing House will notify FCM Clearing Members as soon as practically possible.

### 5.3.8 New Address for Document Delivery

Following invocation of the business continuity plans the Clearing House will provide new address details for document delivery. Will arrange to have its mail forwarded to its office recovery site.

### 5.3.9 Permanent Change of Address

If an incident is so serious that the Clearing House is unable to reoccupy Aldgate House, FCM Clearing Members will be informed of the proposed new office location and contact numbers prior to occupation of the premises. This information will be communicated via the methods described in section 5.3.1.

FCM Clearing Members will be informed of the date when the new arrangements will take effect.

### 5.3.10 Return to Normal

When the Clearing House is able to resume a normal service a message will be disseminated using the methods described in section 5.3.1 above. Assuming that it has been possible to return to Aldgate House the following message will be broadcast.

*“The Clearing House has returned to Aldgate House. Please revert to normal contact telephone numbers and procedures.”*

If normal working is being resumed at a site other than Aldgate House FCM Clearing Members will already have been informed of the new office location and contact numbers see section 5.3.10 above. The following message will be broadcast.

*“The Clearing House is resuming normal service at <insert location name>. Please use the new contact numbers previously supplied.”*

## 5.4 Clearing House Data Centre

### 5.4.1 Failure of LCH’s Data Centre

If the Clearing House’s primary data centre fails during business hours, those Clearing House IT systems that are used by FCM Clearing Members will be temporarily unavailable while processing is transferred to the secondary data centre.

## APPEAL PROCEDURES

**6. APPEAL PROCEDURES****6.1 Introduction**

These FCM Procedures describe how an FCM Clearing Member may appeal against a decision of the Clearing House (that is, LCH.Clearnet Limited).

It should be noted that no appeal may be lodged to the Clearing House in respect of any decision of any other member company of the LCH.Clearnet Group (including LCH.Clearnet SA).

**6.2 Decisions In Respect Of Which An Appeal May Be Lodged****6.2.1 A Member may appeal against any of the following decisions made by the Clearing House:**

- (a) a decision by the Clearing House to rescind that Member's eligibility to have contracts of a certain category registered in its name;
- (b) a decision by the Clearing House to terminate that Member's FCM Clearing Membership Agreement other than when such decision occurs in connection with the operation by the Clearing House of its Default Rules and Procedures.

**6.2.2 An undertaking which is not an FCM Clearing Member may appeal to an Appeal Committee against ~~any of the following decisions~~ decision made by the Clearing House: declining to grant FCM Clearing Member status to that person.**

- ~~(a) a decision to decline to grant FCM Clearing Member status to that person;~~
- ~~(b) a decision to decline to admit that undertaking to the register of Executing Dealers providing that there is an FCM Clearing Member willing and able to enter into an Executing Dealer Agreement with that undertaking and the Clearing House at the time of the decision;~~
- ~~(c) a decision to suspend or remove an Executing Dealer from the register of Executing Dealers;~~

**6.2.3 From time to time the Clearing House may amend the lists in this section 6.2 of decisions in respect of which appeals may be lodged.****6.3 Initiating An Appeal****6.3.1 An appeal to an Appeal Committee under this Section 6 shall be commenced by sending a copy of the APPEAL FORM in the form set out in Appendix 6A of these FCM Procedures to the Company Secretary of LCH.Clearnet Limited ("the Company Secretary") at the registered office of the Clearing House.****6.3.2 The APPEAL FORM must be fully completed in all material respects by the person lodging the appeal ("the appellant").**

- 6.3.3 **The appellant must enclose with its APPEAL FORM payment of £500 which payment shall be returned if the appeal is subsequently upheld by the Appeal Committee or by the Appeal Tribunal.**
- 6.3.4 **An appeal may only be commenced under these FCM Procedures within 28 days of the date upon which the decision to which it relates was notified to the appellant. The Chief Executive of the Clearing House has a discretion to waive this time limit if the appellant provides a satisfactory explanation for the delay and no prejudice would be caused to any person by proceeding with the appeal in the circumstances.**
- 6.3.5 **The Company Secretary shall acknowledge receipt of the APPEAL FORM no later than 7 days after receipt.**
- 6.3.6 **The Company Secretary may request further information or clarification relating to the subject matter or grounds of the appeal.**
- 6.4 **The First Tier Appeal**
- 6.4.1 **No later than 28 days from receipt of any APPEAL FORM the Company Secretary shall:**
- (a) refer the appeal to an Appeal Committee comprising:
    - (i) the Chief Executive of LCH.Clearnet Limited or the Deputy Chief Executive; and
    - (ii) two directors of the Clearing House with relevant market experience, nominated by the Chairman of the Clearing House; and
  - (b) notify the appellant in writing of the identity of the persons constituting the Appeal Committee; and
  - (c) provide to the appellant copies of such documents and written representations as the Clearing House intends to place before the Appeal Committee for its consideration.
- 6.4.2 **Following notification to the appellant in accordance with 6.4.1 above, the appellant shall then have a period of 14 days to submit to the Appeal Committee such written representations and other documentation for the consideration of the Appeal Committee. All representations and documentation shall be submitted in sufficient copies so that each member of the Appeal Committee shall have a copy each.**
- 6.4.3 **The Appeal Committee shall decide upon its own procedure for considering and determining the appeal which will normally be done without an oral hearing but on the basis of the written representations and documents submitted by the appellant and such other information and documentation as the Appeal Committee considers appropriate.**
- 6.4.4 **The Appeal Committee may request further or other documentation and information from the appellant.**
- 6.4.5 **No later than 21 days from the date upon which the appellant is notified of the composition of the Appeal Committee, or 21 days from the receipt by the**

Appeal Committee of any further or other documentation or pursuant to 6.4.4 above, whichever is the later, the Appeal Committee shall consider and determine the appeal before it.

6.4.6 An Appeal Committee constituted pursuant to this paragraph 6.4 shall promptly, and in any event, no later than 7 days after coming to its determination, give notice of its determination to an appellant in writing together with its reasons.

#### 6.5 The Second Tier Appeal

6.5.1 If an appellant, having received notice of a determination of an appeal pursuant to paragraph 6.4.6 above, is not satisfied by such determination, it may appeal lodge a second tier appeal to an Appeal Tribunal.

6.5.2 A second tier appeal may be commenced under this paragraph 6.5 by the submission of a NOTICE OF FURTHER APPEAL in the form set out in Appendix 6B hereto to the Company Secretary at its registered office, setting out the reasons for the appeal. Such NOTICE OF FURTHER APPEAL must be received by the Company Secretary no later than 14 days from the date upon which the notice of determination of the Appeal Committee was given to the appellant.

6.5.3 An appeal under this paragraph 6.5 shall be heard by an Appeal Tribunal within 3 months of the Notice of Appeal being received by the Company Secretary, or such longer time as the Chairman of the Appeal Tribunal shall determine in order to provide a full and fair determination of the appeal.

6.5.4 An Appeal Tribunal constituted under this paragraph 6.5 shall consist of 2 persons ("Tribunal Members"), with relevant knowledge and experience in the industry of matters in issue in the appeal, and a legally qualified Chairman. The appellant and the Clearing House may each select a Tribunal Member from a list of no less than 4 persons appropriately qualified persons nominated by The Centre for Dispute Resolution (CEDR), London, and the Chairman shall be nominated by CEDR. In the event that either the Clearing House or an appellant fails to nominate such a Tribunal Member before a date 2 weeks prior to the date fixed by the Chairman for the hearing of the appeal, then the Chairman shall nominate such Tribunal Member from the list referred to above. No person who served on the Appeal Committee which considered the appellant's first tier appeal shall be eligible to serve upon an Appeal Tribunal constituted in respect of that appellant's second tier appeal.

6.5.5 The Chairman of an Appeal Tribunal shall fix a date for the hearing of the appeal and shall give no less than 28 days notice in writing to the appellant and the Company Secretary of the time and place in London where such appeal shall be heard.

6.5.6 The appellant shall provide the Appeal Tribunal, with a copy to the Company Secretary, no less than 14 days before the date fixed for the hearing of the appeal, with written submissions setting out such representations as it wishes to put forward in support of its appeal, together with copies of all documentation and other material upon which it wishes to rely.

- 6.5.7 **The Clearing House will submit written submissions, documentation and information with regard to the matters and issues relevant to the decision which is the subject of the appeal and provide a copy thereof to the appellant.**
- 6.5.8 **An Appeal Tribunal may invite any person (including the Clearing House) to provide written information or written opinion with regard to any matter which forms the subject matter of an appeal.**
- 6.5.9 **An Appeal Tribunal shall determine its own procedure for the hearing of an appeal and shall not be bound by the rules of evidence. It may adjourn a hearing to another date or dates if it so wishes. If prior to or at such hearing an appellant notifies the Appeal Tribunal that it wishes to make oral submissions an opportunity shall be given to the appellant to do so. A representative of the appellant (and the appellant himself, if the appellant is an individual) and a representative of the Clearing House may attend the hearing and the Appeal Tribunal may in its discretion invite further or other persons to attend the hearing.**
- 6.5.10 **At the hearing an appellant may conduct its case itself through an employee, officer or other agent, or be represented by legal counsel PROVIDED that if in any particular case an Appeal Tribunal is satisfied that there is good and sufficient reasons for doing so, it may refuse to permit a particular individual to represent an appellant at the hearing.**
- 6.5.11 **Neither the Clearing House nor an appellant shall have the right to call any witness or cross examine any person who shall have provided any information to an Appeal Tribunal, PROVIDED that an Appeal Tribunal may permit any such cross examination on such terms as it may determine, if it decides that it is appropriate in the particular circumstances of that appeal so to do.**
- 6.5.12 **An Appeal Tribunal may have regard to such further or other documents and information and matters as it considers fair and reasonable in the circumstances.**
- 6.5.13 **Where in this paragraph 6.5 any time is giving for the doing of anything, the Chairman of the Tribunal shall have a discretion to extend such time if he determines that it is fair and reasonable in the circumstances so to do.**
- 6.5.14 **In considering an appeal, an Appeal Tribunal shall act fairly and impartially and shall take into consideration, inter alia, the following:**
- (a) the FCM Regulations, other specific Regulations, Default Rules and Procedures of the Clearing House; and
  - (b) the Notice of Further Appeal; and
  - (c) all documentation and information placed before it by an appellant or by the Clearing House; and
  - (d) the role and concomitant obligations of the Clearing House (“LCH.Clearnet Limited”) as a recognised clearing house under the Financial Services and Markets Act 2000.



- 6.5.15 **An Appeal Tribunal may in its absolute discretion decline to entertain an appeal and shall dismiss such appeal where it considers the appeal to be frivolous or vexatious.**
- 6.5.16 **An appellant shall pay its own costs and expenses in relation to an appeal. The Clearing House shall meet its own costs, those of the Tribunal Members and those related to the hearing other than costs and expenses incurred by the appellant.**
- 6.5.17 **An Appeal Tribunal shall determine an appeal by majority vote although the voting of an Appeal Tribunal shall remain confidential and the result shall be presented as a unanimous view by that Appeal Tribunal. An Appeal Tribunal may:**
- (a) dismiss the appeal; or
  - (b) uphold the appeal.
- 6.5.18 **An Appeal Tribunal shall deliver a written statement of its decision together its reasons to an appellant and the Clearing House within 28 days of the date of the hearing. Except in so far as an Appeal Tribunal may direct, information about proceedings before the Appeal Tribunal and the names of persons concerned in the proceedings shall not be made public.**
- 6.5.19 **In the event that an Appeal Tribunal determines to uphold the appeal then the Clearing House shall within 28 days of the receipt of the written decision, review and re-consider the decision upon which the appeal was based in the light of the conclusions of the Appeal Tribunal. The Clearing House agrees to be guided in reviewing its decision by the conclusions of the Appeal Tribunal.**
- 6.6 **Requests For Review**
- 6.6.1 **A Member who is aggrieved by any action taken by the Clearing House or decision of the Clearing House (other than any decision set out in 6.2 above or any decision taken under Regulation 13 in or under or in connection with the Clearing House's powers under the Default Rules and Procedures) may, no later than 14 days after the date of the decision or action, request a review of such action or decision by the Chief Executive of the Clearing House.**
- 6.6.2 **A Request for Review under this 6.6 shall be made in writing, addressed to the Chief Executive of the Clearing House at the registered office and shall set out details of the relevant decision or action, the reasons why the Member is aggrieved and details of such reasonable remedial or other action or monetary payment as that Member requests to be carried out in the circumstances.**
- 6.6.3 **The Chief Executive shall consider the Member's Request for Review and such further or other documents and information as he considers reasonably relevant and shall notify the Member in writing of the outcome of his review within a period of 28 days from receipt by him of the Request for Review. Where it is not possible to complete such review within such period of 28 days, the Chief Executive shall notify the Member accordingly and nominate a further period for the review, such period not to be longer than 3 months from the date of such notification to the Member.**



**6.7 Market Disorders Etc And Default**

For the avoidance of doubt, the Clearing House shall be under no obligation to consider any Request for Review under 6.6 above or otherwise, or comply with the provisions of this Section 6, and no appeal or Request for Review may be lodged under this Section 11 or otherwise, in respect of any decision or action taken by the Clearing House under the provisions of Regulation 13 or in respect of any decision, action or other matter arising out of or connected to the operation of the Default Rules and Default Procedures and the Clearing House's powers thereunder.

## APPENDIX 6A

**APPEAL FORM**

## The Clearing House Appeal Procedures

Full Name of firm/company etc lodging the appeal ("the appellant"):	
Registered office address:	
Contact address and telephone number and email (if different from the above):	
Contact name:	
Position:	
Description of decision appealed against (see Section 6.2 of the Clearing House Procedures):	
Date decision notified to appellant:	
Set out here the grounds for appeal (if there is not enough space, please use additional sheets and staple to this form)	
What action or remedy are you seeking?	

Pursuant to Section 6.3 of the Clearing House Procedures, we request that this appeal against the above mentioned decision of the Clearing House be referred to an Appeal Committee.

.....  
Signed for and on behalf of the appellant

.....  
(print name)

**Notes:**

Please enclose a cheque payable to LCH.Cleynet Limited drawn on a UK branch, in the sum of £500 sterling. If your appeal is successful this sum will be refunded to you.

If there are any written representations, any documentation or further material which you would like the Appeal Committee to consider when determining your appeal, you may send it with this Appeal Form if you wish. Alternatively you may send it in later. However, please

note that the Procedures put a time limit on the submission of such material. See Section 6.4.2 of the Clearing House Procedures.

For any inquiries or further information please contact the Company Secretary, LCH.Clearnet Limited on +44 (0)20 7426 7000.

## APPENDIX 6B

**NOTICE OF FURTHER APPEAL**

The Clearing House Appeal Procedures

**Note:** This form should only be used if you have had a determination of an Appeal Committee and you are now commencing a Second Tier Appeal under Section 6.5 of the Clearing House Procedures.

Full Name of firm/company etc lodging the appeal ("the appellant"):	
Registered office address:	
Contact address and telephone number and email ( if different from the above):	
Contact name:	
Position:	
Details of determination of Appeal Committee appealed against (see Section 6.5 of the Clearing House Procedures):  Please attach a copy of the Determination	
Date of determination of the Appeal Committee:	
Set out here the grounds for appeal (if there is not enough space, please use additional sheets and staple to this form)	
What action or remedy are you seeking?	

Pursuant to Section 6.5 of the Clearing House Procedures, we request that an Appeal Tribunal be constituted to determine this appeal against the above mentioned determination of the Appeal Committee.

.....  
Signed for and on behalf of the appellant

.....  
(print name)

**Notes:**

If there are any written representations, any documentation or further material which you would like the Appeal Tribunal to consider when determining your appeal, you may send it with this Notice of Further Appeal Form you wish. Alternatively you may send it in later. However, please note that the Procedures put a time limit on the submission of such material. See Section 6.5.6 of the Clearing House Procedures.

For any inquiries or further information please contact the Company Secretary, LCH.Clearnet Limited on +44 (0)20 7426 7000.

## COMPLAINTS

**7. COMPLAINTS****7.1 Introduction****7.1.1 These FCM Procedures describe how a person (“the Complainant”) who:**

- (a) has a complaint about the conduct or behaviour or other actions of an FCM Clearing Member with regard to that FCM Clearing Member’s clearing activities with LCH; or
- (b) has a complaint arising in connection with the performance of, or failure to perform, any of the Clearing House’s regulatory functions;
- (c) may make a formal complaint, and how that complaint will be investigated and resolved.

**7.2 How To Make A Complaint****7.2.1 A complaint with regard to the conduct or behaviour or other actions of an FCM Clearing Member in that FCM Clearing Member’s clearing activities conducted through the Clearing House or a complaint regarding the performance of the Clearing House or its failure to perform any of its regulatory functions:**

- (a) must be made in writing, dated and addressed to the Company Secretary LCH.Clearent Limited at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, U.K.;
- (b) should set out, as far as possible, details of the conduct, behaviour or other actions complained of, date/s and place/s it occurred, names of person involved, outcome sought, and any other relevant details;
- (c) must be made no later than 3 months after the conduct, behaviour or other actions complained of, or, if the conduct, behaviour or other actions complained of consists of a series of events, no later than 3 months after the end of the last such event;
- (d) must contain the full name and address of the complainant and, wherever possible details of a contact telephone number and email address.

**7.2.2 In submitting a complaint in accordance with these FCM Procedures the Complainant may submit such further and other documentation and material which he/she believes may be relevant.****7.2.3 Upon receipt of a written complaint pursuant to these FCM Procedures, the Company Secretary shall acknowledge in writing to the address shown in the letter of complaint, receipt of the complaint. Such acknowledgment shall be made within 14 days of receipt of the letter of complaint. After receipt of a complaint in accordance with the procedure set out in this section, the Clearing House shall conduct an internal investigation and review of such complaint in accordance with the procedures set out in section 7.3 below.**

### **7.3 Internal Investigation And Review By The Clearing House**

**7.3.1 No later than 14 days from receipt of a complaint of the type referred to in section 7.1.1 or 7.1.2 above, the Company Secretary shall refer the complaint, together with any supporting material provided by the Complainant, to an Investigation Committee.**

**7.3.2 An Investigation Committee shall consist of any 3 of the following persons:**

- (a) the Deputy Chief Executive of LCH.Clearnet Limited;
- (b) the Managing Director, Operations;
- (c) the Managing Director, Finance;
- (d) the Managing Director, Business Development;
- (e) any person holding the position of Director at the Clearing House.

providing always that an Investigation Committee shall have at least one Managing Director or the Deputy Chief Executive among its number.

**7.3.3 The Investigation Committee established pursuant to this Section 7 shall conduct an investigation into the subject matter of the complaint and shall deliver its report to the Complainant and to the Chief Executive of LCH.Clearnet Limited within a period of 12 weeks from the referral to it of the complaint. The committee may make such recommendations as it deems fit for resolving the subject matter of the complaint. The committee may, if it so decides, make no recommendations if it considers such course of action to be appropriate in the circumstances. The report shall contain reasons for the committee's decision.**

**7.3.4 The costs of the internal investigation and review shall be borne by LCH.**

**7.3.5 Where the Company Secretary receives a written complaint which is not a complaint regarding the conduct, behaviour or other actions of an FCM Clearing Member in respect of its clearing activities with the Clearing House or is not a complaint arising in connection with the performance of, or failure to perform, any of the Clearing House's regulatory functions but is nevertheless a complaint regarding an FCM Clearing Member or regarding the conduct, behaviour or actions of an officer or employee or other staff member of the Clearing House, then such complaint shall be referred to the Chief Executive of LCH.Clearnet Limited to be dealt with in accordance with the REQUESTS FOR REVIEW procedure set out in Section 6.6 (Appeals Procedures) of these FCM Procedures.**

### **7.4 Referral To An Independent Investigator**

**7.4.1 In the event that the Complainant is dissatisfied with the outcome of the Internal Investigation and Review procedure set out in section 7.3 above, or in the event that the Complainant does not receive the report of the Investigation Committee within 14 weeks of the submission of a complaint of the kind described in section 7.1.1 and 7.1.2 above, (and providing that the subject matter of the complaint (or substantially the same matters) shall not have already been referred to an independent investigator as a result of a complaint**

- from that same Complainant) the Complainant may ask for the complaint to be referred to an Independent Investigator nominated in accordance with the procedure set out in section 7.5 below.
- 7.4.2 A request for referral to an Independent Investigator shall be made in writing to the Company Secretary and shall be made no later than 2 weeks following notification to the Complainant of the report of the Investigation Committee or 16 weeks from the submission of the original complaint to the Clearing House in accordance with section 7.2.
- 7.4.3 Within 14 days of receipt of a written request, in accordance with section 7.4.2 above, the Company Secretary shall refer the complaint to an Independent Investigator.
- 7.4.4 An Independent Investigator shall be nominated for this purpose by The Centre for Dispute Resolution (CEDR), London. Such investigator shall be a person:
- (a) independent of LCH.Clearnet Limited (for these purposes “independent” shall mean that such person is not and has not been an officer, director or employee of LCH.Clearnet Limited); and
  - (b) with appropriate knowledge of how clearing is carried out by the Clearing House and of the Regulations (including the Procedures), and other relevant documentation, regulation and applicable law;
  - (c) with appropriate experience of the market activities in respect of which the complaint is focused.
- 7.4.5 The Clearing House shall be responsible for the payment of the fees and expenses of the Independent Investigator although this shall not give rise to any employment or other relationship between the Independent Investigator and the Clearing House, and shall not give rise to any duty between the Independent Investigator and the Clearing House other than that the Independent Investigator shall act as an independent complaints investigator in accordance with the terms of these FCM Procedures.
- 7.4.6 In the event, that for reasons beyond the reasonable control of the Clearing House, referral to an Independent Investigator is not made within the 2 week day period referred to in 7.4.3 above, then the Company Secretary shall notify the complainant in writing of the reasons for the delay.
- 7.5 **Procedure For Dealing With The Complaint**
- 7.5.1 Upon appointment, an Independent Investigator nominated in accordance with these FCM Procedures, shall forthwith notify the Complainant and the Clearing House in writing of his appointment and shall invite the Complainant and the Clearing House to make such submissions and submit such documentation as each may wish within such timescale as the Independent Investigator may determine.
- 7.5.2 The Independent Investigator shall determine his own procedure for considering the complaint referred to him, shall be guided by the requirements of fairness and, and may do, inter alia, any one or more of the following:



- (a) interview the Complainant;
- (b) interview a representative of the Clearing House;
- (c) seek further or other information from the Clearing House and/or the Complainant;
- (d) make such further or other reasonable inquiries as he/she deems fit in order properly and fully to investigate the Complaint.

## 7.6 **Outcomes**






7.6.1 **The Independent Investigator shall, wherever reasonably possible, conclude his investigation of a complaint referred to him under these FCM Procedures, within a period of 2 months from the date of his nomination. Where it is not reasonably possible so to do on account of the nature or complexity of the matter referred to him or other good reason, then he shall notify the Complainant and the Clearing House in writing of this fact and provide a further date for the completion of the investigation.**

7.6.2 **The Independent Investigator shall, at the end of his investigation produce a written report setting out his findings, conclusions, and reasons for his conclusions. Such report shall be provided both to the Complainant and to the Clearing House but it shall not be made public unless the complaint is upheld in whole or in part and the Complainant so requests. In the event of such request, the report shall be made public by being published on the LCH.Clearnet Limited public website. Where only part of the complaint is upheld, then only that part of the report relating to that part of the complaint shall be so published.**

7.6.3 **In his written report the Independent Investigator may:**

- (a) dismiss the complaint; or
- (b) uphold the complaint in its totality; or
- (c) uphold part of the complaint and dismiss part of the complaint;
- (d) make such recommendations as he/she deems fit in the circumstances including a recommendation that the Clearing House make a compensatory payment and/or takes such action as may be reasonably practicable to remedy the cause of the complaint.

<b>Input:</b>	
Document 1 ID	file:///I:/General Regs, Procedures etc/FCM/PROCEDURES/FCM PROCEDURES - CURRENTS VERSIONS/FCM - CURRENT VERSION/FCM Procedures - Owen Taylor (Clean) - 07.09.2011.doc
Description	FCM Procedures - Owen Taylor (Clean) - 07.09.2011
Document 2 ID	file:///I:/Legal Department Files/PROJECTS/SwapClear Client Clearing/FCM MODEL/FCM 2/CFTC Submission/SC1-#3105675-v5-FCM_Procedures_-_Phase_II_August_2011 (Clean - Final Submitted) 16.11.11.doc
Description	SC1-#3105675-v5-FCM_Procedures_-_Phase_II_August_2011 (Clean - Final Submitted) 16.11.11
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Style change	
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Padding cell	

<b>Statistics:</b>	
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Moved to	3
Style change	0
Format changed	0
<b>Total changes</b>	<b>521</b>

**Exhibit A**  
**LCH.CLEARNET Certification to CFTC**

See Attached.

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AMENDED RULES SELF CERTIFICATION

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LCH.Clearnet Limited ("LCH") hereby certifies to the Commodity Futures Trading Commission ("CFTC"), pursuant to the procedures set forth in the Commission Regulations 40.6, that the following:

- Amendments to the rules in LCH.Clearnet's FCM Regulation and FCM Procedures concerning the extension of key functionality and business processes for its interest rate swap clearing product for SwapClear (FCM II), the removal of the Prescribe Language from the FCM Rulebook and the launch of Variable Notional Swaps, comply with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Signed as of November 16, 2011

By: 

Name: Simon Wheatley

Title: Chief Compliance Officer

LCH.Clearnet Limited