



## VIA CFTC PORTAL

13 November 2014

Mr Christopher Kirkpatrick  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington DC 20581

Dear Mr Kirkpatrick:

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet Limited ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification rule changes which will enable Futurisation of Commodity swap contracts in the EnClear Service. The reclassification is scheduled for the weekend of the 29<sup>th</sup> and 30<sup>th</sup> November 2014.

Please find the rule change attached as an appendix.

### **Part I: Explanation and Analysis**

LCH.Clearnet, with respect to the EnClear Service, will be making Rulebook changes such that the current EnClear cleared swap contracts will be reclassified and cleared Futures contracts admitted for trading on a range of exchanges. The EnClear Service currently provides clearing for bilaterally executed Dry and Wet Freight, Containers, Iron Ore, Steel, Coal and Fertilisers through the Freight Division. These OTC products are classified as "swaps" and "cleared swaps" when LCH.Clearnet clears them. The industry preference has been to clear these contracts as block futures rather than swaps. These changes have already taken place at a number of other CCPs over the last couple of years.

LCH.Clearnet will operate an open and horizontal model working with a range of regulated exchanges to admit for trading EnClear products. LCH.Clearnet's contract specifications will remain the industry standard and our exchange partners will ensure that their contract specifications are economically identical to those of LCH.Clearnet. LCH.Clearnet will retain ownership of the open interest for all cleared EnClear contracts.

LCH.Clearnet implemented an FCM Clearing Model in 2012 to enable US Customers to clear EnClear contracts through their respective FCM's. The proposed clearing of EnClear Futures will be against the LCH.Clearnet Limited Rulebook where an FCM will clear their business as client of a Clearing Member of LCH.Clearnet. Therefore, at the point the EnClear contracts are reclassified as Futures, EnClear will no longer be part of LCH.Clearnet's FCM Rulebook.

As part of the implementation of EnClear Futures LCH.Clearnet will be making Rulebook changes to operate and offer 30.7 accounts to FCMs, under Part 30 of CFTC Regulations enabling the posting of client collateral with LCH.Clearnet which will act as a depository in respect to that the collateral.

LCH.Clearnet Limited **Aldgate House, 33 Aldgate High Street, London EC3N 1EA**  
**Tel: +44 (0)20 7426 7000 Fax: +44 (0)20 7426 7001 [www.lchclearnet.com](http://www.lchclearnet.com)**  
LCH.Clearnet Group Limited | LCH.Clearnet Limited | LCH.Clearnet SA | LCH.Clearnet LLC



## **Part II: Description of Rule Changes**

This Submission requires changes to:

1. LCH.Clearnet General Regulations attached as Appendix I;
2. LCH.Clearnet Product Specific Contract Terms and Eligibility Criteria Manual attached as Appendix II;
3. LCH.Clearnet Procedures Section 2E attached as Appendix III;
4. FCM Regulations attached as appendix IV;
5. FCM Procedures attached as appendix V; and
6. FCM Product Specific Manual attached as appendix VI.

## **Part III: Core Principle Compliance**

LCH.Clearnet has concluded that compliance with the Core Principles will not be adversely affected by this change.

## **Part IV: Public Information**

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

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

## **Part V: 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.

## **Certification**

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

Should you have any questions please contact me at [vikesh.patel@lchclearnet.com](mailto:vikesh.patel@lchclearnet.com)

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Vikesh Patel".

**Vikesh Patel**  
**Director, Compliance**  
**LCH.Clearnet Limited**



**Appendix I**



**GENERAL REGULATIONS OF  
LCH.CLEARNET LIMITED**

## Scope

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

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

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

Regulation 53 applies only to LME Contracts. Save as provided in Regulation 53, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to LME Contracts.

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

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

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

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

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

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

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

Regulation 94 applies only to NLX Contracts. Save as provided in Regulation 94, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to NLX Contracts.

<b>"Affiliated Omnibus Segregated Clearing Clients"</b>	means certain Omnibus Segregated Clearing Clients of a Clearing Member (i) whose identities have been recorded by the Membership department of the Clearing House and who are grouped together in a single Omnibus Segregated Account of the Clearing Member (ii) who are known to each other and (iii) who have elected to be grouped together in an Omnibus Segregated Account due to the existence of a common relationship between them (whether structural, economic, legal and/or otherwise) which is above and beyond the fact that they are grouped together in the relevant Omnibus Segregated Account.
<b>"Aggregate Excess Loss"</b>	means, in relation to a Default, the aggregate amount of all Excess Losses attributable to all types of Relevant Business in which the Defaulter was engaged.
<b>"Aggregate Omnibus Client Clearing Entitlement"</b>	has the meaning ascribed to it in Clause 9.3 of the Client Clearing Annex to the Default Rules
<b>"Applied Collateral Excess Proceeds"</b>	means, where the Clearing House has sold, disposed of or appropriated all or any part of the non-cash Collateral held by a Clearing Member with the Clearing House in an exercise of its powers under the Deed of Charge entered into with the relevant Clearing Member, the amount (if any) of realisation proceeds from such sale or disposal remaining after the Clearing House has applied the same in or towards discharge of the Clearing Member's obligations to the Clearing House or, in the case of an appropriation, an amount of such non-cash Collateral (or, where the amount in question is less than the minimum denomination of the relevant non-cash Collateral which can be delivered, cash) having a value equal to the excess (if any) of the value of the appropriated non-cash Collateral (as determined by the Clearing House in accordance with the relevant Deed of Charge) over the Clearing Member's obligations to the Clearing House which have been discharged by that appropriation
<b>"Applied FCM Buffer"</b>	has the meaning assigned to it in the FCM Regulations
<b>"approved agent"</b>	means a person appointed by the Clearing House to perform certain functions on its behalf in respect of an ATP
<b>"Approved Broker"</b>	means a person authorised by the Clearing House to participate as a broker in the LCH EnClear- <del>OTC</del> service
<b>"Approved Compression Services Provider (ACSP)"</b>	means an entity other than the Clearing House which is approved by the Clearing House for the facilitation of Multilateral Compression in relation to eligible SwapClear Contracts in accordance with Regulation 56 and relevant

<b>"Automated Trading System"</b>	means an automated trading system in respect of which the Clearing House has an agreement with the operator thereof and in respect of which the Clearing House has notified RepoClear Participants in accordance with the Procedures
<b>"Automatic Early Termination Event"</b>	has the meaning ascribed to such term in Rule 5 of the Default Rules
<b>"Backup Clearing Member"</b>	means the Clearing Member(s) indicated by a Clearing Client as acting as such and notified to the Clearing House from time to time
<b>"Backup Client"</b>	means an Indirect Segregated Account Clearing Client identified by a Clearing Member to the Clearing House for the purposes of a transfer of Related Contracts and Collateral pursuant to a Client to Client Porting
<b>"Backload Registration Cycle"</b>	has the meaning assigned to it in the Procedures
<b>"Backloaded Registration Trade"</b>	has the meaning assigned to it in the Procedures
<b>"Block IRS Trade"</b>	Means a trade the notional amount of which is at or above the minimum block size established by the CFTC pursuant to CTFC Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such trade to the Clearing House for registration
<b>"Board"</b>	means the board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange
<b>"Bond Trade"</b>	means a trading activity in which a RepoClear Participant offers to sell RepoClear Eligible Securities, and another RepoClear Participant offers to purchase those RepoClear Eligible Securities, and a trade subsequently ensues
<b>"Business"</b>	means any transactions, liabilities or obligations arising out of any contract and includes, in relation to the relevant Services, Commodities Business, Equities Business, ForexClear Business, Listed Interest Rate Business, RepoClear Business and SwapClear Business.
<b>"business day"</b>	means in respect of a Cleared Exchange Contract, an OTC Contract (except where specified otherwise in the relevant OTC Contract Terms), an LCH EnClear <del>OTC</del> Contract (except where specified otherwise in the LCH EnClear <del>OTC</del> Contract Terms), and an EquityClear Contract a day on which the Clearing House is open for business
<b>"buyer"</b>	means a Member (or the Clearing House where the context so requires) who is a buyer under the terms of an exchange

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

Collateral has been discharged as a result of the operation of Regulation 23(c) or as a result of the operation of Regulation 57(d) or another comparable payment netting provision applying in the ordinary course of business.

**"Clearing Membership Agreement"**

means the agreement so designated under which, *inter alia*, the Clearing House agrees to make available clearing services in respect of Contracts together with any extension letter or other agreement; in these Regulations and the Procedures the expressions "**Clearing Member Agreement**", "**Member Agreement**" and "**Membership Agreement**" shall have the same meaning as "**Clearing Membership Agreement**"; and in the Default Rules "**Clearing Membership Agreement**" includes the FCM Clearing Membership Agreement and the FCM Default Fund Agreement

**"ClearLink API"**

means a messaging standard used by market participants to interact with the Clearing House's clearing services

**"Client Account"**

means any Individual Segregated Account and any Omnibus Segregated Account

**"Client Clearing Business"**

means each of LME Client Clearing Business, RepoClear Client Clearing Business, SwapClear Client Clearing Business, EquityClear Client Clearing Business, LCH EnClear ~~OTC~~ Client Clearing Business, Turquoise Client Clearing Business, NODAL Client Clearing Business, ForexClear Client Clearing Business and NLX Client Clearing Business

**"Client Clearing Default Management Process"**

means the processes of the Clearing House outlined in the Client Clearing Annex to the Default Rules and includes the SwapClear DMP in relation to any Contract which is a SwapClear Contract in respect of SwapClear Client Clearing Business, the RepoClear DMP in relation to any Fixed Income Contract in respect of RepoClear Client Clearing Business and the ForexClear DMP in relation to any Contract which is a ForexClear Contract in respect of ForexClear Client Clearing Business

**"Client Clearing End-User Notice"**

means the Client Clearing End-User Notice as specified by the Clearing House from time to time

**"Client Clearing Entitlement"**

has the meaning assigned to it in the Client Clearing Annex to the Default Rules

**"Client Clearing Services"**

means LME Client Clearing Services, SwapClear Client Clearing Services, RepoClear Client Clearing Services, EquityClear Client Clearing Services, LCH EnClear ~~OTC~~ Client Clearing Services, Turquoise Client Clearing

to Commodities Business

<b>"confirmed contract"</b>	means an original exchange contract which has been confirmed to the Clearing House by or on behalf of a buyer and a seller pursuant to Regulation 13 or 14 and the Procedures, save that where one or more allocations of an original exchange contract have taken place in accordance with Regulation 14 and the Procedures a <b>"confirmed contract"</b> shall only arise when the last allocation of such original exchange contract has been made and confirmed by a Member pursuant to Regulation 14 and the Procedures
<b>"Continuing Member "</b>	has the meaning as described in Default Rule 26
<b>"Contract"</b>	means (i) a contract subject to the Regulations entered into by the Clearing House with a Member for the purposes of or in connection with the provision of clearing services including, without limitation, an open contract, settlement contract, re-opening contract or closing-out contract; and also (ii) in the case of the Default Rules (including the SwapClear DMP Annex, RepoClear DMP Annex and ForexClear DMP Annex), the FCM Default Fund Agreement, and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM Contract
<b>"contract for differences"</b>	means a Cleared Exchange Contract, a Turquoise Derivatives Cleared Exchange Contract, an OTC Contract or an LCH EnClear <del>OTC</del> Contract which is to be performed by cash settlement only
<b>"Contribution"</b>	means the contribution of a Clearing Member to a default fund of the Clearing House and includes, in each case in relation to the relevant Service, a Commodities Contribution, an Equities Contribution, a ForexClear Contribution, a Listed Interest Rate Contribution, a RepoClear Contribution and a SwapClear Contribution
<b>"Co-operating Clearing House"</b>	means a clearing house party to an agreement with the Clearing House in respect of the co-clearing of an Exchange pursuant to which such organisation co-clears specific types of Contract and agrees to be bound by these Regulations as a Member to the extent and subject to any variations agreed in such agreement

Clearing House and a Member:

- (a) for the immediate sale and purchase of a commodity arising on the exercise of an option pursuant to these Regulations; or
- (b) for the sale and purchase of a commodity for delivery on the date specified in the contract or on the date agreed between the parties, in either case being an open contract under which tender is not required to be given

**"delivery month"**

means in respect of an exchange contract, the meaning ascribed to it in the Exchange Rules governing such contract or, in respect of an LCH EnClear ~~OTC~~ Contract, the meaning ascribed to it in the LCH EnClear ~~OTC~~ Procedures, or in respect of a Turquoise Derivatives Cleared Exchange Contract, an expiration month as defined in the Turquoise Derivatives Rules

**"Determination Date"**

means the date for calculation of a Contribution other than an Unfunded Contribution or a Supplementary Contribution, as provided for in a Supplement, and includes a Commodities Determination Date, an Equities Determination Date, a ForexClear Determination Date, a Listed Interest Rate Determination Date, a RepoClear Determination Date and a SwapClear Determination Date

**"Determined Omnibus Net Segregated Clients"**

has the meaning assigned to it in the Client Clearing Annex to the Default Rules

**"Economic Terms"**

means that part of the SwapClear Contract Terms, RepoClear Contract Terms, RepoClear GC Contract Terms, EquityClear Contract Terms, LCH EnClear ~~OTC~~ Contract Terms, or ForexClear Contract Terms as the case may require, designated as Economic Terms by the Clearing House from time to time

**"Eligible EnClear ~~OTC~~ Trade"**

means a trade eligible for registration in the LCH EnClear ~~OTC~~ Services

**"Eligible US Trading Venue"**

means, in respect of a SwapClear Clearing Member, a US Trading Venue for which the Clearing House's records reflect that such SwapClear Clearing Member has completed the Clearing House's process for enabling the SwapClear Clearing Member to be eligible to submit (or have submitted on its behalf) a transaction executed on such US Trading Venue to the Clearing House for registration

<b>"Insufficient Resources Determination"</b>	has the meaning assigned to it in Rule C10 of the Commodities Default Fund Supplement, Rule E10 of the Equities Default Fund Supplement, Rule L10 of the Listed Interest Rate Default Fund Supplement, Rule S11 of the SwapClear Default Fund Supplement, Rule F11 of the ForexClear Default Fund Supplement, or Rule R11 of the RepoClear Default Fund Supplement, as applicable
<b>"IRS FCM SwapClear Contract"</b>	has the meaning assigned to it in the FCM Regulations
<b>"IRS SwapClear Contract"</b>	means a SwapClear Contract of the type of Contracts which are identified as being IRS SwapClear Contracts in the Product Specific Contract Terms and Eligibility Criteria Manual, which includes, in the case of the Default Rules (including the SwapClear DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an IRS FCM SwapClear Contract
<b>"LCH Approved Outsourcing Party"</b>	means a party approved for these purposes by the Clearing House, as set out in the FCM Procedures
<b>"LCH.Clearnet Group"</b>	means the group of undertakings consisting of LCH.Clearnet Limited, LCH.Clearnet Group Limited, LCH.Clearnet LLC, LCH.Clearnet (Luxembourg) S.a.r.l, LCH.Clearnet Service Company Limited and Banque Centrale de Compensation S.A. trading as LCH.Clearnet SA. (any references to a " <b>member</b> " of LCH.Clearnet Group Limited within these Regulations is to be construed accordingly)
<b>"LCH EnClear <del>OTC</del> Clearing Client"</b>	means, in respect of LCH EnClear <del>OTC</del> Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client
<b>"LCH EnClear <del>OTC</del> Clearing House Business"</b>	means LCH EnClear <del>OTC</del> Contracts entered into by a LCH EnClear <del>OTC</del> Clearing Member with the Clearing House on a proprietary basis and for its own account
<b>"LCH EnClear <del>OTC</del> Clearing Member"</b>	means a Member who is designated by the Clearing House as an LCH EnClear <del>OTC</del> Clearing Member eligible to clear LCH EnClear <del>OTC</del> Contracts
<b>"LCH EnClear <del>OTC</del> Client Clearing Business"</b>	means the provision of LCH EnClear <del>OTC</del> Client Clearing Services by a LCH EnClear <del>OTC</del> Clearing Member

<b>"LCH EnClear <del>OTC</del> Client Clearing Services"</b>	means the entering into of LCH EnClear <del>OTC</del> Contracts by a LCH EnClear <del>OTC</del> Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients
<b>"LCH EnClear <del>OTC</del> Contract"</b>	means a Contract entered into by the Clearing House with an LCH EnClear <del>OTC</del> Clearing Member on any applicable set of Contract Terms prescribed in the LCH EnClear <del>OTC</del> Regulations
<b>"LCH EnClear <del>OTC</del> Contract Terms"</b>	means the relevant Contract Terms in respect of LCH EnClear <del>OTC</del> Contracts as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual
<b>"LCH EnClear <del>OTC</del> Regulations"</b>	means those Regulations which apply to LCH EnClear <del>OTC</del> Contracts as specified in Regulation 73
<b>"LCH EnClear <del>OTC</del> Service"</b>	means the service provided by the Clearing House under the LCH EnClear <del>OTC</del> Regulations
<b><u>"LCH EnClear Trading Platform" ("ETP")</u></b>	<u>means any trading platform approved as such from time to time by the Clearing House in respect of the LCH EnClear service</u>
<b>"LCIA Rules"</b>	means the LCIA Arbitration Rules of The London Court of International Arbitration
<b>"LIBOR"</b>	means, in relation to a Contribution, the rate per annum (rounded upwards, if not already such a multiple, to the next whole multiple of one-sixteenth of one per cent) known as the British Bankers' Association Interest Settlement Rate for three-month deposits in sterling being offered to prime banking names in London at or about the time specified by the Procedures for fixing the rate of interest for the period for which interest is payable or, where no such rate is available, such rate as in the opinion of the Clearing House approximates thereto
<b>"Link"</b>	means the trading and/or clearing arrangements established by the Clearing House and a Co-operating Clearing House and, as the case may be, an Exchange in respect of one or more exchange contracts
<b>"Link Agreement"</b>	means an agreement entered into between the Clearing House and a Co-operating Clearing House and if applicable, an Exchange for the purposes of a Link
<b>"Linked Member"</b>	means an member of a Co-operating Exchange
<b>"Listed Interest Rate"</b>	means any transaction, obligation or liability arising out of

to Nodal Eligible Derivative Products

<b>"Non-Defaulting FXCCM"</b>	means an FXCCM which is not a Defaulter under Rule 4 of the Default Rules
<b>"Non-Defaulting RCM"</b>	means an RCM which is not a Defaulter under Rule 4 of the Default Rules
<b>"Non-Defaulting SCM"</b>	means an SCM which is not a Defaulter under Rule 4 of the Default Rules
<b>"Non-Deliverable FX Transaction"</b>	has the meaning given to it in the 1998 FX and Currency Option Definitions published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association, and the Foreign Exchange Committee, or any successor organisations, as amended and updated from time to time
<b>"Non-Identified Client Omnibus Net Segregated Account"</b>	means, in relation to a Relevant Client Clearing Business, an account opened within the Clearing House by the relevant Clearing Member on behalf of its Non-Identified Omnibus Segregated Clearing Clients which is designated by the Clearing House as a Non-Identified Client Omnibus Net Segregated Account but, for the avoidance of doubt, does not include any Omnibus Segregated Account comprising Determined Omnibus Net Segregated Clients
<b>"Non- Identified Omnibus Segregated Clearing Client"</b>	means, in relation to a Relevant Client Clearing Business, certain Omnibus Segregated Clearing Clients of the relevant Clearing Member or FCM whose identities are not recorded by the Membership department of the Clearing House and who are grouped together in an Omnibus Segregated Account which is not an Identified Client Omnibus Segregated Account or an Affiliated Client Omnibus Segregated Account of the Clearing Member but, for the avoidance of doubt, does not include any Determined Omnibus Net Segregated Clients
<b>"Non-Member Market Participant ("NCP")"</b>	means, in respect of a particular Service, a person, other than a Clearing Member in such Service, who meets the criteria set out in Procedure 1 ( <i>Clearing Member, Non-Member Market Participant and Dealer Status</i> ) and has been notified to the Clearing House in accordance with Regulation 7 ( <del>Non-Member Market Participant Status</del> <del>Non-Member Market Participant Status</del> )
<b>"official quotation"</b>	means a price determined by the Clearing House under Regulation 22

tender has been given, which has not been closed out, settled or invoiced back in accordance with the Regulations and the Procedures, and shall include, except where the context otherwise requires, a delivery contract

**"Open Offer for Turquoise Derivatives"**

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

**"option"**

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

**"option contract"**

means a contract for an option on the terms of an exchange contract

**"original contract"**

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

**"original exchange contract"**

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

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

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

**"OTC Contract"**

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

and the Procedures

**"Price"**

means in the case of:

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

**"Procedures"**

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

(iii) in respect of RepoClear Contracts, RepoClear SGC Contracts, EquityClear Contracts, ~~LCH EnClear OTC~~ LCH EnClear Contracts, Turquoise Derivatives Cleared Exchange Contracts and ForexClear Contracts, shall have the meaning given in the Procedures,

in each case subject to Regulation 16(e)

**"Regulations"**

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

**"Regulatory Body"**

means the Bank of England, the Secretary of State, the Prudential Regulation Authority, the Financial Conduct Authority or any other professional body designated under Part XX of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Commodity Futures Trading Commission of the United States (CFTC) or any 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

**"Related Contract"**

means: (i) in relation to the SwapClear Service, a Related SwapClear Contract (as such term is defined in the Procedures); (ii) in relation to the RepoClear Service, a Related RepoClear Contract (as such term is defined in the Procedures); (iii) in relation to the ForexClear Service, a Related ForexClear Contract (as such term is defined in the Procedures); (iv) in relation to the LME Service, a Related LME Service Contract (as such term is defined in the Procedures); (v) in relation to the EquityClear Service, a Related EquityClear Contract (as such term is defined in the Procedures); (vi) in relation to the LCH EnClear ~~OTC~~ Service, a Related LCH EnClear ~~OTC~~ Contract (as such term is defined in the Procedures); (vii) in relation to the Turquoise Derivatives Service, a Related Turquoise Derivatives Cleared Exchange Contract (as such term is defined in the Procedures); (viii) in relation to the Nodal Service, a Related Nodal Contract (as such term is defined in the Procedures); and (ix) in relation to the NLX Service, a Related NLX Contract (as such term is defined in the Procedures);

**"Relevant Auction Contract"**

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

**"Relevant Business"**

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

**"Relevant Client Clearing"**

means the Client Clearing Business conducted by a

<b>"Risk Neutralisation"</b>	has the meaning assigned to it in the Default Rules
<b>"Rule 19 Certificate"</b>	has the meaning assigned to it in Rule 19 of the Default Rules
<b>"Rulebook"</b>	means the Regulations, Default Rules, Settlement Finality Regulations, Procedures, and such other rules of the Clearing House, as published and amended from time to time
<b>"Rules Change Committee"</b>	means the decision-making body that will oversee and implement all material alterations, amendments or extensions to the Rulebook or the Clearing Membership Agreement in accordance with its terms of reference
<b>"Rules of the Clearing House"</b>	means the Rulebook of the Clearing House including the General Regulations, Default Rules, Settlement Finality Rules and Procedures
<b>"SCM Branch"</b>	means a branch or part of a SwapClear Clearing Member, not being a different legal person from the SwapClear Clearing Member, which is authorized by the Clearing House to submit to the Clearing House, in the name of that SwapClear Clearing Member, SwapClear Transactions for registration, subject to these Regulations and the Procedures, by the Clearing House as SwapClear Contracts
<b>"Security Deed"</b>	means a security deed entered into by a Clearing Member in favour of its Clearing Clients in the form prescribed by the Clearing House from time to time and published on the Clearing House's website
<b>"segregated client"</b>	means a person whose monies are held by a Member separately from the Member's own monies with whom the Member has agreed (or in respect of which the Member is required) not to use such person's monies for the Member's own account
<b>"seller"</b>	means a Member (or the Clearing House where the context so requires) who is a seller under the terms of an exchange contract, a Cleared Exchange Contract, a Turquoise Derivatives Cleared Exchange Contract, a RepoClear Transaction, a RepoClear GC Transaction, a RepoClear Contract, a RepoClear GC Contract, an EquityClear ATP Match, an EquityClear Novation Transaction, an EquityClear Contract, or an LCH EnClear <del>OTC</del> -Contract, as the case may be

**"Service"** means any one of the services made available by the Clearing House: (i) to an Exchange; (ii) under the SwapClear Regulations and under the FCM Regulations in respect of FCM SwapClear Contracts; (iii) under the RepoClear Regulations; (iv) under the EquityClear Regulations; (v) under the LCH EnClear ~~OTC~~ Regulations and under the FCM Regulations in respect of FCM EnClear Contracts; (vi) under the Turquoise Derivatives Regulations; (vii) under the Nodal Regulations; or (viii) under the ForexClear Regulations and under the FCM Regulations in respect of FCM ForexClear Contracts

**"settlement contract"** means a contract between the Clearing House and a Member arising pursuant to Regulation 23(b) or Regulation 75(b)

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

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

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

(a) at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) Equivalent Securities (as such term is used in the RepoClear SGC Contract Terms) and the First Participant buys (or sells, as the case may be) those Equivalent Securities; and

(b) the understanding of the parties is that their obligations during the term of the transaction will be represented by a series of overnight repurchase transactions affected through Euroclear UK and Ireland delivery by value (DBV) functionality, as contemplated by the RepoClear Procedures applicable to RepoClear SGC Contracts,

and a trade subsequently ensues

**"SONIA"** means the overnight rate as calculated by the Wholesale Market Broker's Association and appearing on the Reuters Screen SONIA Page (or, if such a rate is not available,

such SONIA-linked rate as may be determined in light of market conditions at such time by the Clearing House and notified by the Clearing House to Clearing Members)

**"Special Member"**

means:

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

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

**"Specified Exchange"**

means Turquoise Global Holdings Limited, The London Metal Exchange Limited, Nodal Exchange LLC, Hong Kong Mercantile Exchange Limited or any Exchange succeeding to any such person

**"Standard Terms"**

means that part of the SwapClear Contract Terms, the RepoClear Contract Terms, the LCH EnClear ~~OTC~~ Contract Terms, or the ForexClear Contract Terms designated as Standard Terms by the Clearing House from time to time

**"strike price"**

means the price specified in an option contract which becomes the price of the commodity under a contract for the future sale and purchase of that commodity for future delivery or, as the case may be, under a delivery contract, in either case on the exercise of the option the subject of such option contract, in accordance with Exchange Rules, these Regulations and the Procedures

**"Supplement"**

means a supplement specific to a particular Service and includes the Commodities Default Fund Supplement, the Equities Default Fund Supplement, the ForexClear Default Fund Supplement, the Listed Interest Rate Default Fund Supplement, the RepoClear Default Fund Supplement and the SwapClear Default Fund Supplement

**"Supplementary"**

means a supplementary Contribution of a Clearing

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

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

## REGULATION 16 REGISTRATION

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

Broker or otherwise on the Clearing Member's behalf; and (iv) in the case of an EquityClear Novation Transaction, where such particulars are submitted by an NCP.

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

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

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

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

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

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

FDC Agreement with the ForexClear Dealer who was party to the corresponding ForexClear Transaction as the Reference Currency Buyer; or

- (D) was, before registration of the EquityClear Contract identified in the particulars of the corresponding EquityClear Novation Transaction as, or as acting as clearing member for, the buyer.
- (iii) In the case of an EquityClear Novation Transaction which is an EquityClear Mixed Member Match, Regulation 69(c) applies.
- (iv) For the purposes of this Regulation 16(j), "Accepted" shall mean that the relevant LCH EnClear ~~OTC~~ Clearing Member has agreed, by such means as may be prescribed from time to time by the Procedures, to become counterparty with the Clearing House to such LCH EnClear ~~OTC~~ Contract.
- (k) With effect from registration of an Exchange Transaction, EquityClear Novation Transaction, Eligible ~~EnClearOTC~~ Trade or OTC Transaction as two Contracts under paragraph (i) of this Regulation 16:
  - (i) the parties to the corresponding Eligible ~~EnClearOTC~~ Trade (to the extent that they are bound by these Regulations), Exchange Transaction, EquityClear Novation Transaction or OTC Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time; where the parties to the corresponding Eligible ~~EnClearOTC~~ Trade are not bound by these Regulations, such trade shall be dealt with according to the terms agreed by the parties to that trade;
  - (ii) each Contract registered under paragraph (j) of this Regulation 16 shall be governed by the relevant Contract Terms applicable to that Contract and the General Regulations and Procedures;
  - (iii) subject always to sub-paragraph (ii) above, the First Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the respective Contract to which it is a party as the seller, Reference Currency Seller or party paying a Fixed Price (or the person identified as acting as clearing member for that person) had and owed in respect of its counterparty under the corresponding Exchange Transaction, Eligible ~~EnClearOTC~~ Trade, EquityClear Novation Transaction or OTC Transaction; and
  - (iv) subject always to sub-paragraph (ii) above, the Second Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the respective Contract to which it is a party as the buyer, Reference Currency Buyer or party paying a Floating Price (or the person identified as acting as clearing member for that person) had and owed in respect of its counterparty under the corresponding Exchange Transaction, Eligible ~~EnClearOTC~~ Trade, EquityClear Novation Transaction or OTC Transaction.

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

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

## CHAPTER V – COLLATERAL AND VALUATIONS

### REGULATION 20 MARGIN AND COLLATERAL

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

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

- (iii) The Clearing House may, in its absolute discretion and at any time require a Member to transfer other securities or assets to the Clearing House in substitution of any securities or assets transferred to the Clearing House pursuant to this Regulation 20.
- (e) The rate of initial margin in respect of each exchange contract shall be determined from time to time by the Clearing House after consultation with the relevant Exchange and such rate shall be published from time to time by the Clearing House. Subject to paragraph (g) below, any alteration of the rate so determined shall take effect on the expiry of such period of notice to Members as shall from time to time be agreed with the relevant Exchange. Any such notice shall be given to Members in accordance with the Procedures.
- (f) The rate of initial margin in respect of each category of OTC Contract shall be determined from time to time by the Clearing House, and such rate shall be published from time to time by the Clearing House. The rate of initial margin in respect of EquityClear Contracts and LCH EnClear ~~OTC~~ Contracts respectively shall be determined from time to time by the Clearing House and such rate shall be published from time to time by the Clearing House.
- (g) Notwithstanding paragraph (e) or paragraph (f) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to a Member or, where applicable, to an Exchange, to modify the rate of initial margin applicable to an exchange contract, to an OTC Contract or to EquityClear Contracts or to LCH EnClear ~~OTC~~ Contracts, or to demand larger or additional amounts of Collateral in respect of the initial margin obligations of a Member, either before registration of a contract or at any time after registration. Any Collateral demanded by the Clearing House pursuant to this paragraph shall be transferred by the Member to the Clearing House on demand and in such form as the Clearing House may require.
- (h) The Clearing House shall be entitled at any time to demand from a Member the immediate transfer of Collateral in respect of that Member's margin obligations in an amount deemed necessary by the Clearing House without reference to official quotations or Reference Prices in respect of any open contract in the Member's name, if, in the opinion of the Clearing House, the transfer to the Clearing House of such Collateral by the Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the Member's performance of its obligations under the terms of such contracts or under the terms of any original or confirmed contract to which the Member is party.
- (i) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and published on the Clearing House's website, in respect of any non-cash Collateral (other than Clearing Member Returned Collateral or Clearing Member Applied Collateral) transferred to the Clearing House. Any

that transfer obligation against the Clearing House's obligation which is to be so discharged.

(w) Where a Clearing Member is a Futures Commission Merchant and it proposes to transfer to the Clearing House Collateral relating to Client Clearing Business in connection with the clearing of a futures or options contract that is traded on an exchange that is not a designated contract market, it shall request that the Clearing House approve such proposed transfer and following the Clearing House's written approval, the Clearing House shall hold such Collateral as a foreign futures or foreign options secured amount subject to the requirements of CFTC Rule 30.7. By making such request, a Clearing Member shall be deemed to represent and undertake to the Clearing House that it will not engage in House Clearing Business or transfer Collateral in relation to House Clearing Business and the Clearing Member acknowledges that any such approval from the Clearing House is issued in reliance upon such representation or undertaking being true and accurate at all times.

(v) The Clearing House's written approval shall satisfy the Clearing Member's requirement to obtain an acknowledgement pursuant to Part 30 of CFTC Regulations.

## **REGULATION 25 OTHER MODES OF SETTLEMENT AND REVALUATION**

Settlement, revaluation and collateralisation procedures (other than those contained in Regulation 23 and Regulation 24) may be prescribed, in respect of open contracts on the terms of certain exchange contracts and in respect of open contracts which are OTC Contracts, EquityClear Contracts or LCH EnClear ~~OTC~~ EnClear Contracts in the Procedures or where agreed with, an Exchange, in Exchange Rules. The relevant settlement, revaluation and collateralisation procedures (as applicable) may be effected by the Clearing House in accordance with such provisions.

## CHAPTER VII – DISPUTE RESOLUTION

### REGULATION 33 ARBITRATION: CLEARED EXCHANGE CONTRACTS, TURQUOISE DERIVATIVES CLEARED EXCHANGE CONTRACTS, EQUITYCLEAR CONTRACTS OR LCH ENCLEAR ~~OTC~~ CONTRACTS (FOR PHYSICAL DELIVERY)

- (a) In this Regulation 33, "**Relevant Rules**" means relevant Exchange Rules or relevant ATP Market Rules.

Subject to Regulation 70(a), paragraph (e) below, and to the terms of a Link Agreement to which the Clearing House and a Co-operating Clearing House are party, a dispute arising from or in relation to any Cleared Exchange Contract, any EquityClear Contract, or any LCH EnClear ~~OTC~~ Contract for physical delivery ("**Physical LCH EnClear Contract**") or in relation to these Regulations relating to the clearing of Cleared Exchange Contracts, EquityClear Contracts or Physical LCH EnClear Contracts shall, unless resolved between the Clearing House and the Member, be referred to arbitration under the Relevant Rules and arbitration shall be conducted in accordance with such Relevant Rules. The Clearing House shall be entitled to call upon a Member who is a buyer and a Member who is a seller, under the terms of Cleared Exchange Contracts, EquityClear Contracts or Physical LCH EnClear Contracts as applicable, which have been matched by the Clearing House and in respect of which reference to arbitration has been made under the same Relevant Rules, to conduct the arbitration between them under such Relevant Rules as applicable.

- (b) In the event that the Clearing House elects to call upon a seller and a buyer to arbitrate between them pursuant to Regulation 33(a) above and the Relevant Rules, the following process shall apply:
- (i) the Clearing House shall give notice of such election to the buyer, the seller and the relevant Exchange or the relevant ATP as applicable, in accordance with such Relevant Rules;
  - (ii) the seller shall at its own expense have the conduct of the Clearing House's case against the buyer, and the buyer shall at its own expense have the conduct of the Clearing House's case against the seller, in either case, subject to the provisions of this Regulation;
  - (iii) copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the seller and the buyer;
  - (iv) the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and
  - (v) the arbitrators shall issue two awards, one between the seller and the Clearing House and one between the buyer and the Clearing House which shall

- (f) If the Clearing House is found liable to one of the parties to the arbitration ("**the first party**") in respect of a breach of a Turquoise Derivatives Cleared Exchange Contract and the other party to the arbitration ("**the second party**") is found liable to the Clearing House in respect of such breach of a Turquoise Derivatives Cleared Exchange Contract, the liability of the Clearing House to the first party shall be deemed to be a foreseeable consequence of the breach by the second party and the Clearing House shall be entitled to be indemnified in respect of such liability by the second party.
- (g) Where any dispute arises from or in relation to any LCH EnClear ~~OTC~~ Contract or in relation to these Regulations relating to the clearing of an LCH EnClear ~~OTC~~ Contract and there are at the time such dispute arises no provisions in the Relevant Rules for arbitration of such dispute or no Relevant Rules, then the dispute shall, unless resolved between the Clearing House and the Member, be finally resolved by the LCIA Rules, which rules are deemed to be incorporated by reference into this clause, by three arbitrators, the seat of the arbitration to be England, with any hearings to be held in London in the English language. The Clearing House shall be entitled, at its option, to call upon a Member who is a buyer and a Member who is a seller, under the terms of the LCH EnClear ~~OTC~~ Contract to conduct the arbitration accordingly.
- (h) In the event that the Clearing House elects pursuant to Regulation 33(g) above, to call upon a seller and a buyer to arbitrate between them, the following process shall apply:
- (i) the Clearing House shall give notice of such election to the buyer and the seller, as applicable;
  - (ii) the seller shall at its own expense have the conduct of the Clearing House's case against the buyer, and the buyer shall at its own expense have the conduct of the Clearing House's case against the seller, in either case, subject to the provisions of this Regulation;
  - (iii) copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the seller and the buyer;
  - (iv) the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and
  - (v) the arbitrators shall issue two awards, one between the seller and the Clearing House and one between the buyer and the Clearing House which shall determine the rights of each of the seller and the buyer against the Clearing House and vice versa.
- (i) If the Clearing House is found liable to one of the parties to the arbitration ("**the first party**") in respect of a breach of an LCH EnClear ~~OTC~~ Contract and the other party to the arbitration ("**the second party**") is found liable to the Clearing House in respect of such breach of an LCH EnClear ~~OTC~~ Contract, the liability of the Clearing House to the first party shall be deemed to be a foreseeable consequence of the breach by the

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

- (a) Paragraph (c) of this Regulation 37 shall not apply to open contracts which are option contracts.
- (b) In relation to Cleared Exchange Contracts and Turquoise Derivatives Cleared Exchange Contracts, if a Board, after consultation with the Clearing House, or the Clearing House, if it deems it impracticable to consult with the Board with respect to sub-paragraph (i) below only, or if the Clearing House, in relation to OTC Contracts or EquityClear Contracts, or LCH EnClear ~~OTC~~ Contracts determines that one of the following conditions is satisfied, namely:

- (i) a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under a Contract; or
- (ii) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under a Contract; or
- (iii) the EU or any international organisation, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under a Contract; or has given notice of its intention to do so or appears to be about to do so;

then:

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

## REGULATION 38 FORCE MAJEURE

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

## CHAPTER IX – INVOICING BACK AND CURRENCY CONVERSION

### REGULATION 39 INVOICING BACK

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

(e) In this Regulation:

- (i) **"net position"** means: in respect of open contracts which are Cleared Exchange Contracts or Turquoise Derivatives Cleared Exchange Contracts, one or more of such Cleared Exchange Contracts or Turquoise Derivatives Cleared Exchange Contracts as the case may be, against which the Member in whose name they are registered has no matching Cleared Exchange Contracts or Turquoise Derivatives Cleared Exchange Contracts as the case may be for the same delivery month, expiry month or prompt date; in respect of open contracts which are SwapClear Contracts, means one or more of such SwapClear Contracts against which the Member in whose name they are registered has no matching SwapClear Contracts on the same Economic Terms; in respect of RepoClear Contracts, means one or more of such RepoClear Contracts against which the Member in whose name they are registered has no matching RepoClear Contracts on the same Economic Terms; in respect of EquityClear Contracts, means one or more of such EquityClear Contracts against which the Member in whose name they are registered has no matching EquityClear Contracts on the same EquityClear Contract Terms; in respect of LCH EnClear ~~OTC~~ Contracts, means one or more of such LCH EnClear ~~OTC~~ Contracts against which the Member in whose name they are registered has no matching LCH EnClear ~~OTC~~ Contracts on the same LCH EnClear ~~OTC~~ Contract Terms, as the case may be; in respect of open contracts which are ForexClear Contracts, means one or more of such ForexClear Contracts against which the Member in whose name they are registered has no matching ForexClear Contracts on the same Economic Terms;
- (ii) **"opposite contract"** means a contract on the same terms (except as to price or premium), as the Contract to be invoiced back in accordance with this Regulation, but:
- (A) where a Member is a seller, in respect of the Cleared Exchange Contract, the Turquoise Derivatives Cleared Exchange Contract, the RepoClear Contract, the EquityClear Contract or LCH EnClear ~~OTC~~ Contract to be invoiced back, such Member shall be a buyer in respect of the opposite contract and vice versa;
- (B) where a SwapClear Clearing Member is a floating rate payer, in respect of a SwapClear Contract to be invoiced back, such SwapClear Clearing Member shall be a fixed rate payer in respect of the opposite contract and vice versa;
- (C) where a ForexClear Clearing Member is a Reference Currency Buyer in respect of a ForexClear Contract to be invoiced back, such ForexClear Clearing Member shall be a Reference Currency Seller in respect of the opposite contract and vice versa.

## REGULATION 51 GOVERNING LAW AND JURISDICTION

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

## REGULATION 52 EXCLUSION OF LIABILITY

- (a) Without prejudice to the provisions of Regulations 2 and 32 and 52(e) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any Member or to any other person (including, without limitation, any Clearing Client of a Member) 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 a Member or any other person, as the case may be, as a result of: any suspension, restriction or closure of the market administered by an Exchange, an ATP or a Co-operating Clearing House, whether for a temporary period or otherwise or as a result of a decision taken on the occurrence of a market emergency; any failure by the Clearing House or an Exchange or a Co-operating Clearing House or an ATP or its operator or the relevant approved agent or the Approved EquityClear Settlement Provider to supply each other with data or information in accordance with arrangements from time to time established between any or all of such persons; the failure of any systems, communication facilities or technology supplied, operated or used by the Clearing House, an Exchange, or a Co-operating Clearing House; any event which is outside the control of the Clearing House; any act or omission of an Exchange, or a Co-operating Clearing House in connection with a Co-operating Clearing House Contract or any contracts made on such terms, including, without limitation, any error in the establishment of a settlement price made by an Exchange; any act or omission of the Clearing House, an Exchange, or a Co-operating Clearing House (as the case may be) in connection with the operation of a Link or the arrangement for the transfer of Contracts under a Link.
- (b) Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to a Member or any other person (including without limitation a SwapClear Dealer, or a RepoClear Dealer or a ForexClear Dealer) in respect of any dispute arising from or in relation to any OTC Transaction, Eligible ~~OTC~~Trade, or an ATP Match including, but not limited to, any dispute as to the validity or otherwise of such OTC Transaction, Eligible ~~OTC~~Trade, the terms of such OTC Transaction, Eligible ~~OTC~~Trade, trade or ATP Match, or whether any alleged agreement or arrangement constitutes an OTC Transaction or Eligible ~~OTC~~Trade.
- (c) Without prejudice to the provisions of Regulation 2 and Regulation 52(e), neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member, RepoClear Clearing Member, EquityClear Clearing Member, LCH EnClear ~~OTC~~Clearing Member, ForexClear Participant or to any other person (including, without limitation, a SwapClear Dealer or a RepoClear Dealer) 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 an OTC Service or the EquityClear Service or the LCH EnClear ~~OTC~~Services (or any part thereof), whether for a temporary period or otherwise, a step taken by the Clearing House under Regulation 16(i), Regulation 37, Regulation 38, Regulation 55(g), or Regulation 72 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

<b>Regulation</b>	<b>Title</b>
Regulation 7	<del>Non-Member Market Participant Status</del> <del>Non-Member Market Participant Status</del>
Regulation 9	Service Withdrawal
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
Regulation 13	Presentation of Particulars and Confirmation of Contracts
Regulation 14	Allocation of Original Exchange Contracts
Regulation 15	Designation
Regulation 16	Registration
Regulation 17	Trading Information
Regulation 18	Transfer
Regulation 20	Margin and Collateral
Regulation 21	Premium under Option Contracts
Regulation 22	Official Quotations and Reference Price
Regulation 23	Daily Settlement or Marking to Market
Regulation 24	Settlement and Revaluation: Clearing Processing System
Regulation 25	Other Modes of Settlement and Revaluation
Regulation 26	Exercise of Options
Regulation 27	Delivery Contract Arising upon the Exercise of an Option
Regulation 28	Obligation to Make and Accept Tender under Cleared Exchange Contracts
Regulation 29	Delivery Contracts
Regulation 30	Open Contracts Subject to Tender
Regulation 31	Arrangements for Delivery and Payment of Price
Regulation 32	Restrictions on Clearing House's Obligations and Liability

<b>Regulation</b>	<b>Title</b>
Regulation 33	Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear <del>OTC</del> Contracts (for Physical Delivery)
Regulation 34	Collateral in Event of a Claim
Regulation 36	Default of a Member: Substituted Obligation
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
Regulation 38	Force Majeure
Regulation 39	Invoicing Back
Regulation 40	Currency Conversion
Regulation 41	Disclosure and Reporting
Regulation 42	Fees and Other Charges
Regulation 43	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45	Netting
Regulation 46	Distribution of Assets
Regulation 47	Procedures
Regulation 48	Interpretation of these Regulations
Regulation 49	Waiver
Regulation 50	Validity of Regulations and Action
Regulation 51	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
Regulation 53	LME Regulations
Default Rules	Default Rules
Settlement Finality Regulations	Settlement Finality Regulations

(m) Regulation 22 applies to open EquityClear Contracts.

**Arbitration**

(n) Regulation 33 and Regulation 34 apply to EquityClear Contracts.

**Other Applicable Regulations**

(o) Regulation 37 to Regulation 46 inclusive apply to EquityClear Clearing Members and EquityClear Contracts.

**Default Rules**

(p) The Default Rules apply to EquityClear Clearing Members and EquityClear Contracts.

**Clearing House Settlement Finality Regulations**

(q) The Clearing House Settlement Finality Regulations apply in relation to EquityClear Clearing Members and EquityClear Contracts.

**Summary table of Regulations which apply to the EquityClear Service**

(r) The Regulations listed in this Regulation 67(r) apply to the EquityClear Service as described under Regulation 67(a) to (q).

<b>Regulation</b>	<b>Title</b>
Regulation 2	Obligation to the Clearing House to each Member
Regulation 3	Performance by the Clearing House of its Obligations under the Terms of an Open Contract
Regulation 4	Clearing Member Status of the Clearing House
Regulation 5	Resigning and Retiring Members
Regulation 7	<del>Non-Member Market Participant Status</del> <del>Non-Member Market Participant Status</del>
Regulation 9	Service Withdrawal
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
Regulation 15	Designation
Regulation 16(b), (c) and (e) to (l)	Registration

<b>Regulation</b>	<b>Title</b>
Regulation 17	Trading Information
Regulation 18	Transfer
Regulation 19	Transactions entered into through an Automated Trading System or Platform
Regulation 20	Margin and Collateral
Regulation 21	Premium under Option Contracts
Regulation 22	Official Quotations and Reference Price
Regulation 33	Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear <del>OTC</del> -Contracts (for Physical Delivery)
Regulation 34	Collateral in Event of a Claim
Regulation 35	Delivery (or other) Failures
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
Regulation 38	Force Majeure
Regulation 39	Invoicing Back
Regulation 40	Currency Conversion
Regulation 41	Disclosure and Reporting
Regulation 42	Fees and Other Charges
Regulation 43	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45 and Regulation 46	Netting and Distribution of Assets
Regulation 47	Procedures
Regulation 48(b)	Interpretation of these Regulations
Regulation 49	Waiver
Regulation 50(a)	Validity of Regulations and Action

## CHAPTER XVII – LCH ENCLEAR ~~OTC~~ REGULATIONS

### REGULATION 73 APPLICATION OF LCH ENCLEAR ~~OTC~~ REGULATIONS

- (a) The Clearing House shall provide the LCH EnClear ~~OTC~~ Service subject to and in accordance with the terms of these LCH EnClear ~~OTC~~ Regulations and the Procedures.
- (b) LCH EnClear ~~OTC~~ Clearing Members shall be bound by these LCH EnClear ~~OTC~~ Regulations. Applications to become an LCH EnClear ~~OTC~~ Clearing Member shall be made in accordance with Regulation 73(d) and (e). Other than as expressly specified in this Regulation 75, the remainder of the Regulations shall not apply to the LCH EnClear ~~OTC~~ Service. A summary table of those Regulations which apply to the LCH EnClear ~~OTC~~ Service as described in Regulation 73(a) to (q) is provided at Regulation 73(r).
- (c) Regulation 2 and Regulation 3 of the Regulations apply to the LCH EnClear ~~OTC~~ Service.

#### LCH EnClear ~~OTC~~ Clearing Membership

- (d) A Clearing Member may apply to become an LCH EnClear ~~OTC~~ Clearing Member in accordance with the Procedures.
- (e) Regulation 4 applies to membership of the LCH EnClear ~~OTC~~ Service and applications for such membership.
- (f) Regulation 5 applies to an LCH EnClear ~~OTC~~ Clearing Member.

#### Accounts

- (g) Regulation 10 applies to the opening and operation of accounts with respect to an LCH EnClear ~~OTC~~ Clearing Member. Such accounts shall be designated in accordance with Regulation 15.

#### Client Clearing

- (h) Regulation 11 applies to those LCH EnClear ~~OTC~~ Clearing Members who provide (or wish to provide) Client Clearing Services.

#### Formation, registration and transfers of LCH EnClear ~~OTC~~ Contracts

- (i) Regulation 16, Regulation 17 and Regulation 74 apply to the formation and registration of an LCH EnClear ~~OTC~~ Contract.
- (j) Regulation 73 to Regulation 75 apply to the LCH EnClear ~~OTC~~ Service.
- (k) Regulation 18 (and, insofar as relevant, Regulation 12(b)) apply to an LCH EnClear ~~OTC~~ Contract that is an open contract.

#### Margin and Collateral

- (l) Regulation 20 applies to an LCH EnClear ~~OTC~~ Clearing Member.

**Reference prices and Revaluation**

- (m) Regulation 22 applies to open LCH EnClear ~~OTC~~ Contracts.

**Arbitration**

- (n) Regulation 33 and Regulation 34 apply to LCH EnClear ~~OTC~~ Contracts.

**Other Applicable Regulations**

- (o) Regulation 37 to Regulation 46 inclusive apply to LCH EnClear ~~OTC~~ Clearing Members and LCH EnClear ~~OTC~~ Contracts.

**Default Rules**

- (p) The Default Rules apply to LCH EnClear ~~OTC~~ Clearing Members and LCH EnClear ~~OTC~~ Contracts.

**Clearing House Settlement Finality Regulations**

- (q) The Clearing House Settlement Finality Regulations apply in relation to LCH EnClear ~~OTC~~ Clearing Members and LCH EnClear ~~OTC~~ Contracts.

**Summary table of Regulations which apply to the LCH EnClear ~~OTC~~ Service**

- (r) The Regulations listed in this Regulation 73(r) apply to the LCH EnClear ~~OTC~~ Service as described under Regulation 73(a) to (q).

<i>Regulation</i>	<i>Title</i>
Regulation 2	Obligation to the Clearing House to each Member
Regulation 3	Performance by the Clearing House of its Obligations under the Terms of an Open Contract
Regulation 4	Clearing Member Status of the Clearing House
Regulation 5	Resigning and Retiring Members
Regulation 9	Service Withdrawal
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
Regulation 15	Designation
Regulation 16	Registration

<b>Regulation</b>	<b>Title</b>
Regulation 17	Trading Information
Regulation 18	Transfer
Regulation 20	Margin and Collateral
Regulation 22	Official Quotations and Reference Price
Regulation 25	Other modes of settlement and Revaluation
Regulation 33	Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear <del>OTC</del> -Contracts (for Physical Delivery)
Regulation 34	Collateral in Event of a Claim
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
Regulation 38	Force Majeure
Regulation 39	Invoicing Back
Regulation 40	Currency Conversion
Regulation 41	Disclosure and Reporting
Regulation 42	Fees and Other Charges
Regulation 43	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45 and Regulation 46	Netting and Distribution of Assets
Regulation 47	Procedures
Regulation 48(b)	Interpretation of these Regulations
Regulation 49	Waiver
Regulation 50(a)	Validity of Regulations and Action
Regulation 51(a) and (c) to (e)	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability

<i>Regulation</i>	<i>Title</i>
Regulation 73 to Regulation 75	LCH EnClear <del>OTC</del> Regulations
Default Rules	Default Rules
Settlement Finality Regulations	Settlement Finality Regulations

**REGULATION 74 REGISTRATION OF LCH ENCLEAR ~~OTC~~ CONTRACTS**

- (a) An LCH EnClear ~~OTC~~-Clearing Member must submit particulars of an Eligible [EnClear~~OTC~~](#) Trade for registration as an LCH EnClear ~~OTC~~-Contract, through such means as shall be prescribed by the Procedures.

## REGULATION 75 DAILY SETTLEMENT

- (a) Where the LCH EnClear ~~OTC~~ Procedures so provide, in respect of any Eligible ~~OTC~~ Trade, and any LCH EnClear ~~OTC~~ Contract arising therefrom the Clearing House may effect the daily settlement to market, of such open LCH EnClear ~~OTC~~ Contracts in accordance with the Procedures.
- (b) The Clearing House may, in accordance with the Procedures, in respect of each such open LCH EnClear ~~OTC~~ Contract in an LCH EnClear ~~OTC~~ Clearing Member's name which is subject to daily settlement to market, effect and register a settlement contract, being a contract on the same terms (except as to price) as the open contract, save that where that Clearing Member is the seller or the party paying a Fixed Price (as the case may be) under the terms of the open contract, that Clearing Member shall be the buyer or the party paying a Floating Price (as the case may be) under the terms of the settlement contract and vice-versa, such settlement contract to be effected in accordance with the Procedures at the relevant Reference Price for that day. The Clearing House shall thereupon settle each open contract against the respective settlement contract in accordance with the Procedures.
- (c) Upon completion of the process set out in paragraph (b) above, the Clearing House may, if the Procedures so provide, calculate the daily settlement amounts in accordance with the Procedures and may thereafter debit or credit (as the case may be) the LCH EnClear ~~OTC~~ Clearing Member's account and upon the Clearing House so doing, that Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising in accordance with the arrangements set out in the Procedures in respect of the relevant LCH EnClear ~~OTC~~ Contract.
- (d) The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph (c) above in the manner prescribed by the Procedures, in respect of those open LCH EnClear ~~OTC~~ Contracts in an LCH EnClear ~~OTC~~ Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily settlement to market, register at the Reference Price referred to in paragraph (b) above, which price shall be deemed to be the Traded Price, contracts in that Clearing Member's name as open LCH EnClear ~~OTC~~ Contracts on the same terms (except as to price) as the settled open contracts, save that no contract for the purchase and no contract for the sale of the same commodity, for the same delivery month, or expiry month and price, shall be registered in that Clearing Member's name.

(l) Regulation 20 applies to a Turquoise Derivatives Clearing Member.

### **Reference prices and Revaluation**

(m) Regulation 22 applies to open Turquoise Derivatives Contracts.

### **Arbitration**

(n) Regulation 33 and Regulation 34 apply to LME Contracts.

### **Other Applicable Regulations**

(o) Regulation 37 to Regulation 46 inclusive apply to Turquoise Derivatives Clearing Members and Turquoise Derivatives Contracts.

### **Default Rules**

(p) The Default Rules apply to Turquoise Derivatives Clearing Members and Turquoise Derivatives Contracts.

### **Clearing House Settlement Finality Regulations**

(q) The Clearing House Settlement Finality Regulations apply in relation to Turquoise Derivatives Clearing Members and Turquoise Derivatives Contracts.

### **Summary table of Regulations which apply to the Turquoise Derivatives Service**

(r) The Regulations listed in this Regulation 76(r) apply to the Turquoise Derivatives Service as described under Regulation 76(a) to (q).

<b><i>Regulation</i></b>	<b><i>Title</i></b>
Regulation 2	Obligation to the Clearing House to each Member
Regulation 3	Performance by the Clearing House of its Obligations under the Terms of an Open Contract
Regulation 4	Clearing Member Status of the Clearing House
Regulation 5	Resigning and Retiring Members
Regulation 7	<del>Non-Member Market Participant Status</del> <del>Non-Member Market Participant Status</del>
Regulation 9	Service Withdrawal
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b) and (c)	Novation

<b><i>Regulation</i></b>	<b><i>Title</i></b>
Regulation 15	Designation
Regulation 16(b) to (e)	Registration
Regulation 17	Trading Information
Regulation 18	Transfer
Regulation 20	Margin and Collateral
Regulation 21	Premium under Option Contracts
Regulation 22	Official Quotations and Reference Price
Regulation 25	Other modes of settlement and Revaluation
Regulation 26	Exercise of Options
Regulation 27	Delivery Contract Arising upon the Exercise of an Option
Regulation 29	Delivery Contracts
Regulation 31(a), (b) and (c)	Arrangements for Delivery and Payment of Price
Regulation 32	Restrictions on Clearing House's Obligations and Liability
Regulation 33	Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear <del>OTC</del> Contracts (for Physical Delivery)
Regulation 34	Collateral in Event of a Claim
Regulation 35	Delivery (or other) Failures
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
Regulation 38	Force Majeure
Regulation 39	Invoicing Back
Regulation 40	Currency Conversion
Regulation 41	Disclosure and Reporting
Regulation 42	Fees and Other Charges

<b>Regulation</b>	<b>Title</b>
Regulation 5	Resigning and Retiring Members
Regulation 7	<del>Non-Member Market Participant Status</del> <del>Non-Member Market Participant Status</del>
Regulation 9	Service Withdrawal
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
Regulation 13 (except Regulation 13(d))	<del>Presentation of Particulars of Original Exchange Contracts and Confirmation of Original Exchange Contracts</del> <del>Presentation of Particulars of Original Exchange Contracts and Confirmation of Original Exchange Contracts</del>
Regulation 14	Allocation of Original Exchange Contracts
Regulation 15	Designation
Regulation 16	Registration
Regulation 17	Trading Information
Regulation 18	Transfer
Regulation 20	Margin and Collateral
Regulation 21	Premium under Option Contracts
Regulation 22	Official Quotations and Reference Price
Regulation 23	Daily Settlement or Marking to Market
Regulation 24	Settlement and Revaluation: Clearing Processing System
Regulation 26	Exercise of Options
Regulation 27	Delivery Contract Arising upon the Exercise of an Option
Regulation 28	Obligation to Make and Accept Tender under Cleared Exchange Contracts
Regulation 29	Delivery Contracts
Regulation 30	Open Contracts Subject to Tender

<b>Regulation</b>	<b>Title</b>
Regulation 31	Arrangements for Delivery and Payment of Price
Regulation 32	Restrictions on Clearing House's Obligations and Liability
Regulation 33	Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear <del>OTC</del> -Contracts (for Physical Delivery)
Regulation 34	Collateral in Event of a Claim
Regulation 36	Default of a Member: Substituted Obligation
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
Regulation 38	Force Majeure
Regulation 39	Invoicing Back
Regulation 40	Currency Conversion
Regulation 41	Disclosure and Reporting
Regulation 42	Fees and Other Charges
Regulation 43	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45	Netting
Regulation 46	Distribution of Assets
Regulation 47	Procedures
Regulation 48	Interpretation of these Regulations
Regulation 49	Waiver
Regulation 50	Validity of Regulations and Action
Regulation 51	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
Regulation 89	Nodal Regulations
Default Rules	Default Rules

<b>Regulation</b>	<b>Title</b>
Regulation 7	<del>Non-Member Market Participant Status</del> <del>Non-Member Market Participant Status</del>
Regulation 9	Service Withdrawal
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
Regulation 13 (except Regulation 13(d))	<del>Presentation of Particulars of Original Exchange Contracts and Confirmation of Original Exchange Contracts</del> <del>Presentation of Particulars of Original Exchange Contracts and Confirmation of Original Exchange Contracts</del>
Regulation 14	Allocation of Original Exchange Contracts
Regulation 15	Designation
Regulation 16	Registration
Regulation 17	Trading Information
Regulation 18	Transfer
Regulation 20	Margin and Collateral
Regulation 21	Premium under Option Contracts
Regulation 22	Official Quotations and Reference Price
Regulation 23	Daily Settlement or Marking to Market
Regulation 24	Settlement and Revaluation: Clearing Processing System
Regulation 26	Exercise of Options
Regulation 27	Delivery Contract Arising upon the Exercise of an Option
Regulation 28	Obligation to Make and Accept Tender under Cleared Exchange Contracts
Regulation 29	Delivery Contracts
Regulation 30	Open Contracts Subject to Tender
Regulation 31	Arrangements for Delivery and Payment of Price

<b><i>Regulation</i></b>	<b><i>Title</i></b>
Regulation 32	Restrictions on Clearing House's Obligations and Liability
Regulation 33	Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear <del>OTC</del> -Contracts (for Physical Delivery)
Regulation 34	Collateral in Event of a Claim
Regulation 36	Default of a Member: Substituted Obligation
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
Regulation 38	Force Majeure
Regulation 39	Invoicing Back
Regulation 40	Currency Conversion
Regulation 41	Disclosure and Reporting
Regulation 42	Fees and Other Charges
Regulation 43	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45	Netting
Regulation 46	Distribution of Assets
Regulation 47	Procedures
Regulation 48	Interpretation of these Regulations
Regulation 49	Waiver
Regulation 50	Validity of Regulations and Action
Regulation 51	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
Regulation 94	NLX Regulations
Default Rules	Default Rules
Settlement Finality	Settlement Finality Regulations



**Appendix II**

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

**SCHEDULE 4**  
**LCH ENCLEAR-OTC**

**PART A**  
**LCH ENCLEAR-OTC CONTRACT TERMS**

Where an LCH ~~EnClear-OTC~~EnClear Contract arises between the Clearing House and an LCH ~~EnClear-OTC~~EnClear Clearing Member pursuant to the Regulations and the terms of any agreement between them, the terms of a registered LCH ~~EnClear-OTC~~EnClear Contract shall include these LCH ~~EnClear-OTC~~EnClear Contracts Terms which shall comprise:

- (1) Interpretation and Definitions;
- (2) Economic Terms;
- (3) Specific Standard Terms\*; and
- (4) General Standard Terms

**Section 1 Interpretation and Definitions: General**

- 1.2 Words and expressions used in these LCH OTC ~~EnClear-OTC~~EnClear Contract Terms shall have the same meaning as in the General Regulations, Default Rules and Procedures of the Clearing House (together, and as amended from time to time, the "**Regulations**").
- 1.3 The accidental omission to give any notice which may be required under the Regulations or Procedures for the amendment of these Contract Terms, or the non-receipt of any such notice by any LCH ~~EnClear-OTC~~EnClear Clearing Member shall not invalidate the amendment with which such notice is concerned.
- 1.4 In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.
- 1.5 Subject to the Regulations and the Procedures, the Clearing House will use the relevant LCH ~~EnClear-OTC~~EnClear Contract Terms applicable to an LCH ~~EnClear-OTC~~EnClear Contract to calculate the amounts due under the LCH ~~EnClear-OTC~~EnClear Contract to, or from, the Clearing House in accordance with the Procedures.
- 1.6 Subject to the Regulations and the Procedures, the Clearing House will use the relevant LCH ~~EnClear-OTC~~EnClear Contract Terms applicable to an LCH ~~EnClear-OTC~~EnClear Contract to calculate the amounts due under the LCH ~~EnClear-OTC~~EnClear Contract to, or from, the Clearing House in accordance with the Procedures.
- 1.7 "**US Business Day**" means a day upon which banks in the United States of America are generally open to settle payments and for general business. "**UK Business Day**" means a day upon which banks in England and Wales are generally open to settle payments and for general business.

**Section 2 Economic Terms**

- 2.1 The Economic Terms of an LCH ~~EnClear-OTC~~EnClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding **Eligible**

~~OTC~~Eligible EnClear Trade 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 LCH ~~EnClear-OTC~~EnClear Contract that the particulars of an ~~Eligible-OTC~~Eligible EnClear Trade presented to the Clearing House must include matched information in respect of all such designated Economic Terms with the exception of 2.3(viii) which will be determined in accordance with the Procedures.

2.3 The Economic Terms comprise:

- (a) Fixed Rate Payer or seller;
- (b) Floating Rate Payer or buyer;
- (c) Contract;
- (d) Contract Series;
- (e) Quantity;
- (f) Delivery Period (where applicable);
- (g) Fixed Price or Traded Price (as the case may be);
- (h) Floating Price (where applicable).

**PROVIDED, however, that**, as set out in Regulation 76 where the ~~Eligible-OTC~~Eligible EnClear Trade specifies an LCH ~~EnClear-OTC~~EnClear Clearing Member as the party paying the Fixed Price or being the seller (the "**First LCH ~~EnClear-OTC~~EnClear Clearing Member**") with the other LCH ~~EnClear-OTC~~EnClear Clearing Member as the party paying the Floating Price or being the buyer (the "**Second LCH ~~EnClear-OTC~~EnClear Clearing Member**") the Clearing House, in respect of each LCH ~~EnClear-OTC~~EnClear Contract it is party to pursuant to the corresponding ~~Eligible-OTC~~Eligible EnClear Trade, shall be (i) the party paying the Floating Price or the buyer to the First LCH ~~EnClear-OTC~~EnClear Clearing Member under the LCH ~~EnClear-OTC~~EnClear Contract; and (ii) the party paying the Fixed Price or seller to the Second LCH ~~EnClear-OTC~~EnClear Clearing Member under the LCH ~~EnClear-OTC~~EnClear Contract.

### Section 3 **Specific Standard Terms For LCH ~~EnClear-OTC~~EnClear Contracts**

[Sections 3.1 and 3.2 no longer in force]

#### 3.3 ***LCH ~~EnClear-OTC~~EnClear Services: Energy Division***

The following sets of terms are designated as Specific Standard Terms of a registered LCH ~~EnClear-OTC~~EnClear Contract arising from an ~~Eligible-OTC~~Eligible EnClear Trade in the Energy Division of the LCH ~~EnClear-OTC~~EnClear Services.

<b>Section</b>	<b>Contract</b>
3.3A.....	No longer in force
3.3B.....	No longer in force
3.3C and 3.3D.....	OTC Emissions – EUAs

<b>Section</b>	<b>Contract</b>
3.3C and 3.3E.....	OTC Emissions – CERs
3.3F .....	OTC Emissions – EUA Spot
3.3G.....	OTC Emissions – CER Spot
3.3H.....	OTC Emissions – EUA Options
3.3I .....	OTC Emissions – CER Options

3.3A *No longer in force*

3.3B *No longer in force*

3.3C **LCH ~~EnClear-OTC~~EnClear Services: Energy**

3.3C.1 *Standard Terms: Additional Definitions*

The following additional definitions shall apply to any LCH ~~EnClear-OTC~~EnClear Contract within the LCH ~~EnClear-OTC~~EnClear Services: Energy Division.

<b>Defined Term</b>	<b>Definition</b>
<b>Account</b>	An account maintained at the Registry pursuant to the Registry Regulation.
<b>CER</b>	A certified emissions reduction, as defined in the Directive, that may be used for determining compliance with emissions limitation commitments pursuant to and in accordance with the Scheme, excluding allowances generated by hydroelectric projects with a generating capacity exceeding 20MW.
<b>Commitment Period Reserve</b>	The commitment period reserve requirements set out in paragraphs 6 and 7 of the Annex to Decision 11 of the Meeting of the Parties to the UNFCCC (modalities, rules and guidelines for emissions trading under Article 17 of the Kyoto Protocol), as amended from time to time.
<b>Compliance Period</b>	The first five-year period referred to in Article 11(2) of the Directive, namely 2008 to 2012 inclusive.
<b>Delivery Period</b>	The period beginning at 09.30 hours on the first business day following the last trading day and ending at 19.30 hours on the third business day following the last trading day.
<b>Directive</b>	Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, as amended from time to time.
<b>EUA or General</b>	An allowance to permit the emission of one tonne of

Defined Term	Definition
	states.
<b>Suspension Event</b>	(i) The absence of ITL Operation; (ii) the suspension of the Scheme; or (iii) the inability of a party to perform its obligations under an LCH <del>EnClear</del> <del>OTCEnClear</del> Contract as a result of a breach or breaches of the Commitment Period Reserve in each of the member states in which that party maintains a Holding Account.
<b>UNFCCC</b>	The United Nations Framework Convention on Climate Change.

### 3.3C.2 *Standard Terms: Additional Provisions*

(a) **Suspension Event**

If and to the extent that the performance of any LCH ~~EnClear~~ ~~OTCEnClear~~ Contract is frustrated by a Suspension Event, that event shall be deemed to be an event beyond the reasonable control of the parties for the purposes of 38 of the General Regulations and the Clearing House may act accordingly. In such circumstances, the Clearing House may, without limitation and acting in its sole discretion, issue directions such that the obligations of the Clearing Members under any affected LCH ~~EnClear~~ ~~OTCEnClear~~ Contract shall be fulfilled at such future time and by such means as the Clearing House may acting in its sole discretion determine.

(b) **Abandonment of ITL Operation**

Without prejudice to or limitation of any powers that the Clearing House may have under the General Regulations, if by official announcement of the European Commission or the UNFCCC or by joint announcement of those bodies it is established that ITL Operation will not be achieved during the Compliance Period, the Clearing House may invoice back such LCH ~~EnClear~~ ~~OTCEnClear~~ Contracts as are open at the relevant time. If and when LCH ~~EnClear~~ ~~OTCEnClear~~ Contracts are invoiced back in such circumstances, opposite contracts shall be effected and registered at the LEBA Index price published on the business day immediately preceding the day on which the official announcement referred to above is made. If such price is not available for whatever reason, or if in all the circumstances it would be unreasonable to use such price in the opinion of the Clearing House, opposite contracts shall be effected and registered at such other price as the Clearing House shall, acting in its sole discretion, reasonably determine.

(c) **Exclusion of Liability**

Without prejudice to the General Regulations, including without limitation those provisions of the General Regulations concerning liability, the Clearing House excludes all liability of any kind to the fullest extent possible in

respect of any performance of or failure to perform an LCH ~~EnClear~~ ~~OTC~~EnClear Contract that may be attributable to:

- (i) the lack of availability, failure and/or malfunction of any system, device, software or hardware which forms part of the Scheme or which has been designed for use in connection with it;
- (ii) any act or omission by any third party in connection with the Scheme.

### 3.3D *Standard Terms: Basic Provisions – EUAs*

<b>Description</b>	Physically settled contracts for the forward delivery of EUAs.
<b>Unit of Trading</b>	One lot of 1000 EUAs.
<b>Minimum Contract Size</b>	One lot.
<b>Currency</b>	Euros.
<b>Tick Size</b>	One euro cent (ten euros per lot).
<b>Reference Price for Daily Settlement</b>	LEBA EUA closing price or such other price as may be prescribed by the Clearing House from time to time.
<b>Final Settlement</b>	LEBA EUA closing price or such other price as may be prescribed by the Clearing House from time to time.
<b>Minimum Price Fluctuation</b>	One euro cent.
<b>Maximum Price Fluctuation</b>	Unlimited.
<b>Contract Series</b>	Annual December contract months ending December 2015.
<b>Business Days</b>	UK Business days plus the UK Bank Holiday at the end of May and the UK Bank Holiday in August.
<b>Expiry/Last Trading Date</b>	Contracts will expire at 18:00 on the last Monday of the contract month. Where the last Monday of the contract month is not a business day, or there is a non-business day in the four days following the last Monday of the contract month, then the expiry day will be the second last Monday of the contract month. In cases where there is a non-business day in the four days following the second last Monday of the contract month, then the expiry day will be the third last Monday of the contract month.

underlying EUA forward contract.

**Contract series** Four rolling month contracts (March, June, September and December) plus an additional two December contracts.

All option contracts expire into the underlying December contract of the corresponding year.

**Strike Price** Fifty strike prices in increments of €0.50 above and below the "at-the-money" strike price in all contract series.

Where the "at the money" strike price of the underlying commodity moves, additional strikes will be added each business day

**Margin** Options will be subject to Initial Margin and Net Liquidation Value variation margin on a daily basis.

**Business Days** UK business days

#### 3.4 ***LCH ~~EnClear-OTC~~EnClear Services: Freight Division***

The following terms are designated as Specific Standard Terms of a registered LCH ~~EnClear-OTC~~EnClear Contract arising from an ~~Eligible-OTC~~Eligible ~~EnClear-EnClear~~ Trade in the Freight Division of the LCH ~~EnClear-OTC~~EnClear Service.

##### 3.4.1 *Standard Terms: Additional Definitions*

**"Baltic Exchange"** means The Baltic Exchange Limited of St Mary Axe, London EC3A 8BH, UK.

**"CLTX"** means Cleartrade Exchange Pte Limited of 6 Battery Road, Unit 24-04B, Singapore, 049909.

**"FIS"** means Freight Investor Services Pte Ltd of 16 Collyer Quay, 10-01 Hitachi Tower, Singapore.

**"Flat Rate"** means an amount in respect of each pricing date expressed in US\$/mt for that route for that pricing date as published by the Worldscale Association (London) Ltd, and the Worldscale Association (NYC) Inc.

**"LEBA"** means The London Energy Brokers Association.

**"mt"** means metric tonnes.

**"Reference Price"** means the daily or final settlement price, as the case may be, for that route, as set out herein below.

**"Shanghai Shipping Exchange"** means Shanghai Shipping Exchange of 88 Yang Shu Pu Road, Shanghai 200082, PRC.

"TSI" means The Steel Index Limited of Palladium House, 1-4 Argyll Street, London W1F 7LD.

"WCI" means World Container Index of 15 Christopher Street, London EC2A 2BS.

"Worldscale Point" or "WS Point" means a point of the pricing index operated by the Worldscale Association.

"Worldscale Rate" or "WS Rate" means the number of Worldscale Points.

Tanker Voyage Routes, Dry Voyage Routes, Dry Timecharter Basket Routes, Dry Trip Timecharter Routes and Timecharter Voyage Routes are those defined by the Baltic Exchange.

- 3.4.2 The following sets of terms are designated as Specific Standard Terms of a registered LCH ~~EnClear-OTC~~EnClear Contract arising from an ~~Eligible-OTC~~Eligible EnClear Trade (Freight Division).

The table below shows which set of terms (identified by the individual sub-section number of this section 3) applies to the relevant type of freight forward contract or option contract and route:

<u>Name of freight contract and route</u>	<u>Section</u>
\$ Per Tonne Tanker Voyage Routes .....	Section 3.4A
Dry Voyage Routes .....	Section 3.4B
Dry Timecharter Basket Routes – Forwards .....	Section 3.4C
Dry Trip Timecharter Routes .....	Section 3.4D
Dry Timecharter Voyage Route .....	Section 3.4E
Dry Timecharter Trip & Basket Routes – Options .....	Section 3.4F
SCFI Container <del>Swaps</del> <u>Agreement</u> .....	Section 3.4G
WCI Container <del>Swaps</del> <u>Agreement</u> .....	Section 3.4H
Iron Ore <del>Swap</del> <u>Contract</u> .....	Section 3.4I
Iron Ore Option .....	Section 3.4J
Fertilizer <del>Swaps</del> <u>Contract</u> .....	Section 3.4K
Fertilizer <del>Swap</del> <u>Contract</u> Option .....	Section 3.4L
European Hot Rolled Coil Steel <del>Swaps</del> <u>Contract</u> .....	Section 3.4M
Chinese Hot Rolled Coil Steel <del>Swap</del> <u>Contract</u> .....	Section 3.4N
Turkish Import Scrap Steel <del>Swap</del> <u>Contract</u> .....	Section 3.4O
Chinese Domestic Hot Rolled Ribbed Bar Steel <del>Swap</del> <u>Contract</u> .....	Section 3.4P
API 2 cif ARA (Argus/McCloskey) Coal <del>Swap</del> <u>Contract</u> .....	Section 3.4Q
API 4 fob Richards Bay (Argus/McCloskey) Coal <del>Swap</del> <u>Contract</u> .....	Section 3.4R
API 2 of ARA (Argus/McCloskey) Coal Option Contract .....	Section 3.4S
API 4 fob Richard Bay (Argus McCloskey) Coal Option Contract .....	Section 3.4T

**Final Payment Date** The first business day following expiry

**Business Days** UK Business Days

### 3.4C *Cash Settled Freight Forward Contracts: Dry Timecharter Basket Routes*

**Description** Cash settled freight forward contracts on the following Dry Timecharter Basket Routes:

- CTC (Capesize TC Avg 4 routes)
- CPT (new Capesize TC Avg 5 routes)
- CPC (new Capesize TC avg 5 routes)
- PTC (Panamax TC Avg 4 routes)
- STC (Supramax TC Avg 6 routes)
- HTC (Handysize TC Avg 6 routes)

**Lot Size** 1 day

**Currency** US Dollars

**Pricing** US \$ per day

**Minimum Tick** US \$ 0.0001 to account for final settlement

**Fixed Price** The traded price or the previous day's settlement price as supplied end of day by the Baltic Exchange

**Floating Price** In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange.

In respect of final settlement, the floating price will be the mean of the daily Baltic Exchange spot price assessments for every trading day in the expiry month.

**Expiry / Last Trading Date** At 18:00 hours UK time on last business day of each month within the contract series.

Exception – December contracts will expire on the 24<sup>th</sup> December, or previous business day, where the 24<sup>th</sup> December is a non working day.

**Contract Series** CTC, CPT, PTC, CPC - Traded as months, quarters and calendars, out to 7 whole calendar years (a maximum of 95 months)

**Contract Series** Trade as months, out to 3 whole calendar years (a maximum of 47 months)

**Strike Price** Any whole \$ value

**Business Days** UK Business Days

3.4G **Cash Settled SCFI Container Freight ~~Swap Agreement~~ Contract**

**Description** SCFI cash settled container freight ~~swap agreements~~ contract on the following routes:

- CNW (Shanghai – North West Europe)
- CMD (Shanghai – Mediterranean)
- CSW (Shanghai – US West Coast)
- CSE (Shanghai – US East Coast)

**Lot Size** 1 TEU 20ft container (CMD and CNW)

1 FEU 40ft container (CSE and CSW)

**Currency** US Dollars

**Pricing** US \$ per TEU (CMD and CNW)

US \$ per FEU (CSE and CSW)

**Minimum Tick** US \$0.01 to account for final settlement.

**Fixed Price** The traded price or the previous day's settlement price as supplied end of day by Approved Brokers and/or CLTX, and/or such other price as may be prescribed by the Clearing House from time to time.

**Floating Price** In respect of daily settlement, the floating price will be the end of day price as supplied by Approved Brokers and/or CLTX, and/or such other price as may be prescribed by the Clearing House from time to time.

In respect of final settlement, the floating price will be the mean of the all the SCFI weekly spot assessments for the contract route as published by the Shanghai Shipping Exchange each Friday during the contract month.

**Expiry / Last Trading Date** Last publication day of the relevant index in the contract month (i.e. the last Chinese business Friday of every month).

Where the last Friday of the month is a UK business day but a Chinese holiday, the last trading day will be the previous

publication day.

Where the last Friday of the month is a Chinese business day but a UK holiday, the last trading day will be the previous UK business day.

**Contract Series** Traded as months, quarters and calendars, out to 1 whole calendar year (a maximum of 23 months)

**Final Payment Date** The first business day following expiry

**Business Days** Chinese Business Days for the purpose of Index publication.  
UK Business Days for the purpose of trade registration, confirmation and final payment.

3.4H **Cash Settled WCI Container Freight ~~Contracts~~ Swap Agreement**

**Description** World Container Index (WCI) cash settled container freight ~~swap agreements~~ Contracts on the following routes:

- Rotterdam - Shanghai (WRS)
- Los Angeles - Shanghai (WLS)

**Lot Size** 1 FEU 40ft container

**Currency** US Dollars

**Pricing** US \$ per FEU

**Minimum Tick** US \$0.01 to account for final settlement.

**Fixed Price** The traded price or the previous day's settlement price as supplied end of day by WCI, or any other such source as the Clearing House may determine.

**Floating Price** In respect of daily settlement, the floating price will be the end of day price as supplied WCI, or any other such source as the Clearing House may determine.

In respect of final settlement, the floating price will be the mean of the relevant prices for the contract route as published by WCI each Thursday during the contract month.

**Contract Series** Front 3 months, front quarter + following 3 quarters, 1 whole calendar year (out to a maximum of 23 months)

**Last Trading Date** Last publication day of the relevant index in the contract month (i.e. the last UK business Thursday of every month).

Where the last Thursday of the month is not a UK business day, the last trading day will be the previous publication day (Thursday).

**Final Payment Date** The first UK business day following the last trading day

**Business Days** UK Business Days

3.4I **Cash Settled Iron Ore ~~Swap~~Contract**

**Description** Iron ore ~~swap~~ contract – settled against the daily TSI index (The Steel Index) 62 per cent. fe

**Contract Code** TSI

**Lot Size** 1,000mt

**Currency** US Dollars

**Pricing** US \$/tonne

**Minimum Tick** US \$0.01 to account for final settlement

**Fixed Price** The traded price or the previous day's settlement price as supplied end of day by IOSDA or such other price as may be prescribed by the Clearing House from time to time.

**Floating Price** In respect of daily settlement, the floating price will be the end of day price as supplied by IOSDA or such other price as may be prescribed by the Clearing House from time to time.

In respect of final settlement, the floating price will be the mean of the daily TSI spot indices for that month.

**Expiry / Last Trading Date** At 18:00 hours UK time on the last business day of each month within the contract series

**Contract Series** Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)

**Final Payment Date** The first business day following expiry.

**Business Days** UK Business Days

3.4J **Cash Settled Premium Paid Iron Ore Option**

**Description** Cash settled Premium Paid Option on the TSI Iron Ore contract

**Contract Code** TSO

**Lot Size** 1,000mt

<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$/tonne
<b>Minimum Tick</b>	US \$0.01 to account for final settlement
<b>Option Type</b>	Options are European style and will be automatically exercised on the expiry day if they are in-the-money. If an option is out-of-the-money it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.
<b>Option Premium</b>	The Premium is paid at the time of purchase
<b>Last Trading Date</b>	Last business day of each month within the contract series
<b>Expiry</b>	18:00 hours UK time on the last trading day
	Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater in-the-money when compared to the relevant reference price.
	Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract.
	The reference price will be a price in US dollars and cents per metric tonne equal to the final settlement price for the underlying Iron Ore <del>swap</del> contract.
<b>Contract Series</b>	Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)
<b>Strike Price</b>	Any whole \$ value
<b>Business Days</b>	UK Business Days

3.4K **Cash Settled Fertilizer ~~Swaps~~Contract**

<b>Description</b>	Fertilizer <del>swap</del> contracts cash settled against: <ul style="list-style-type: none"> <li>• UREA – New Orleans (UNO)</li> <li>• UREA – Yuzhnyy (UYZ)</li> <li>• UREA – Egypt (UNE)</li> <li>• DAP – Tampa (DTA)</li> <li>• DAP – New Orleans (DNO)</li> </ul>
--------------------	---

	<ul style="list-style-type: none"> <li>• UAN – NOLA (UAN)</li> </ul>
<b>Lot Size</b>	<p>500mt – UYZ, DTA, UNE</p> <p>500st – UNO, DNO, UAN</p> <p><a href="#">25 st – UNO, DNO, UAN</a></p>
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$/tonne
<b>Minimum Tick</b>	US \$0.0001 to account for final settlement
<b>Fixed Price</b>	The traded price or the previous day's settlement price as supplied end of day by FIS <u>and/or CLTX, and/or any other such source as LCH.Clearnet may determine.</u>
<b>Floating Price</b>	<p>In respect of daily settlement, the floating price will be the end of day price as supplied by FIS <u>and/or CLTX, and/or any other such source as LCH.Clearnet may determine.</u></p> <p>In respect of final settlement, the floating price will be the arithmetic average of the relevant weekly indices for that contract as supplied by FIS <u>and/or Argus, and/or any other such source as LCH.Clearnet may determine</u> for that month.</p>
<b>Expiry / Last Trading Date</b>	<p>Last publication day of the relevant index in the contract month (i.e. the last business Thursday of every month).</p> <p>Exception – December contracts will expire on the penultimate Thursday, as there is no publication of an index in the week prior to New Year.</p> <p>Where the last Thursday of the month is a non-business day, the expiry day will be the first business day preceding that Thursday</p>
<b>Contract Series</b>	Traded as months and quarters, out to 4 whole quarters (a maximum of 14 months)
<b>Final Payment Date</b>	The first business day following the expiry day
<b>Business Days</b>	UK Business Days

#### 3.4L **Fertilizer ~~Swap~~ Contract Option**

<b>Description</b>	Single expiry, premium paid option on the underlying UREA – New Orleans (UNO) Fertilizer <del>Swap</del> <u>eC</u> Contract for the corresponding expiry.
--------------------	---

<b>Contract Code</b>	ONO
<b>Lot Size</b>	500st
<b>Currency</b>	US Dollars
<b>Minimum tick</b>	US \$0.0001
<b>Option Type</b>	Options are Asian style and will be automatically exercised on the expiry day if they are "in the money". If an option is "out of the money" it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.
<b>Option Premium</b>	The Premium is paid at the time of purchase
<b>Last Trading Day</b>	<p>Last publication day of the relevant index in the contract month i.e. the last business Thursday of every month</p> <p>Exception – December contracts will expire on the penultimate Thursday, as there is no publication of an index in the week prior to New Year</p> <p>Where the last Thursday of the month is a non-business day, the last trading day will be the first business day preceding.</p>
<b>Expiry</b>	<p>18:00 hours UK time on the last trading day</p> <p>Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price</p> <p>Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract</p> <p>The reference price will be a price in US dollars, cents and hundredths of a cent (\$0.0001), per day equal to the final settlement price for the underlying UREA – New Orleans (UNO) Fertilizer <del>Swap-e</del>Contract</p> <p>For these purposes "final settlement price" means the final settlement price on the expiry day of the underlying UREA – New Orleans (UNO) Fertilizer <del>Swap-e</del>Contract</p>
<b>Contract series</b>	Front 6 months, 4 quarters
<b>Strike Price</b>	Any whole \$ value
<b>Margin</b>	Options will be subject to Initial Margin and Net Liquidation Value variation margin on a daily basis.
<b>Business Days</b>	UK business days

### 3.4M *European Hot Rolled Coil Steel SwapsContract*

<b>Description</b>	European Hot Rolled Coil Steel <u>swapscontract</u> , cash settled against The Steel Index: <ul style="list-style-type: none"><li>• Hot Rolled Coil – Northern Europe, domestic (SCN)</li><li>• Hot Rolled Coil – Southern Europe, domestic (SCS)</li></ul>
<b>Lot Size</b>	20 mt
<b>Currency</b>	Euros
<b>Pricing</b>	€ per metric tonne
<b>Minimum Tick</b>	€0.0001 to account for final settlement
<b>Fixed Price</b>	The traded price or the previous day's settlement price as supplied end of day by FIS <u>and/or CLTX</u> , <u>and/or</u> any other such source as LCH.Clearnet may determine
<b>Floating Price</b>	<p>In respect of daily settlement, the floating price will be the end of day price as supplied by FIS <u>and/or CLTX</u>, <u>and/or</u> any other such source as LCH.Clearnet may determine.</p> <p>In respect of final settlement, the floating price will be the mean of the daily prices for the contract route as published by The Steel Index during the contract month.</p>
<b>Contract Series</b>	Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years
<b>Expiry / Last Trading Day</b>	Last UK business day of the contract month.
<b>Delivery</b>	Cash settled monthly against the arithmetic average of all the indices in the contract month
<b>Final Payment Date</b>	The first business day following the expiry day
<b>Business Days</b>	UK Business days

### 3.4N *Chinese Hot Rolled Coil Steel ContractSwaps*

<b>Description</b>	Chinese Hot Rolled Coil Steel <u>swapcontract</u> , cash settled against the Cleartrade China Steel Index (provided by Umetal): <ul style="list-style-type: none"><li>• Hot Rolled Coil (SCC)</li></ul>
--------------------	---

<b>Lot Size</b>	20 mt
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$ per metric tonne
<b>Minimum Tick</b>	US \$0.0001 to account for final settlement
<b>Fixed Price</b>	The traded price or the previous day's settlement price as supplied end of day by FIS <u>and/or CLTX</u> , <u>and/or</u> any other such source as LCH.Clearnet may determine
<b>Floating Price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied by FIS <u>and/or CLTX</u> , <u>and/or</u> any other such source as LCH.Clearnet may determine.  In respect of final settlement, the floating price will be the arithmetic average of all the daily Cleartrade China Steel Index (provided by Umetal) indices for that month, including indices published at weekends which are Chinese business days*
<b>Contract Series</b>	Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years
<b>Expiry / Last Trading Day</b>	Last Chinese business day of the contract month.  Where the last Chinese business day is a UK holiday, last trading day will be the previous UK business day.
<b>Delivery</b>	Cash settled monthly against the arithmetic average of all the indices in the contract month
<b>Final Payment Date</b>	The first UK business day following the expiry day
<b>Business Days</b>	Chinese business days for the purpose of Index publication  UK business days for the purpose of trade registration, confirmation and final payment

\* subject to the following currency exchange:

The Cleartrade China Steel Index is published in CNY and Cleartrade will use the daily Bloomberg USD CNY fixing rate, as published at 4 pm China Standard Time, to convert the prices to USD. Where an index price is published at a weekend, the next published Bloomberg fixing rate at 4 pm China Standard Time will be used to convert it.

### 3.40 *Turkish Import Scrap Steel ContractSwap*

<b>Description</b>	Cash settled steel <u>swap-Contract</u> – settled against The Steel Index: <ul style="list-style-type: none"> <li>• Turkish Import Scrap (SST)</li> </ul>
--------------------	---

<b>Lot Size</b>	20 mt
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$ per metric tonne
<b>Minimum Tick</b>	\$0.0001 to account for final settlement
<b>Fixed Price</b>	The traded price or the previous day's settlement price as supplied end of day by FIS <u>and/or CLTX</u> , <u>and/or</u> any other such source as LCH.Clearnet may determine
<b>Floating Price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied by FIS <u>and/or CLTX</u> , <u>and/or</u> any other such source as LCH.Clearnet may determine.  In respect of final settlement, the floating price will be the mean of the relevant prices for the contract route as published by The Steel Index each Monday during the contract month
<b>Contract Series</b>	Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years
<b>Expiry / Last Trading Day</b>	Last publication day of the relevant index in the contract month  Where the last business day of the month is a Monday, this will be the last publication day.  Where the last business day of the month is not a Monday, the last publication day will be the following Monday.  Where the last Monday of the month / first of the next is a non-business day, last publication will be the following business day.
<b>Delivery</b>	Cash settled monthly against the arithmetic average of all the indices in the contract month
<b>Final Payment Date</b>	The first business day following the expiry day
<b>Business Days</b>	UK Business days

### 3.4P *Chinese Domestic Hot Rolled Ribbed Bar Steel SwapContract*

<b>Description</b>	Cash settled steel <u>swap-contract</u> – settled against the Cleartrade China Steel Index (provided by Umetal): <ul style="list-style-type: none"> <li>China Domestic Hot Rolled Ribbed Bar (SBC)</li> </ul>
--------------------	---

<b>Lot Size</b>	20 mt
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$ per metric tonne
<b>Minimum Tick</b>	US \$0.0001 to account for final settlement
<b>Fixed Price</b>	The traded price or the previous day's settlement price as supplied end of day by FIS <u>and/or CLTX</u> , <u>and/or</u> any other such source as LCH.Clearnet may determine
<b>Floating Price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied by FIS <u>and/or CLTX</u> , <u>and/or</u> any other such source as LCH.Clearnet may determine.  In respect of final settlement, the floating price will be the arithmetic average of all the daily Cleartrade China Steel Index (provided by Umetal) indices for that month, including indices published at weekends which are Chinese business days*
<b>Contract Series</b>	Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years
<b>Expiry / Last Trading Day</b>	Last Chinese business day of the contract month. Where the last Chinese business day is a UK holiday, last trading day will be the previous UK business day.
<b>Delivery</b>	Cash settled monthly against the arithmetic average of all the indices in the contract month
<b>Final Payment Date</b>	The first UK business day following the expiry day
<b>Business Days</b>	Chinese business days for the purpose of Index publication UK business days for the purpose of trade registration, confirmation and final payment

\* subject to the following currency exchange:

The Cleartrade China Steel Index is published in CNY and Cleartrade will use the daily Bloomberg USD CNY fixing rate, as published at 4 pm China Standard Time, to convert the prices to USD. Where an index price is published at a weekend, the next published Bloomberg fixing rate at 4pm China Standard Time will be used to convert it.

### 3.4Q *Cash Settled API 2 (cif ARA) Coal ~~Swap~~ Contract*

<b>Description</b>	Cash settled API 2 cif ARA (Argus/McCloskey) coal <del>swap</del> contract.
<b>Lot Size</b>	1000 tonnes
<b>Minimum</b>	One Lot

**Contract Size****Currency** US Dollars**Minimum Tick** \$0.05/tonne**Fixed Price** The traded price or the previous day's settlement price as supplied end of day by LEBA and/or CLTX, and/or such other price as may be prescribed by the Clearing house from time to time.**Floating Price** In respect of daily settlement, the floating price will be the end of day price as supplied by LEBA and/or CLTX, and/or such other price as may be prescribed by the Clearing ~~h~~House from time to time.

In respect of final settlement, the floating price will be the average of weekly Argus/McCloskey API 2 (cif ARA) index prices for the contract month as published in Argus/McCloskey's Coal Price Index Report.

**Expiry / Last Trading Date** Month contracts will cease trading at the close of business on the last Friday of the contract month. Quarters, seasons and calendar years cease trading as a quarter/season/calendar year at the close of business on the last Friday of the first month contract in that quarter/season/calendar year. Where the last Friday of the month is a non-business day, the expiry day will be the first business day preceding that Friday.**Contract Series** Front 4 contract months, the front 4 to 7 quarter contracts (i.e. quarter contracts up to the end of the front calendar year), 5 whole season contracts and up to 4 calendar years.**Business Days** UK Business Days

API 2 is a trademark and is used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 2 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is responsible for these API 2 cif ARA (Argus/McCloskey) Coal ~~Swap~~-Contract terms. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA (Argus/McCloskey) Coal ~~Swap~~-Contracts.

**3.4R Cash Settled API 4 (fob Richards Bay) Coal ~~Swap~~-Contract****Description** Cash settled API 4 fob Richards Bay (Argus/McCloskey) coal ~~swap~~-contract.**Lot Size** 1000 tonnes**Minimum Contract Size** One Lot**Currency** US Dollars

<b>Minimum Tick</b>	\$0.05/tonne
<b>Fixed Price</b>	The traded price or the previous day's settlement price as supplied end of day by LEBA <u>and/or CLTX</u> , <u>and/or</u> such other price as may be prescribed by the Clearing house from time to time.
<b>Floating Price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied by LEBA <u>and/or CLTX</u> , <u>and/or</u> such other price as may be prescribed by the Clearing house from time to time.  In respect of final settlement, the floating price will be the average of weekly Argus/McCloskey API 4 (fob Richards Bay) index prices for the contract month as published in Argus/McCloskey's Coal Price Index Report.
<b>Expiry / Last Trading Date</b>	Month contracts will cease trading at the close of business on the last Friday of the contract month. Quarters, seasons and calendar years cease trading as a quarter/season/calendar year at the close of business on the last Friday of the first month contract in that quarter/season/calendar year. Where the last Friday of the month is a non-business day, the expiry day will be the first business day preceding that Friday.
<b>Contract Series</b>	Front 4 contract months, the front 4 to 7 quarter contracts (i.e. quarter contracts up to the end of the front calendar year), 5 whole season contracts and up to 4 calendar years.
<b>Business Days</b>	UK Business Days

API 4 is trademarked and is used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is responsible for these API 4 fob Richards Bay (Argus/McCloskey) Coal ~~Swap~~-Contract Terms. Argus and IHS take no position on the purchase or sale of such API 4 fob Richards Bay (Argus/McCloskey) Coal ~~Swap~~-Contracts.

### 3.4S ***Cash Settled Premium Paid Option: API 2 if ARA (Argus/McCloskey) Coal Options Contract***

<b>Description</b>	Single expiry, cash settled, premium paid, option on the underlying API 2 if ARA (Argus McCloskey) Coal <del>Swap</del> -contract for the corresponding expiry.
<b>Lot Size</b>	1,000 tonnes per month  A quarter contract will comprise 3,000 tonnes  A calendar contract will comprise 12,000 tonnes.
<b>Minimum Contract Size</b>	1 lot per month.

A quarter contract will comprise 15 lots

A calendar contract will comprise 60 lots.

**Currency** US Dollars

**Pricing** US \$[•] and cents per metric tonne

**Minimum Tick** US \$0.01 per tonne

**Option Type** Options are single expiry European style options and will be automatically exercised on the expiry day if they are "in-the-money" unless set to expire manually. If an option is "out-of-the-money" it will expire automatically unless exercised manually. Manual exercise is only permitted on expiry day.

**Option Premium** The Premium is paid at the time of purchase

**Last Trading Date** 30 days prior to commencement of the underlying Coal ~~swap~~ eContract. Where this is a non Business Day expiry will be on the Business Day immediately prior e.g. the Calendar 2012 and Q1 2012 contracts will expire on 02/12/2011.

**Expiry** 17:00 hours UK time on the Last Trading Date

Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price.

Contracts are single expiry options. A quarter contract will expire into the underlying monthly ~~swap~~ contracts that comprise the quarter on last trading date. A calendar contract will expire into the underlying monthly ~~swap~~ contracts comprising January through December on last trading day.

Members are permitted to override automatic exercise settings or manually enter exercise instructions for this contract.

The reference price will be a price in USD and cents, equal to the final settlement price for the underlying API 2 ~~Swap~~ eContract.

For these purposes, final settlement price means the final settlement price on the expiry day of the underlying API 2 cif ARA (Argus/McCloskey) ~~Swap~~ contract.

**Contract Series** 3 to 6 quarter contracts and 3 whole calendar contracts.

All option contracts expire into the underlying months of the corresponding contract series.

<b>Strike Price</b>	Any whole \$ value
<b>Margin</b>	Options will be subject to Initial Margin and Net Liquidation Value variation margin on a daily basis.
<b>Business Days</b>	UK Business Days

API 2 is a trademark and is used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 2 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is responsible for these API 2 cif ARA (Argus/McCloskey) Coal ~~Swap~~-Contract Terms. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA (Argus/McCloskey) Coal ~~Swap~~-Contracts.

3.4T ***Cash Settled Premium Paid Option: API 4 fob Richards Bay (Argus/McCloskey) Coal Options Contract***

<b>Description</b>	Single expiry, cash settled, premium paid, option on the underlying API 4 fob Richards Bay (Argus McCloskey) Coal <del>Swap</del> eContract for the corresponding expiry.
--------------------	---

<b>Lot Size</b>	1,000 tonnes per month.  A quarter contract will comprise 3,000 tonnes  A calendar contract will comprise 12,000 tonnes.
-----------------	--

<b>Minimum Contract Size</b>	1 lot per month  A quarter contract will comprise 15 lots  A calendar contract will comprise 60 lots.
------------------------------	---

<b>Currency</b>	US Dollars
-----------------	------------

<b>Pricing</b>	US \$[•] and cents per metric tonne
----------------	-------------------------------------

<b>Minimum Tick</b>	US \$0.01 per tonne
---------------------	---------------------

<b>Option Type</b>	Options are single expiry European style options and will be automatically exercised on the expiry day if they are "in-the-money" unless set to expire manually. If an option is "out-of-the-money" it will expire automatically unless exercised manually. Manual exercise is only permitted on expiry day.
--------------------	--

<b>Option Premium</b>	The Premium is paid at the time of purchase.
-----------------------	--

<b>Last Trading Date</b>	30 days prior to commencement of the underlying Coal <del>swap</del> eContract. Where this is a non Business Day, expiry will be on the Business Day immediately prior e.g. the Calendar 2012 and Q1 2012 contracts will expire on 02/12/2011.
--------------------------	--

**Expiry** 17:00 hours UK time on the Last Trading Date

Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price.

Contracts are single expiry options. A quarter contract will expire in to the underlying monthly ~~swap~~-contracts that comprise the quarter on last trading date. A calendar contract will expire into the underlying monthly ~~swap~~-contracts comprising January through December on last trading day.

Members are permitted to override automatic exercise settings or manually enter exercise instructions for this contract.

The reference price will be a price in USD and cents, equal to the final settlement price for the underlying API 4 ~~Swap-e~~Contract.

For these purposes, "**final settlement price**" means the final settlement price on the expiry day of the underlying API 4 fob Richards Bay (Argus/McCloskey) ~~Swap-e~~Contract.

**Contract series** 3 to 6 quarter contracts and 3 whole calendar contracts.

All option contracts expire into the underlying months of the corresponding contract series

**Strike Price** Any whole \$ value

**Margin** Options will be subject to Initial Margin and Net Liquidation Value variation margin on a daily basis.-

**Business Days** UK Business Days

API 4 is trademarked and is used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is responsible for these API 4 fob Richards Bay (Argus/McCloskey) Coal ~~Swap~~-Contract Terms. Argus and IHS take no position on the purchase or sale of such API 4 fob Richards Bay (Argus/McCloskey) Coal ~~Swap~~-Contracts.

### 3.5 ***LCH ~~EnClear-OTC~~EnClear Services: Precious Metals Division***

The following terms are designated as Specific Standard Terms of a registered LCH ~~EnClear-OTC~~EnClear Contracts arising from an ~~Eligible-OTC~~Eligible EnClear Trade in the Precious Metals Division of the LCH ~~EnClear-OTC~~EnClear Services.

#### 3.5.1 *Standard Terms: Additional Definitions*

The following additional definitions shall apply to any LCH ~~EnClear-OTC~~EnClear Contract within the LCH ~~EnClear-OTC~~EnClear Services: Precious Metals Division.

from Unallocated Accounts held with one of the commercial bank members of LPMCL in accordance with the Procedures.

3.5.3 *Standard Terms: Basic Provisions - Silver*

<b>Description</b>	Physically settled contracts for the forward delivery of Silver.
<b>Unit of Trading</b>	One lot of 5,000 Fine Ounces of Silver
<b>Minimum Contract Size</b>	One lot.
<b>Currency</b>	US Dollars.
<b>Tick Size</b>	US\$0.001 Per Fine Ounce Of Silver.
<b>Reference Price for Daily Settlement</b>	LBMA Silver Forward Curve or such other price as may be prescribed by the Clearing House from time to time.
<b>Final Settlement</b>	London Silver Fixing or such other price as may be prescribed by the Clearing House from time to time.
<b>Minimum Price Fluctuation</b>	US\$0.001 per fine ounce of Silver.
<b>Maximum Price Fluctuation</b>	Unlimited.
<b>Contract Series</b>	Every Business Day from Spot out to ten years.
<b>Business Days</b>	Means any day (other than Saturday or Sunday) on which banks are open for business in the UK and USA.
<b>Settlement</b>	Physical delivery by crediting or debiting of Silver to or from Unallocated Accounts held with one of the commercial bank members of LPMCL in accordance with the Procedures.

Section 4 **General Standard Terms**

4A. The following General Standard Terms apply to all LCH ~~EnClear-OTC~~EnClear Contracts:

4A.1 *Payment of Stamp Tax and Other Taxes*

- (a) All payments due under an LCH ~~EnClear-OTC~~EnClear Contract shall be made by the LCH ~~EnClear-OTC~~EnClear Clearing Member free and clear and without deduction or withholding for or on account of any tax.

- (b) The Clearing House shall make any payments due to an LCH ~~EnClear-OTC~~EnClear Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.
- (c) The LCH ~~EnClear-OTC~~EnClear Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty or tax levied or imposed upon the Clearing House in whatsoever jurisdiction in respect of the Clearing House's execution or performance of this LCH ~~EnClear-OTC~~EnClear Contract.

#### 4A.2 *Payment of Stamp Tax*

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

#### 4A.3 *Payments under an LCH ~~EnClear-OTC~~EnClear Contract*

- (a) The Clearing House shall, unless specified otherwise in the Procedures, effect daily settlement to market of open LCH ~~EnClear-OTC~~EnClear Contracts in accordance with the Regulations. Any Reference Price shall be determined in accordance with the Regulations and Procedures.
- (b) Payments under, and in respect of, an LCH ~~EnClear-OTC~~EnClear Contract shall be calculated by the Clearing House and shall be made by, or to, the LCH ~~EnClear-OTC~~EnClear Clearing Member in accordance with the provisions of the Regulations and the Procedures.

#### 4A.4 *Regulations*

This LCH ~~EnClear-OTC~~EnClear Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these LCH ~~EnClear-OTC~~EnClear Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

#### 4A.5 *Governing Law*

This LCH ~~EnClear-OTC~~EnClear Contract shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The LCH ~~EnClear-OTC~~EnClear Clearing Member party to this LCH ~~EnClear-OTC~~EnClear Contract irrevocably submits to such jurisdiction and to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of the courts of England and

Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

#### 4A.6 *Third Party Rights*

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

- 4B. The following Standard Terms apply only in respect of LCH ~~EnClear-OTC~~EnClear Contracts arising from ~~Eligible-OTC~~Eligible EnClear Trades (Precious Metals Division):

##### *Unavailability of any Reference Price*

In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided, in respect of the Daily Settlement Price, by one or more LBMA market makers, or, in respect of the Final Settlement Price, by one or more Members of the London Gold Market Fixing Ltd.

- 4C. The following Standard Terms apply only in respect of LCH ~~EnClear-OTC~~EnClear Contracts arising from ~~Eligible-OTC~~Eligible EnClear Trades (Freight Division):

##### 4C.1 *Unavailability of any Reference Price*

In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided by a panel formed by the Forward Freight Agreement Brokers Association or other applicable provider designated by the Clearing House.

##### 4C.2 *Calculation Agent*

The Calculation Agent is the Clearing House.

##### 4C.3 *Change in Route*

In the event of a change in a route, the successor reference price as published by the Baltic Exchange or other applicable provider designated by the Clearing House shall be applicable.

## SCHEDULE TO THE LCH ENCLEAR OTC REGULATIONS

### PART B

#### PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A LCH ~~ENCLEAR~~ ~~OTC~~ENCLEAR CONTRACT

1. ~~Eligible OTC~~Eligible EnClear Trades

(a)

2. Product Eligibility Criteria for ~~Eligible OTC~~Eligible EnClear Trades

2.1 [This section has been removed]

2.2 [This section has been removed]

2.3 Product Eligibility Criteria for ~~Eligible OTC~~Eligible EnClear Trades in Energy Division and in the Freight Division

The following contracts are Eligible Products for the LCH ~~EnClear OTC~~EnClear Services (Energy Division), LCH ~~EnClear OTC~~EnClear Services (Freight Division) and LCH ~~EnClear OTC~~EnClear Services (Precious Metals Division).

Energy Division:

OTC Emissions – EUAs

Description	Physically settled contracts for the forward delivery of EUAs
Unit of Trading	One lot of 1000 EUAs
Minimum Contract Size	One lot
Currency	Euros
Tick Size	One euro cent (ten euros per lot)
Contract Series	Annual December contract months ending December 2015

OTC Emissions – CERs

Description	Physically settled contracts for the forward delivery of CERs
Unit of Trading	One lot of 1000 CERs
Minimum Contract Size	One lot
Currency	Euros
Tick Size	One euro cent (ten euros per lot)
Contract Series	Annual December contract months December 2015

OTC Emissions – Spot EUAs

Description	Physically settled contracts for the next day delivery
-------------	--

Description	<p>Cash settled Premium Paid Option on the following Dry Timecharter Basket Routes:</p> <p>CTO (Capesize TC Avg 4 routes)</p> <p><u>CPO (new Capesize TC Avg 5 routes)</u></p> <p>PTO (Panamax TC Avg 4 routes)</p> <p>STO (Supramax TC Avg 6 routes)</p> <p>HTO (Handysize TC Avg 6 routes)</p> <p>Cash settled Premium Paid Option on the following Dry Trip Timecharter Routes:</p> <p>P2O (Cont Far East)</p> <p>These contracts, if in-the-money expire into their underlying freight forward contracts with a traded price equal to the Strike Price (see below)</p>
Lot Size	1 day
Currency	US Dollars
Minimum Tick	US \$1 per day
Option Type	Options are European style and will be automatically exercised on the expiry day if they are in-the-money. If an option is out-of-the-money it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.
Contract Series	Traded as months, out to 3 whole calendar years (a maximum of 47 months)
Strike Price	Any whole \$ value
Contract: Fertilizer <del>Swap</del> -Contract Option	
Description	<p>Single expiry, premium paid option on the underlying UREA – New Orleans (UNO) Fertilizer <del>Swap</del>-Contract for the corresponding expiry.</p>
Lot Size	500st
Currency	US Dollars
Minimum Tick	US \$0.0001
Option Type	Options are Asian style and will be automatically exercised on the expiry day if they are "in the money". If an option is "out of the money" it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.
Option Premium	The Premium is paid at the time of purchase
Last Trading Day	Last publication day of the relevant index in the contract month ie the last business Thursday of every

month

Exception – December contracts will expire on the penultimate Thursday, as there is no publication of an index in the week prior to New Year

Where the last Thursday of the month is a non-business day, the last trading day will be the first business day preceding.

Expiry

18:00 hours UK time on the last trading day

Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price

Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract

The reference price will be a price in US dollars, cents and hundredths of a cent (\$0.0001), per day equal to the final settlement price for the underlying UREA – New Orleans (UNO) Fertilizer ~~Swap~~ eContract

For these purposes "final settlement price" means the final settlement price on the expiry day of the underlying UREA – New Orleans (UNO) Fertilizer ~~Swap~~ eContract

Contract Series

Front 6 months, 4 quarters

Strike Price

Any whole \$ value

Business Day

UK business days

Contract: SCFI Container Freight ~~Swap Agreement~~ Contract

Description

SCFI cash settled container freight ~~swap agreements~~ contracts on the following routes:

CNW (Shanghai – North West Europe)

CMD (Shanghai – Mediterranean)

CSW (Shanghai – US West Coast)

CSE (Shanghai – US East Coast)

Lot Size

1 TEU 20ft container (CMD and CNW)

1 FEU 40ft container (CSE and CSW)

Currency

US Dollars

Minimum Tick

US \$ 0.01 to account for final settlement

Contract Series

Traded as months, quarters and calendars, out to 1 whole calendar year (a maximum of 23 months)

Contract: WCI Container Freight ~~Swap Agreement~~Contract

Description World Container Index (WCI) cash settled container freight ~~swap agreements~~contract based on the following routes:

Rotterdam - Shanghai (WRS)

Los Angeles - Shanghai (WLS)

Lot Size 1 FEU 40ft container

Currency US Dollars

Minimum Tick US \$ 0.01 to account for final settlement

Contract Series 1 whole calendar year (a maximum of 23 months)

Contract: Iron Ore ~~Swap~~Contract

Description Iron ore ~~swap~~-contract – settled against the daily TSI index (The Steel Index) 62% fe

Lot Size 1,000mt

Currency US Dollars

Minimum Tick US \$ 0.01 to account for final settlement

Contract Series Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)

Iron Ore Option

Description Cash settled Premium Paid Option on the TSI Iron Ore contract

Lot Size 1,000mt

Currency US Dollars

Minimum Tick US \$ 0.01 to account for final settlement

Option Type Options are European style and will be automatically exercised on the expiry day if they are in-the-money. If an option is out-o- the-money it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.

Contract Series Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)

Strike Price Any whole \$ value

Contract: Fertilizer ~~Swaps~~Contracts

Description Fertilizer ~~swap~~-contracts cash settled against:

UREA – New Orleans (UNO)

UREA – Yuzhnyy (UYZ)

UREA – Egypt (UNE)

	DAP – Tampa (DTA)
	DAP – New Orleans (DNO)
	UAN – NOLA (UAN)
Lot Size	500mt – UYZ, DTA, UNE
	500st – UNO, DNO, UAN
Currency	US Dollars
Minimum Tick	US \$0.0001
Contract Series	Traded as months and quarters, out to 4 whole quarters (a maximum of 14 months)

European Hot Rolled Coil Steel SwapsContracts

Description	European Hot Rolled Coil Steel <u>swapscontracts</u> , cash settled against The Steel Index: Hot Rolled Coil – Northern Europe, domestic (SCN) Hot Rolled Coil – Southern Europe, domestic (SCS)
Lot Size	20 mt
Currency	Euros
Minimum Tick	€0.0001 to account for final settlement
Contract Series	Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)

Chinese Hot Rolled Coil Steel SwapContract

Description	Chinese Hot Rolled Coil Steel <u>swapcontract</u> , cash settled against the Cleartrade China Steel Index (provided by Umetal): (SCC)
Lot Size	20 mt
Currency	US Dollars
Minimum Tick	\$0.0001 to account for final settlement
Contract Series	Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)

Turkish Import Scrap Steel SwapContract

Description	Turkish Import Scrap Steel <u>swapContract</u> , cash settled against The Steel Index: (SST)
Lot Size	20 mt
Currency	US Dollars
Minimum Tick	\$0.0001 to account for final settlement
Contract Series	Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)

Chinese Domestic Hot Rolled Ribbed Bar Steel SwapContract

Description Chinese Domestic Hot Rolled Ribbed Bar Steel ~~swap~~Contract, cash settled against the Cleartrade China Steel Index (provided by Umetal): (SBC)

Lot Size 20 mt

Currency US Dollars

Minimum Tick €0.0001 to account for final settlement

Contract Series Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)

Contract: API 2 cif ARA (Argus/McCloskey) Coal ~~Swap~~Contract

Description Cash settled API 2 cif ARA (Argus/McCloskey) coal ~~swap~~Contract-~~contract~~.

Lot Size 1000 tonnes

Minimum Contract Size One Lot

Currency US Dollars

Minimum Tick \$0.05/tonne

Contract Series Front 4 contract months, the front 4 to 7 quarter contracts (i.e. quarter contracts up to the end of the front calendar year), 5 whole season contracts and up to 4 calendar years.

Contract: API 4 fob Richards Bay (Argus/McCloskey) Coal ~~Swap~~Contract

Description Cash settled API 4 fob Richards Bay (Argus/McCloskey) coal ~~swap~~contract-~~contract~~.

Lot Size 1000 tonnes

Minimum Contract Size One Lot

Currency US Dollars

Minimum Tick \$0.05/tonne

Contract Series Front 4 contract months, the front 4 to 7 quarter contracts (i.e. quarter contracts up to the end of the front calendar year), 5 whole season contracts and up to 4 calendar years.

API 2 cif ARA (Argus/McCloskey) Coal Option

Description Single expiry, cash settled, premium paid, option on the underlying API 2 cif ARA (Argus McCloskey) Coal ~~Swap-~~contract~~~~Contract for the corresponding expiry.

Lot Size 1,000 tonnes per month  
A quarter contract will comprise 3,000 tonnes  
A calendar contract will comprise 12,000 tonnes

Currency US Dollars

Minimum Tick	\$0.01 per tonne
Option Type	Options are single expiry European style options and will be automatically exercised on the expiry day if they are in-the-money unless set to expire manually. If an option is out-of-the-money it will expire automatically unless exercised manually. Manual exercise is only permitted on expiry day.
Contract Series	3 to 6 quarter contracts and 3 whole calendar contracts.  All option contracts expire into the underlying months of the corresponding contract series.
Strike Price	Any whole \$ value
<b>API 4 fob Richards Bay (Argus/McCloskey) Coal Option</b>	
Description	Single expiry, cash settled, premium paid, option on the underlying API 4 Richards Bay (Argus McCloskey) Coal <del>Swap—contract</del> <u>Contract</u> for the corresponding expiry.
Lot size	1,000 tonnes per month  A quarter contract will comprise 3,000 tonnes  A calendar contract will comprise 12,000 tonnes
Currency	US Dollars
Minimum Tick	\$0.01 per tonne
Option Type	Options are single expiry European style options and will be automatically exercised on the expiry day if they are in-the-money unless set to expire manually. If an option is out-of-the-money it will expire automatically unless exercised manually. Manual exercise is only permitted on expiry day.
Contract Series	3 to 6 quarter contracts and 3 whole calendar contracts.  All option contracts expire into the underlying months of the corresponding contract series.
Strike Price	Any whole \$ value
<b>Precious Metals Division:</b>	
<b>Gold</b>	
<b>Description</b>	Physically settled contracts for the forward delivery of Unallocated Gold
<b>Unit of Trading</b>	One lot of 100 fine troy ounces
<b>Minimum Contract Size</b>	One lot
<b>Currency</b>	US Dollars



**Appendix III**



**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 2E**

**~~LCH ENCLEAR OT~~LCH ENCLEAR CLEARING  
SERVICES**

---

1. ~~LCH ENCLEAR~~ OTCLCH ENCLEAR CLEARING SERVICES

1.1 General Matters

1.1.1 Introduction

These Procedures form part of the Rulebook (the General Regulations, Default Rules, Settlement Finality Regulations and Procedures of the Clearing House) and must be read in conjunction with the other parts of the Rulebook. Clearing Members must inform themselves fully of their obligations under the Rulebook and other relevant documentation, such as the Clearing Membership Agreement, and the terms of any approval by the Clearing House to extend clearing activities. It is to be noted that the Rulebook (including these Procedures) is subject to change from time to time.

~~LCH EnClear~~ OTCLCH EnClear Services are provided to Clearing Members authorised by the Clearing House to participate in it ("~~LCH EnClear~~ OTCLCH EnClear Clearing Members" or "~~LCH EnClear~~ OTCLCH EnClear Clearing Members") in respect of "~~Eligible~~ OTCEligible EnClear Trades" executed by ~~LCH EnClear~~ OTCLCH EnClear Clearing Members. Such transactions must comply with the Clearing House's requirements (see the ~~LCH EnClear~~ OTCLCH EnClear Regulations).

These Procedures apply to all ~~LCH EnClear~~ OTCLCH EnClear Contracts on ECS or Synapse (as set out hereafter) and consist of:

- A general section (Section 1.1 to ~~1.101-9~~ applicable) across the three divisions of the ~~LCH EnClear~~ OTCLCH EnClear Services;
- Sections specific to the Freight Division (Section ~~1.111-10~~), the Energy Division (Section ~~1.121-11~~) and the Precious Metals Division (Section ~~1.131-12~~);
- A section describing option exercise and expiry (Section ~~1.141-13~~);
- Sections specific to Emissions Delivery Procedures (Section ~~1.151-14~~) and Precious Metals Delivery procedures (Section ~~1.161-15~~); and
- Sections specific to Client Clearing (Sections ~~1.171-16~~ and ~~1.181-17~~).

In the event of any conflict between any provision of these Procedures and any requirement, rule or provision of any other documentation, these Procedures shall prevail.

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

1.1.2 Definitions

The following terms shall have the meanings below for the purposes of these Procedures:

"~~LCH EnClear OTC~~LCH EnClear **Clearing Member**" means an ~~LCH EnClear OTC~~LCH EnClear Clearing Member that has entered into a Clearing Extension Agreement with the Clearing House for the purpose of participating in ~~LCH EnClear OTC~~LCH EnClear Services.

"ECS" means the Extensible Clearing System, made available by the Clearing House for position management in the Freight and Energy Divisions of the ~~LCH EnClear OTC~~LCH EnClear Service.

"Synopsis" means the Clearing System, made available by the Clearing House for the purpose of registering trades in the LCH OTC Precious Metals Division.

"ClearWay" means a user interface made available by the Clearing House for the purpose of entering and confirming ~~Eligible OTC~~Eligible EnClear Trades for the EnClear market and for submission of ~~Eligible OTC~~Eligible EnClear Trades into ECS for clearing.

"Approved Broker" means a broker that has entered into an ~~LCH EnClear OTC~~LCH EnClear Services Approved Broker Agreement.

"~~OTPETP~~" means ~~OTC~~ EnClear Trading Platform.

### 1.1.3 Agreements

#### (a) Clearing Approval

Only Clearing Members may clear ~~LCH EnClear OTC~~LCH EnClear Contracts.

Details of how to obtain Clearing Member status at the Clearing House or how to become approved by the Clearing House as a ~~LCH EnClear OTC~~LCH EnClear Clearing Member of the Freight, Energy and/or Precious Metals Divisions can be obtained from the Clearing House's Membership Department on +44 (0)207 426 7627/7521/7968.

Clearing Members seeking approval from the Clearing House to clear ~~Eligible OTC~~Eligible EnClear Trades in any one of the Freight, Energy or Precious Metals Divisions must submit to the Clearing House the appropriate signed Clearing Extension Agreement(s) which can be obtained from the Clearing House's Membership Department.

Where a Clearing Member already has approval to clear ~~LCH EnClear OTC~~LCH EnClear Contracts in one Division of the ~~LCH EnClear OTC~~LCH EnClear Services and wishes to submit trades for registration in another Division, that Clearing Member must seek further approval from the Clearing House in respect of that other Division.

### 1.1.4 Customers

Parties ("**Customers**") who are not ~~LCH EnClear OTCLCH EnClear~~ Clearing Members may not directly clear trades through the ~~LCH EnClear OTCLCH EnClear~~ Service. However, any such Customer may enter into an agreement with a ~~LCH EnClear OTCLCH EnClear~~ Clearing Member who has been approved (on such terms as may be agreed between them) to clear that Customer's trades. Particulars of such a trade, if it is an ~~Eligible OTCEligible EnClear~~ Trade – that is, it meets all the relevant criteria published by the Clearing House from time to time – may be submitted for registration to the Clearing House by the ~~LCH EnClear OTCLCH EnClear~~ Clearing Member in accordance with the Regulations and these Procedures. For the Freight and Energy Divisions, a clearing arrangement is entered into if particulars relating to that trade are "accepted" by two relevant ~~LCH EnClear OTCLCH EnClear~~ Clearing Members who each agree to become counterparty to the appropriate ~~LCH EnClear OTCLCH EnClear~~ Contract with the Clearing House, in accordance with the Regulations and these Procedures.

However, there is no relationship between the Clearing House and any Customer and no Customer has any rights against the Clearing House in respect of any ~~LCH EnClear OTCLCH EnClear~~ Contract.

#### 1.1.5 Approved Brokers

Only brokers who are expressly authorised by the Clearing House ("**Approved Broker**") may access ClearWay and submit ~~Eligible OTCEligible EnClear~~ Trades for registration. These brokers need to seek permission from the Clearing House to submit eligible trades under each product type separately:

- Freight (FFAs, Options and Containers)
- Iron Ore (Swaps and Options)
- Steel
- Coal (Swaps and Options)
- Fertiliser
- Emissions (physical Swaps and Options)

The Rules of the Broker Scheme, which bind each Approved Broker and a copy of the Freight and Energy Agreements to be signed between the Clearing House and the Approved Broker, are available from the Clearing House.

Details of how to obtain Approved Broker status at the Clearing House of the Freight and/or Energy Division can be obtained from the Clearing House's Membership Department on +44 (0)207 426 7627/7521/7968.

Where a broker who is not an Approved Broker purports to input particulars of a trade via ClearWay, that trade will not be registered by the Clearing House and will be rejected by the Clearing House.

**PLEASE NOTE:** If the two relevant ~~LCH-EnClear-OTC~~LCH-EnClear Clearing Members accept an ~~Eligible-OTC~~Eligible EnClear Trade which has been brokered, within the time frame laid down by these Procedures, it will be registered by the Clearing House in the names of those ~~LCH-EnClear-OTC~~LCH-EnClear Clearing Members, whether or not those ~~LCH-EnClear-OTC~~LCH-EnClear Clearing Members have appointed or authorised that broker to submit such a trade.

In the event that a trade is submitted to the Clearing House for registration by an Approved Broker and such trade is accepted for registration by that ~~LCH-EnClear-OTC~~LCH-EnClear Clearing Member, that ~~LCH-EnClear-OTC~~LCH-EnClear Clearing Member shall be bound by an ~~LCH-EnClear-OTC~~LCH-EnClear Contract arising there-from, notwithstanding that any trade particulars submitted by that Approved Broker in respect of such trade are erroneous or incorrect. A ~~LCH-EnClear-OTC~~LCH-EnClear Clearing Member shall accept full responsibility to the Clearing House for any trade notified to the Clearing House by an Approved Broker.

The Clearing House shall not be liable for any errors or omissions on the part of an Approved Broker who inputs a trade via ClearWay and which is registered by the Clearing House.

Approved Brokers do not act as agents for the Clearing House in participating in the services offered by the Clearing House in the ~~LCH-EnClear-OTC~~LCH-EnClear Services.

The Clearing House, in adding a broker to the list of Approved Brokers, makes no warranty or promise regarding the competence, ability, experience or professional skills of any Approved Broker, or at all, notwithstanding that such broker shall have been authorised by the Clearing House to submit trades under the relevant product types. The authorisation of such brokers as Approved Brokers is purely to assist ~~LCH-EnClear-OTC~~LCH-EnClear Clearing Members to submit trades to the Clearing House for registration in the names of those ~~LCH-EnClear-OTC~~LCH-EnClear Clearing Members. No check is made regarding the skills, professionalism or competence of those brokers, nor is any consideration paid by any such, in return for authorisation or at all.

#### 1.1.6 OTPsETPs

Application for ~~OTC-EnClear~~ ~~t~~Trading ~~p~~Platform status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of ~~O~~ETPs currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves additional ~~O~~ETPs, it will notify ~~LCH-EnClear-OTC~~LCH-EnClear Clearing Members via a member circular.

~~OTPs may submit Eligible OTC Trades for registration via the ClearWay ticket entry system.~~

LCH.Clearnet has signed agreements with the following OTPsETPs:

## Fourth Bank of England Submission EnClear Futurisation

- **Baltic Exchange Derivatives Trading Limited ("BEDT").** Eligible EnClear Trades executed on BEDT, or block trades executed off-orderbook and reported to BEDT via Clear Way, are submitted trades for clearing at the Clearing House via ClearWay via ClearWay. Tickets therefore pass through the ClearWay Lot Limit Credit Filter and are automatically accepted by the LCH EnClear OTC Clearing Members (STP facility) and registered for clearing in ECS if they are within the parameters set. Transactions which are not within the parameters set, or where no limit has been set by the LCH EnClear OTC Clearing Members, will remain in ClearWay as pending transactions for LCH EnClear OTC Clearing Members to accept manually.
- **Cleartrade ("CT");(CLTX)** Eligible EnClear Trades executed on Cleartrade, or block trades executed off-orderbook and reported to Cleartrade, are submitted by CT-CLTX connects directly to ECS into Clearway and has its own Credit Filter, monitored by CT itself. Trades are sent to the Clearing House pre-confirmed by the LCH EnClear OTC Clearing Members in the CT Credit Filter, meaning LCH EnClear OTC Clearing Members will not have to accept the trades in either ECS or ClearWay and they will be registered as soon as received in ECS. On occasion, CT may manually enter details of trades transacted on their screen into ClearWay. These tickets will therefore pass through the ClearWay Lot Limit Credit Filter and be automatically accepted by the LCH EnClear OTC Clearing Members and registered for clearing in ECS if they are within the parameters set. Transactions which are not within the parameters set, or where no credit limit has been set by the LCH EnClear OTC Clearing Members, will remain in ClearWay as pending transactions for LCH EnClear OTC Clearing Members to accept manually.

LCH EnClear Clearing Members must familiarise themselves with the rules and procedures of the ETPs of which they are a trading participant. In the event of any conflict between the provisions of the rules of an ETP and the Rulebook of the Clearing House (including these Procedures), the Rulebook will prevail.

**~~PLEASE NOTE:~~** ~~If a LCH EnClear OTC Clearing Member accepts an Eligible OTC Trade which has been matched on BEDT, within the timeframe laid down by these Procedures, it will be registered by the Clearing House in the name of that LCH EnClear OTC Clearing Member, whether or it is a participant of BEDT.~~

In the event that a trade is submitted to the Clearing House for registration by an ~~OTPETP~~ and such trade is "accepted" for registration by that LCH EnClear Clearing Member, that ~~LCH EnClear OTCLCH EnClear~~ LCH EnClear Contract shall be bound by an LCH EnClear Contract

arising there-from, notwithstanding that any trade particulars submitted by that ~~OTPETP~~ in respect of such trade are erroneous or incorrect.

The Clearing House shall not be liable for any errors or omissions on the part of an ~~OTPETP~~ who inputs a trade directly to ECS or via ClearWay and which is registered by the Clearing House.

#### 1.1.7 Contract Terms

The ~~LCH-EnClear-OTCLCH EnClear~~ Contract Terms for contracts cleared in the Energy Division are set out in the Product Specific Contract Terms and Eligibility Criteria Manual.

The ~~LCH-EnClear-OTCLCH EnClear~~ Contract Terms for contracts cleared in the Freight Division are set out in the Product Specific Contract Terms and Eligibility Criteria Manual.

The ~~LCH-EnClear-OTCLCH EnClear~~ Contract Terms for contracts cleared in the Precious Metals Division are set out in the Product Specific Contract Terms and Eligibility Criteria Manual.

The Eligibility Criteria for each ~~LCH-EnClear-OTCLCH EnClear~~ Contract are set out in the Product Specific Contract Terms and Eligibility Criteria Manual.

#### 1.1.8 Registration

##### (a) General

Eligible EnClear Trades in the Freight Division must be submitted to the Clearing House either via ClearWay or an ETP for processing in the ECS system.

~~Eligible-OTCEligible EnClear~~ Trades in ~~the Freight and~~ Energy Divisions must be submitted to the Clearing House either via ClearWay or by an ~~OTPETP~~ for processing in the ECS system.

~~Eligible-OTCEligible EnClear~~ Trades in the Precious Metals Division must be submitted to the Clearing House via LMESmart for processing in Synapse.

The Clearing House may require a ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Member in whose name an ~~LCH-EnClear-OTCLCH EnClear~~ Contract is to be registered to transfer to the Clearing House Collateral in respect of the initial and variation margin obligations as a condition of registration.

##### (b) EnClear Market User Systems

###### (i) ClearWay

ClearWay is an application used by ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Members, Approved Brokers and ~~OTPs~~ETPs

## Fourth Bank of England Submission EnClear Futurisation

to enter ~~Eligible~~ ~~OTC~~ Eligible EnClear Trades, which once confirmed by both ~~LCH EnClear~~ ~~OTC~~ LCH EnClear Clearing Member's (where applicable), will be registered for clearing in ECS.

ClearWay contains a Lot Limit Credit Filter which enables ~~LCH EnClear~~ ~~OTC~~ LCH EnClear Clearing Members to set limits for their position accounts. If a ticket is entered which falls within a ~~LCH EnClear~~ ~~OTC~~ LCH EnClear Clearing Member's set parameters, its side of the trade will be automatically confirmed.

Transactions which breach the parameters set, or where no credit limit has been set by the ~~LCH EnClear~~ ~~OTC~~ LCH EnClear Clearing Members, will either remain in ClearWay as pending transactions, for ~~LCH EnClear~~ ~~OTC~~ LCH EnClear Clearing Members to accept manually, or can be set to be automatically rejected.

In the event that a trade is submitted to the Clearing House for registration by an ~~OTPETP~~, Broker or ~~LCH EnClear~~ ~~OTC~~ LCH EnClear Clearing Member and such trade is accepted for registration by the ~~LCH EnClear~~ ~~OTC~~ LCH EnClear Clearing Member, the ~~LCH EnClear~~ ~~OTC~~ LCH EnClear Clearing Member shall be bound by the terms set in ~~LCH EnClear~~ ~~OTC~~ LCH EnClear Contract.

### (ii) ECS

ECS is the clearing system which registers trades within the ~~LCH EnClear~~ ~~OTC~~ LCH EnClear Services: Freight and Energy Divisions. The following functionality is available to ~~LCH EnClear~~ ~~OTC~~ LCH EnClear Clearing Members:

- position keeping
- position adjustments
- position transfers (LCH.Clearnet will perform the transfers on the request of ~~LCH EnClear~~ ~~OTC~~ LCH EnClear Clearing Members)
- manual exercise/abandonment of Coal Options

### (iii) Synapse

The Synapse system will be used to process ~~Eligible~~ ~~OTC~~ Eligible EnClear Precious Metals Trades submitted for clearing via LMESmart.

## ~~Fourth Bank of England Submission~~ EnClear Futurisation

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

Details of registered ~~LCH-EnClear-OTC~~ LCH EnClear Precious Metal Contracts will be disseminated to ~~LCH-EnClear-OTC~~ LCH EnClear Clearing Members via Synapse GUI and the Clearing House Member Reporting site (private member-only site).

### (c) Clearing House System Requirements

~~LCH-EnClear-OTC~~ LCH EnClear Clearing Members and Approved Brokers must maintain an acceptable network connection from a location acceptable to the Clearing House for connecting to the ECS system, ClearWay and/or Synapse in order to carry out their Clearing Member responsibilities within the clearing systems and to review their trades and positions as necessary.

### (d) Clearing House Reporting

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

#### 1.1.9 Submission and Acceptance of ~~Eligible-OTC~~ Eligible EnClear Trades for Registration in the Freight and Energy Divisions

For registration of ~~Eligible-OTC~~ Eligible EnClear Trades, ~~LCH-EnClear-OTC~~ LCH EnClear Clearing Members must comply with all the requirements of the Clearing House as set out in the Rulebook and other relevant documentation issued by the Clearing House in this regard.

An ~~Eligible-OTC~~ Eligible EnClear Trade submitted to the Clearing House, which complies with the Clearing House requirements for registration, will be deemed to be registered by the Clearing House immediately upon receipt by ECS, after the acceptance by both ~~LCH-EnClear-OTC~~ LCH EnClear Clearing Members, whether the acceptance is explicit or is given via the parameters of a credit filter.

#### 1.1.10 Submission and Acceptance of ~~Eligible-OTC~~ Eligible EnClear Trades for Registration in the Precious Metals Division

Matched trading data is presented for registration to the Clearing House in the name of the Clearing Member submitting them to the LMESmart Matching System (evidenced by the use of the system security password). Trades that

exceed pre-set trade limits are held within Synapse, pending confirmation of acceptance for registration by the Clearing House.

~~Eligible OTCE~~ Eligible EnClear Precious Metal transactions which are not held in the pending queue will be registered upon acceptance in Synapse. Trades held in the pending queue will be registered upon release from the pending queue.

~~Eligible OTCE~~ Eligible EnClear Trades can be submitted on any London business day.

(a) Risk Pending Trades

The traded price and lot size of all trades presented to the Clearing House for registration are validated against a price range and lots limit file.

For each Value Date the price range above and below the previous day's closing price is calculated each day by reference to a pre-determined price limit for each Precious Metal (refer to [1.13.51.12.5](#)).

The price limit is normally set to be identical to the prevailing scanning range for each contract; however, during periods of high price volatility this may temporarily be increased to avoid the suspension of trades which are within the day's trading range. Lot and price limits may be changed, by member circular, from time-to-time.

Trades input, where either the price range or the lot size limit is exceeded, will be matched in the usual manner, but will be written to a separate 'matched trade file' for subsequent acceptance or rejection by the Clearing House.

The Clearing House may alter the price and lots limits to cater for volatile price conditions. This will allow trades transacted at 'current' market prices to be input, matched and presented to the Clearing House for registration without requiring acceptance.

(b) Conditions for Acceptance of Risk Trades

Registration of trades held in the Risk Pending Queue is conditional on the provision of sufficient Collateral. The Clearing House will first consider any surplus Collateral held before requesting additional Collateral from a Clearing Member.

If the Clearing House decides that additional Collateral is required, it will advise the Clearing Member as soon as possible. The Member so advised should contact the counterparty to the pending trade in order to notify them that there may be some delay prior to acceptance of the trade. At the same time, the currency and method of funds transfer, or type of collateral to be provided, will be agreed between the Clearing House and the Clearing Member. Only when the Clearing House has

received Collateral or confirmation from the transferring PPS bank that the funds have been transferred will it accept the pending trades.

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

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

#### 1.1.11 Novation

Once a trade has been registered in ECS, novation replaces each ~~Eligible~~ ~~OTC~~Eligible EnClear Trade submitted through the ~~LCH-EnClear-OTC~~LCH EnClear Services with two separate ~~LCH-EnClear-OTC~~LCH EnClear Contracts: one between the selling ~~LCH-EnClear-OTC~~LCH EnClear Clearing Member and the Clearing House and the other between the buying ~~LCH-EnClear-OTC~~LCH EnClear Clearing Member and the Clearing House.

#### 1.1.12 Rejection

If the Clearing House does not register a trade presented for registration it will notify the relevant ~~LCH-EnClear-OTC~~LCH EnClear Clearing Members concerned within a reasonable time, indicating the reasons for rejection.

#### 1.1.13 Notification

For the Freight and Energy Divisions, all ~~LCH-EnClear-OTC~~LCH EnClear Contracts arising from registered ~~Eligible-OTC~~Eligible EnClear Trades are listed on ECS and in the daily Trade report available through the Clearing House's Member reporting extranet site.

For the Precious Metals Division, all ~~LCH-EnClear-OTC~~LCH EnClear Contracts arising from registered ~~Eligible-OTC~~Eligible EnClear Trades are listed on the Clearing Member Registration Statement available on Synapse.

## 1.2 Accounts

### 1.2.1 Proprietary and Client Accounts

#### (a) Proprietary Accounts

## ~~Fourth Bank of England Submission~~ EnClear Futurisation

A ~~LCH EnClear OTCLCH EnClear~~ Clearing Member may request that the Clearing House opens one or more Proprietary Accounts in respect of its House Clearing Business.

Each Proprietary Account will map to two sub-accounts:

- (i) a position account; and
  - (ii) a collateral account.
- (b) Client Accounts
- (i) *Types of Client Account*

Subject to Regulation 11 (*Client Clearing Business*) of the General Regulations and Section ~~1.174.16~~ (~~LCH EnClear Client Clearing Services~~ ~~LCH EnClear OTCLCH EnClear Client Clearing Services~~) below, a ~~LCH EnClear OTCLCH EnClear~~ Clearing Member may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

- (A) Individual Segregated Accounts;
  - (B) Non-Identified Client Omnibus Net Segregated Account;
  - (C) Identified Client Omnibus Net Segregated Accounts; and/or
  - (D) Affiliated Client Omnibus Net Segregated Accounts.
- (ii) Each Client Account will map to two or more sub-accounts:
    - (A) one or more position accounts; and
    - (B) a collateral account.

### 1.2.2 Position Keeping Accounts

- (a) Types of Accounts for the Freight and Energy Divisions

Positions with regard to LCH.Clearnet Freight and Energy Contracts are recorded within the ECS system in position-keeping accounts.

A ~~LCH EnClear OTCLCH EnClear~~ Clearing Member's position account will be assigned a free format alphanumeric code, as prescribed by the ~~LCH EnClear OTCLCH EnClear~~ Clearing Member.

There is no restriction on the number of individual position accounts a ~~LCH EnClear OTCLCH EnClear~~ Clearing Member may open.

- (b) Types of Accounts for the Precious Metals Divisions

## Fourth Bank of England Submission EnClear Futurisation

A ~~LCH EnClear OTCLCH EnClear~~ Clearing Member's position account will be assigned a free format alphanumeric code, as prescribed by the ~~LCH EnClear OTCLCH EnClear~~ Clearing Member.

There is no restriction on the number of individual position accounts a ~~LCH EnClear OTCLCH EnClear~~ Clearing Member may open.

(c) Basis of Position Keeping for the Freight and Energy Divisions

Position Accounts in respect of a ~~LCH EnClear OTCLCH EnClear~~ Clearing Member's Proprietary Account can be held net or gross, as required by the ~~LCH EnClear OTCLCH EnClear~~ Clearing Member. ~~LCH EnClear OTCLCH EnClear~~ Clearing Members must notify the Clearing House of their requirements in this regard.

(d) Basis of Position Keeping for the Precious Metals Divisions

Position Accounts in respect of a ~~LCH EnClear OTCLCH EnClear~~ Clearing Member's Proprietary Account can be held net or gross, as required by the ~~LCH EnClear OTCLCH EnClear~~ Clearing Member. ~~LCH EnClear OTCLCH EnClear~~ Clearing Members must notify the Clearing House of their requirements in this regard.

(e) Position Settlement (Gross Accounts) for Freight and Energy Divisions

Where a position account is held gross, the ~~LCH EnClear OTCLCH EnClear~~ Clearing Member may, if it so wishes, carry out a closeout by the manual settlement of open positions, using the position adjustment facility in the ECS system.

### 1.2.3 Collateral Accounts

Position accounts have collateral accounts associated with them. These are, inter alia, used to record cash balances, securities/documentary credits and non-realised margin obligations.

Where appropriate, ~~LCH EnClear OTCLCH EnClear~~ Clearing Members' collateral accounts are identified by a single character code: "C" for ~~LCH EnClear OTCLCH EnClear~~ Client Clearing Business collateral accounts and "H" for ~~LCH EnClear OTCLCH EnClear~~ Clearing House Business collateral accounts.

Position accounts will map to either a ~~LCH EnClear OTCLCH EnClear~~ Clearing Member's "C" account or "H" account, as specified by that Member.

Each client "C" position-keeping account and the client "C" collateral account of a Clearing Member may hold any number of segregated sub-accounts. Each Individual Segregated Account of the Clearing Member will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account and each Omnibus Segregated Account will map onto one such segregated sub-account

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

At the Clearing House's discretion, further accounts may be opened as follows:

	<b>Code</b>
Buffer account (House), used for holding House Excess	B
Buffer account (Client), used for holding Client Excess	E

#### 1.2.4 Default Fund (DF) Account

Each Clearing Member's Default Fund Contribution is held in a separate account. In accordance with the Default Rules this account attracts a higher rate of interest at 3 month LIBOR + 1%. The Default Fund account code is "F".

### 1.3 Margin and Collateral

#### 1.3.1 Initial Margin

Separate initial margin calculations are performed for a Clearing Member's Proprietary Account and for each Client Account which is a sub-account of a Clearing Member's client "C" account. No offset between the "C" and the "H" accounts is allowed and, except pursuant to a Cross-ISA Client Excess Deduction, no offset is allowed between any Client Accounts.

Margin obligations for each account are calculated net, meaning that if long and short positions are held in the same delivery month, the initial margin requirement is calculated by reference to the net position.

#### 1.3.2 Initial Margin Parameters

Initial margin parameters are set by the Clearing House. However, in accordance with the Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for an individual ~~LCH EnClear~~ ~~OTCLCH EnClear~~ Clearing Member's house and/or client accounts.

~~LCH EnClear~~ ~~OTCLCH EnClear~~ Clearing Members will be notified by the Clearing House of alterations to initial margin parameters no later than the day before calls are made based on the new rates.

#### 1.3.3 Calculation of Initial Margin

London SPAN

The initial margin obligations are re-calculated at the close of each business day using the London SPAN algorithm, which is an adaptation of the SPAN method developed by the Chicago Mercantile Exchange<sup>1</sup>.

For full details of how London SPAN calculates the margin requirement, reference should be made to the SPAN technical information package available from the Clearing House Service Desk +44 (0)20 7426 7200. Technical questions should be directed to the Clearing House Risk Management department on +44 (0)20 7426 7620.

#### 1.3.4 Realised Variation Margin

EnClear OTC Contracts are settled to market daily by the Clearing House in accordance with the relevant ~~LCH EnClear~~ ~~OTC~~ ~~LCH EnClear~~ Contract Terms. Profits or losses are either credited to or debited from ~~LCH EnClear~~ ~~OTC~~ ~~LCH EnClear~~ Clearing Members' relevant Proprietary Account or Client Account (as applicable) (realised margin).

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

Realised margin is the calculated profit or loss arising from a comparison between the values of open positions at the relevant Reference Price with the value of positions recorded i.e. the Fixed Price for new trades and the previous day's Reference Price for other positions.

#### 1.3.5 Contingent Variation Margin

Contingent Variation Margin ("CVM") is calculated for ~~LCH EnClear~~ ~~OTC~~ ~~LCH EnClear~~ Contracts (Energy Division) between expiry and delivery. CVM is the calculated contingent profit or loss arising from a comparison between the values of open positions at the relevant Reference Price with the value of positions recorded i.e. the original traded price.

Separate contingent variation margin calculations are performed for a Clearing Member's Proprietary Account and for each Client Account which is a sub-account of a Clearing Member's client "C" account. No offset between the "C" and the "H" accounts is allowed and, except pursuant to a Cross-ISA Client Excess Deduction, no offset is allowed between any Client Accounts.

#### 1.3.6 Option Variation Margin

---

<sup>1</sup> The Chicago Mercantile Exchange (CME) permitted the Clearing House to adapt the CME specifications for SPAN to produce London SPAN, which meets the particular requirements of the London futures and options markets. 'SPAN [TM] ®' is a registered trademark of the CME. The CME assumes no liability in connection with the use of SPAN or London SPAN by any person or entity.

As premium is paid up front, option variation margin is the value of unexpired option, calculated with reference to the official quotation. Bought and sold options generate credit and debit NLV (Net Liquidation Value) margin respectively.

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

#### 1.3.7 Intra Day Margin Calls

In accordance with the Regulations the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it considers it necessary. Intra-day margin calls will be made through the Protected Payments System in London or the USA (USD).

### **1.4 Trade Management for the Freight Division**

#### 1.4.1 Trade Entry

Details of an Eligible EnClear Trade for the Freight Division may: (A) be executed on the orderbook of an ETP; or (B) be executed as a block trade off-orderbook and reported to an ETP, in each case in accordance with the rules of the ETP. The ETP will receive the trade either directly from the Broker or Clearing Member, or will receive the trade from ClearWay. forward details of ~~†~~ The Eligible EnClear Trade will be forwarded to the Clearing House for clearing in accordance with the Rulebook.

BEDT trades will ~~may be submitted either via the Baltex screen, which is linked directly to ClearWay or manually into ClearWay. –Cleartrade trades may be entered via the Cleartrade screen, which is linked directly to ECSClearWay, or manually (by Cleartrade staff) via ClearWay. LSEDM trades will be submitted manually via ClearWay, and forwarded to LSEDM.~~

#### 1.4.1.5 Trade Management for the ~~Freight and~~ Energy Divisions

##### 1.4.1.5.1 Trade Entry

~~Eligible OT~~ Eligible EnClear Trades for the ~~Freight and~~ Energy Divisions may be submitted for clearing either directly by the ~~LCH EnClear OT~~ LCH EnClear Clearing Member or by an Approved Broker via ClearWay, or through an ~~OT~~ ETP. A list of Approved Brokers is available from the Clearing House.

~~BEDT trades will be submitted via the Baltex screen, which is linked directly to ClearWay. Cleartrade trades may be entered via the Cleartrade screen, which is linked directly to ECS, or manually (by Cleartrade staff) via ClearWay.~~

## ~~Fourth Bank of England Submission~~ EnClear Futurisation

The following particulars of ~~Eligible-OTC~~Eligible EnClear Trades must be entered in ClearWay via its Ticket Entry screen:

- (a) Product;
- (b) Series (Spot, Month, Quarter, Season or Calendar);
- (c) Contract Type (Forward, Call or Put);
- (d) Prompt (contract day, month, quarter, season or calendar);
- (e) Strike (select from the dropdown list);
- (f) Seller Ref (a sequential number);
- (g) Buyer Ref (same as the Seller Ref);
- (h) Seller Account (obtained from the customer or its ~~LCH-EnClear~~ OTCLCH EnClear Clearing Member);
- (i) Buyer Account (obtained from the customer or its ~~LCH-EnClear~~ OTCLCH EnClear Clearing Member);
- (j) Lots (per month (or day in the case of spot));
- (k) Price;
- (l) Exchange.

The following particulars of ~~Eligible-OTC~~Eligible EnClear Trades must be entered in ClearWay via an upload file:

- (a) Type (always TICKET);
- (b) Sell Trader (always LCH1);
- (c) Sell Account (obtained from the customer or its ~~LCH-EnClear~~ OTCLCH EnClear Clearing Member);
- (d) Sell Broker (their 3 letter mnemonic);
- (e) Buy Trader (always LCH1);
- (f) Buy Account (obtained from the customer or its ~~LCH-EnClear~~ OTCLCH EnClear Clearing Member);
- (g) Buy Broker (their 3 letter mnemonic);
- (h) Contract (combination of the product, series, contract type, prompt and strike);

- (i) Quantity (in lots);
- (j) Price;
- (k) Buy Client Ref (a sequential number);
- (l) Sell Client Ref (same as the Buy Client Ref).
- (m) Anonymous Trade (always Y)

In certain circumstances the Clearing House may enter trades upon request from a ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Member, Approved Broker, ~~OTPETP~~ or other party. In such circumstances, the Clearing House shall have no liability to the ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Member, Approved Broker, ~~OTPETP~~ or any other party for any failure to input trades or for inputting trade details incorrectly.

#### ~~1.4.2~~1.5.2 ~~\_\_\_\_\_~~ Trades between persons who are not ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Members

Where an ~~Eligible-OTCEligible EnClear~~ Trade is executed directly between two parties who are not ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Members, or between a ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Member and another party, the trade may be submitted for clearing provided that each party to that trade has a ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Member who is prepared to "accept" that trade for clearing. Such ~~Eligible-OTCEligible EnClear~~ Trades will then be submitted to the relevant ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Members via ClearWay for acceptance.

#### ~~1.4.3~~1.5.3 ~~\_\_\_\_\_~~ Acceptance of Trades

Energy and Freight Trades must be accepted by ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Members in order to be cleared.

When details of an ~~Eligible-OTCEligible EnClear~~ Trade are input via ClearWay, such trade details will be sent to the ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Members identified in such particulars, who may then accept or reject their side of that trade.

~~LCH-EnClear-OTCLCH EnClear~~ Clearing Members can accept and reject trades in ClearWay manually, but can also set lot limit parameters for their customers, such that trades which fall within those parameters are automatically deemed as accepted by those ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Members. Trades which do not pass the lot limit validation criteria set by a ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Member will go to a pending state, and will not be cleared unless they are manually accepted on the same day by the ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Member. If a ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Member has a credit limit set up for an account and a trade is entered which is within that limit, that ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Member will not have an opportunity to reject that trade.

Once a trade has been accepted by both ~~LCH EnClear~~ OTCLCH EnClear Clearing Members in ClearWay, either manually or automatically via the credit filter, it is submitted to ECS for registration, where the trade is novated and a subsequent LCH OTC Contract arises between each ~~LCH EnClear~~ OTCLCH EnClear Clearing Member and LCH.Clearnet.

Cleartrade trades need to be confirmed in Cleartrade's Credit Filter prior to being accepted by ECS for registration. ~~LCH EnClear~~ OTCLCH EnClear Clearing Members can set credit limit parameters for their clients in Cleartrade and should refer to Cleartrade's procedures for further details of this.

If a trade is neither accepted nor rejected by both ~~LCH EnClear~~ OTCLCH EnClear Clearing Members by close of business at the end of any business day, it shall cease to be eligible for registration in the name of that ~~LCH EnClear~~ OTCLCH EnClear Clearing Member or any other ~~LCH EnClear~~ OTCLCH EnClear Clearing Member and the trade will either remain open as a bi-lateral uncleared trade or be terminated, dependent upon what the trading parties have agreed in the event of non-registration and will automatically be deleted from the ClearWay system.

Acceptance by a ~~LCH EnClear~~ OTCLCH EnClear Clearing Member of any ~~Eligible~~ OTCEligible EnClear Trade means that the ~~LCH EnClear~~ OTCLCH EnClear Clearing Member so accepting agrees to be bound by an ~~LCH EnClear~~ OTCLCH EnClear Contract arising in respect of that OTC trade in accordance with the Regulations and these Procedures, and other applicable documentation. Once a trade has been accepted in accordance with the requirements of the Clearing House, as notified from time to time to ~~LCH EnClear~~ OTCLCH EnClear Clearing Members, the trade may not be withdrawn, recalled or amended.

#### 1.4.41.5.4 Contra Trades

Where incorrect details of a trade have been accepted by both ~~LCH EnClear~~ OTCLCH EnClear Clearing Members in accordance with the Regulations and these Procedures, the only available method to correct that trade will be by the entry of a contra trade.

A contra trade will not be required if the trade has a status of "pending" and has not been accepted by both counterparties, as the trade can be cancelled via ClearWay by the ~~LCH EnClear~~ OTCLCH EnClear Clearing Member or Approved Broker and input again with the correct details.

An accepted trade may need to be corrected by a contra trade for the following reasons:

incorrect price;

incorrect expiry month;

incorrect product;

incorrect lots (only where too many lots have been entered);

incorrect buyer/seller.

~~LCH EnClear OTCLCH EnClear~~ Clearing Members will be able to view and confirm all contra trades in ClearWay. Contra trades will appear in ClearWay as new trades and it will be the responsibility of the ~~LCH EnClear OTCLCH EnClear~~ Clearing Members to confirm the trades as appropriate. Where a contra trade is entered via ClearWay and passes the lot limit validation criteria set by a ~~LCH EnClear OTCLCH EnClear~~ Clearing Member, it will be automatically accepted by that ~~LCH EnClear OTCLCH EnClear~~ Clearing Member. Where a trade does not meet the validation criteria, it will pend and need to be manually confirmed by that ~~LCH EnClear OTCLCH EnClear~~ Clearing Member.

Contra trades will attract the same clearing fees as a normal trade unless Commercial Services are notified of the trade details on +44 (0)20 7426 7027/6311.

## **1.5.1.6 Trade Management for the Precious Metals Division**

### **1.5.1.6.1 Registration of Trades**

Matched trades will be received from LMESmart in Synapse. They are then immediately registered by the Clearing House (unless the trades are pending LCH.Clearnet Business Operations or Risk approval).

### **1.5.2.1.6.2 Contra Trades**

Where a trade has been erroneously matched in LMESmart, the only available method to correct that trade will be by matched entries of a contra trade into LMESmart by the same Clearing Members.

A registered trade may need to be corrected by a contra trade for the following reasons:

incorrect price;

incorrect value date;

incorrect lots (only where too many lots have been entered);

incorrect buyer/seller.

## **1.6.1.7 Position Transfers**

~~LCH EnClear OTCLCH EnClear~~ Clearing Members wishing to affect a position transfer from one ~~LCH EnClear OTCLCH EnClear~~ Clearing Member to another ~~LCH EnClear OTCLCH EnClear~~ Clearing Member should submit a request to the Clearing House Membership Team by email to MembershipTeam@lchclearnet.com. Confirmation of a position transfer is required from both the transferor ~~LCH EnClear OTCLCH EnClear~~ Clearing Member and the transferee ~~LCH EnClear OTCLCH EnClear~~ Clearing Member.

## **Fourth Bank of England Submission EnClear Futurisation**

~~LCH EnClear OTCLCH EnClear~~ Clearing Members are requested to forward the Position Transfer Request as early as possible, but no later than 12:00 hours, on a business day, to ensure timely input of the details into ECS/Synapse.

Provided that adequate Collateral is available from both ~~LCH EnClear OTCLCH EnClear~~ Clearing Members, the transfer will normally be authorised. Should insufficient Collateral be available, the transfer may not be authorised until additional Collateral is transferred to the Clearing House.

### **1.71.8 Reports**

#### **ECS**

The ECS system will generate reports at the end of each business day detailing registered ~~LCH EnClear OTCLCH EnClear~~ Contracts in the Freight and Energy Divisions, margin requirements and positions. These reports are available to ~~LCH EnClear OTCLCH EnClear~~ Clearing Members and some to Approved Brokers via the Clearing House Member Reporting site (a private member-only site).

It is the responsibility of each ~~LCH EnClear OTCLCH EnClear~~ Clearing Member and Approved Broker to preserve any report required for historic, audit or legal purposes, including, but not limited to, any margin reports.

#### **ClearWay**

ClearWay will retain 90 days of trade data only, showing details of all trades entered and whether or not they cleared, which can be accessed by ~~LCH EnClear OTCLCH EnClear~~ Clearing Members and Approved Brokers through the ClearWay GUI and downloaded as a report.

#### **Synapse**

Synapse will (as part of end-of-day processing) generate reports, which will be available via the Synapse GUI and the Clearing House Member Reporting site (a private member-only site).

It is the responsibility of each ~~LCH EnClear OTCLCH EnClear~~ Clearing Member to preserve any report required for historic, audit or legal purposes, including, but not limited to, any margin reports.

### **1.81.9 Fees**

Fees arising for the provision of ~~LCH EnClear OTCLCH EnClear~~ Services will be collected from the ~~LCH EnClear OTCLCH EnClear~~ Clearing Members monthly through the Members' accounts.

Details of tariffs and any changes thereto will be notified to ~~LCH EnClear OTCLCH EnClear~~ Clearing Members by means of Member circulars.

For further details regarding fees (including details of how information regarding charges made for ~~LCH EnClear OTCLCH EnClear~~ Contracts registered by the Clearing House is communicated to ~~LCH EnClear OTCLCH EnClear~~ Clearing

Members), please see Section 1.7 of Section 3 (*Financial Transactions*) of these Procedures. Members should also have regard for the individual Sections of these ~~LCH EnClear OTC~~LCH EnClear Services Procedures which may contain further information regarding fees.

#### 1.91.10 Tax

~~LCH EnClear OTC~~LCH EnClear Clearing Members should take their own legal and accounting advice regarding any taxation liabilities in any country in which a liability to pay tax may arise.

In the event that the Clearing House incurs any liability to pay any tax in respect of or in connection with any ~~LCH EnClear OTC~~LCH EnClear Contract, it shall have the right to require reimbursement of such tax liability, together with any costs or expenses incurred by the Clearing House in connection with the administration and processing of such tax liability, from the ~~LCH EnClear OTC~~LCH EnClear Clearing Member who is or was party to that ~~LCH EnClear OTC~~LCH EnClear Contract and whom, in the Clearing House's reasonable opinion, should be responsible for meeting such tax liability, costs and expenses. The Clearing House will collect such payments through the Clearing House Protected Payments System.

To the extent that VAT, or any equivalent transaction tax, is due or becomes due in respect of a transaction under any ~~LCH EnClear OTC~~LCH EnClear Contract, the consideration which the parties have agreed is due under the contract will be regarded as exclusive of VAT or any equivalent transaction tax. Any VAT or equivalent transaction tax will be charged in addition to this amount.

#### 1.101.11 Freight Division

##### 1.10.1.11.1 Introduction

This Section ~~1.111.10~~1.111.10 only applies to the Freight Division of the ~~LCH EnClear OTC~~LCH EnClear Services.

References to "~~LCH EnClear OTC~~LCH EnClear Clearing Members" in this Section, means those ~~LCH EnClear OTC~~LCH EnClear Clearing Members who are party to, or accept, ~~Eligible OTC~~Eligible EnClear Trades in the Freight Division for clearing by the Clearing House. See Section 1.1.3 for further details about obtaining approval to clear within the Freight Division.

##### ~~OTC~~ Freight Division Products Eligible for Clearing

Only trades in products approved by the Clearing House for the ~~LCH EnClear OTC~~LCH EnClear Freight Division ("Eligible Products") may be submitted for registration. The contract terms of Eligible Products for the Freight Division are set out in the Product Specific Contract Terms and Eligibility Criteria Manual and may be amended from time to time.

Note that if an Eligible EnClear Trade that is an option is executed in compliance with and subject to the rules of an EnClear Trading Platform, it will expire into a futures contract.

Below is a list of Eligible Products in the Freight Division; this list is split into three categories of products within Freight Division. The list may change from time to time.

(a) FFA (Forward Freight Agreement) Products

Dry Timecharter Basket Routes – Forwards (CTC, PTC, STC, HTC)

Dry Timecharter Trip & Basket Routes – Options (CTO, PTO, STO, HTO, P2O)

Dry Voyage Routes (C3E, C4E, C5E, C7E)

Dry Trip Timecharter Routes (P1E, P2E, P3E, P1A, P2A, P3A)

Dry Timecharter Voyage Route (S7)

\$ per Tonne Tanker Voyage Routes (DD3, DD5, DD7, D19, DC2, DC6, D14)

~~Baltic Exchange Dry Index (BDI)~~

(b) ~~CFSA~~ (Container Freight ~~Swap Agreement~~) Products

CNW (Shanghai – North West Europe)

CMD (Shanghai – Mediterranean)

CSW (Shanghai – US West Coast)

CSE (Shanghai – US East Coast)

(c) WCI Container Products

WRS (Rotterdam – Shanghai)

WLS (Los Angeles – Shanghai)

(d) Commodities

Iron Ore ~~Swaps~~ (TSI)

Iron Ore Options (TSO)

Steel ~~Swaps~~ (SCN, SCS, SST, SBC, SCC)

Fertiliser ~~Swaps~~ (UNO, UYZ, DTA, DNO, UAN, UNE)

Fertiliser Options (ONO)

Coal ~~Swaps~~ (API 2 and API 4)<sup>2</sup>

Coal Options (API 2 and API 4)<sup>3</sup>

~~1.10.21.11.2~~ Operating Times

(a) Opening Days

The Clearing House will publish details of the business days on which the ~~LCH EnClear OT~~ LCH EnClear Service is operational to receive ~~Eligible OT~~ Eligible EnClear Trades in its Freight Division by Member Circular.

(b) Opening Hours

~~Eligible OT~~ Eligible EnClear Trades in the Freight Division may be notified during the following UK times:

Products	Trade Entry Times	Trade Confirmation Times
FFAs	07:00 – 18:00	07:00 – 18:30
Containers	07:00 – 18:00	07:00 – 18:30
Iron Ore	07:00 – 18:00	07:00 – 18:30
Steel	07:00 – 18:00	07:00 – 18:30
Fertilis <u>z</u> er	07:00 – 18:00	07:00 – 18:30
Coal <del>Swaps</del>	07:00 – 18:00	07:00 – 18:30
Coal Options	07:00 – 18:00 On expiry date: 07:00 – 17:00	07:00 – 18:30 On expiry date: 07:00 – 17:30

~~Any trade which has not been accepted within the time specified above, on the day on which particulars of that trade are input into~~

<sup>2</sup> API 2 and API 4 are trademarks and are used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 2 and API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal ~~Swap~~ Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal ~~Swap~~ Contracts.

<sup>3</sup> See footnote 2, above. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts.

## Fourth Bank of England Submission EnClear Futurisation

~~ClearWay, will be deleted from ClearWay automatically during the end of day run. It will cease to be an Eligible OTC Trade and will not be registrable that day. It may, however, be re-submitted on another day.~~

Note: ~~LCH EnClear OTCLCH EnClear~~ Clearing Members are asked to note that where trades are executed or originated outside the Opening Hours, no registration can take place until the relevant registration time on the following Opening Day. Where a weekend and/or public holiday intervenes, registration may be delayed for more than a day.

### ~~1.10.3 Trade Acceptance: Cleartrade Credit Filter~~

~~LCH EnClear OTCLCH EnClear~~ Clearing Members may elect to use Cleartrade Exchange Pte Ltd's credit filter. If a ~~LCH EnClear OTCLCH EnClear~~ Clearing Member does so elect, then, when a trade is submitted through the filter, submission of the trade through the filter constitutes a deemed "acceptance" of the trade on behalf of the ~~LCH EnClear OTCLCH EnClear~~ Clearing Member. If a ~~LCH EnClear OTCLCH EnClear~~ Clearing Member wishes to allow for trades to be submitted in its name, through the Cleartrade credit filter, it should contact the Clearing House's Membership Department for the requisite variation agreement, amending the Clearing Extension Agreement. ~~LCH EnClear OTCLCH EnClear~~ Clearing Members shall be bound by the ~~LCH EnClear OTCLCH EnClear~~ Contract which arises subsequently, upon registration of the trade in ECS.

~~Correspondingly, where a trade has been submitted to via the Cleartrade credit filter, a pre-matched contra trade in respect of that trade may only be submitted via the Cleartrade credit filter.~~

### ~~1.10.4.1.11.3 Settlement~~

All ~~LCH EnClear OTCLCH EnClear~~ Contracts arising from ~~Eligible OTC~~Eligible EnClear Trades in the Freight Division are subject to cash settlement unless closed out prior to expiry of the relevant contract series (~~not permissible for World Scale wet contracts~~). No physical settlement is permissible.

### ~~1.10.5.1.11.4 Reference Prices for Daily Settlement and Marking to Market~~

The Clearing House will use a variety of data from market participants, price reporting agencies and brokers for the purposes of producing Reference Prices each business day for daily settlement purposes and for the final settlement prices. See Part B of Schedule 4 to the Product Specific Contract Terms and Eligibility Criteria Manual for details of the reference prices for each eligible product in the Freight Division listed therein. The reference price will be the "Floating Price" for the purposes of the Contract Terms (see Schedule 4 of the Product Specific Contract Terms and Eligibility Criteria Manual).

## ~~1.11~~1.12 **Energy Division**

### ~~1.11.1~~1.12.1 Introduction

This Section ~~1.12~~1.11 only applies to the Energy Division of the ~~LCH EnClear~~ ~~OTC~~LCH EnClear Services.

References to "~~LCH EnClear~~ ~~OTC~~LCH EnClear Clearing Members" in this Section, means those ~~LCH EnClear~~ ~~OTC~~LCH EnClear Clearing Members, being OTC Participants, who are party to, or accept, ~~Eligible~~ ~~OTC~~Eligible EnClear Trades in the Energy Division for clearing by the Clearing House. See Section 1.1.3 for further details about obtaining approval to clear the Energy Division.

### ~~1.11.2~~1.12.2 OTC Energy Division Products Eligible for Clearing

Only trades in products approved by the Clearing House for the Energy Division of the ~~LCH EnClear~~ ~~OTC~~LCH EnClear Services ("Eligible Products") may be submitted for registration. The contract terms of Eligible Products for the Energy Division are set out in the Product Specific Contract Terms and Eligibility Criteria Manual and may be amended from time to time.

Below is a list of Eligible Products in the Energy Division. This list may change from time to time.

- (a) Emissions contracts
  - EUA Forward Contract ("EUA")
  - CER Forward Contract ("CER")
  - EUA Spot Contract ("EUS")
  - CER Spot Contract ("CES")
  - EUA Option Contract ("EUO")
  - CER Option Contract ("CEO")

### ~~1.11.3~~1.12.3 Operating Times

- (a) Opening Days

The Clearing House will publish details of the business days on which the ~~LCH EnClear~~ ~~OTC~~LCH EnClear Service is operational to receive ~~Eligible~~ ~~OTC~~Eligible EnClear Trades in its Energy Division by Member Circular.

- (b) Opening Hours

~~Eligible~~ ~~OTC~~Eligible EnClear Trades in the Energy Division may be notified during the following UK times:

<b>Products</b>	<b>Trade Times</b>	<b>Entry</b>	<b>Trade Confirmation Times</b>
Emissions Contracts	07:00 – 18:00		07:00 – 18:30

Any OTC trade which has not been accepted within the time specified above, on the day on which particulars of that trade are input via ClearWay, will be deleted from ClearWay automatically during the end of day run. It will cease to be an ~~Eligible OTC~~ Eligible EnClear Trade and will not be registrable that day. It may, however, be re-submitted on another day.

Note: ~~LCH EnClear OTC~~ LCH EnClear Clearing Members are asked to note that where trades are executed or originated outside the Opening Hours, no registration can take place until the relevant registration time on the following Opening Day. Where a weekend and/or public holiday intervenes, registration may be delayed for more than a day.

#### ~~1.11.4~~ 1.12.4 Settlement

All ~~LCH EnClear OTC~~ LCH EnClear Contracts arising from ~~Eligible OTC~~ Eligible EnClear Emission Trades are subject to physical delivery, unless closed out prior to commencement of the relevant delivery period.

~~LCH EnClear OTC~~ LCH EnClear Clearing Members should refer to Section ~~1.15~~ 1.14 (*Emissions Delivery Procedures*) of these Procedures for full details of the delivery process.

#### ~~1.11.5~~ 1.12.5 Reference Prices for Daily Settlement and Marking to Market

The Clearing House will use a variety of data from market participants, price reporting agencies and brokers for the purposes of producing reference prices each business day for daily settlement purposes and for the final settlement prices. See the Product Specific Contract Terms and Eligibility Criteria Manual for details of the reference prices for each Eligible Product in the Energy Division listed therein.

### ~~1.12~~ 1.13 **Precious Metals Division**

#### ~~1.12.1~~ 1.13.1 Introduction

(a) This Section ~~1.13~~ 1.12 only applies to the Precious Metals Division of the ~~LCH EnClear OTC~~ LCH EnClear Services.

References to "~~LCH EnClear OTC~~ LCH EnClear Clearing Members" in this Section, means those ~~LCH EnClear OTC~~ LCH EnClear Clearing Members who are party to ~~Eligible OTC~~ Eligible EnClear Trades in the

Precious Metals Division. See Section 1.1.3 for further details about obtaining approval to clear the Precious Metals Division.

~~1.12.2~~1.13.2 OTC Precious Metals Division Products Eligible for Clearing

Only trades in products approved by the Clearing House for the ~~LCH EnClear~~ ~~OTCLCH EnClear~~ Precious Metals Division ("**Eligible Products**") may be submitted for registration. The contract terms of Eligible Products for the Precious Metals Division are set out in the Product Specific Contract Terms and Eligibility Criteria Manual as may be amended from time to time.

Below is a list of Eligible Products in the Precious Metal Division:

OTC Gold Forward (OGD)

OTC Silver Forward (AGD)

The OTC Gold Forward and OTC Silver Forward contracts are referred to in this Section ~~1.13.12~~ and Section ~~1.16.15~~ as the "**Precious Metal Contracts**" or as Gold and Silver respectively.

~~1.12.3~~1.13.3 Operating Times

(a) Opening Days

The Clearing House will publish details of the business days on which the ~~LCH EnClear~~ ~~OTCLCH EnClear~~ Service is operational to receive ~~Eligible~~ ~~OTCEligible EnClear~~ Trades in its Precious Metals Division by Member Circular.

(b) Opening Hours

~~Eligible~~ ~~OTCEligible EnClear~~ Trades in the Precious Metals Division may be notified during the following UK times:

Products	Trade Acceptance Times
OGD (Gold) and AGD (Silver)	07:30 – 20:00 for forwards 07:30 – 15:00 for next valid value date

Any trade which has not been accepted within the time specified above on the day, on which particulars of that trade are input into Synapse, will be rejected by Synapse. It will cease to be an ~~Eligible~~ ~~OTCEligible EnClear~~ Trade and will not be registered that day. ~~LCH EnClear~~ ~~OTCLCH EnClear~~ Clearing Members may, however, elect to re-submit on another day.

Note: ~~LCH EnClear~~ ~~OTCLCH EnClear~~ Clearing Members are asked to note that where trades are executed or originated outside Trade Acceptance times, no registration can take

place until the relevant registration time on the following business day. Where a weekend and/or public holiday intervenes, registration may be delayed for more than a day.

~~1.12.4~~1.13.4 Settlement by Delivery:

- (i) The net Lots covered by Precious Metal Contracts remaining open on expiry of the contract shall be settled on their Value Date by payment.
- (ii) The Clearing House shall raise invoices or credit notes for the contract weight of the net Lots covered by such Precious Metal Contracts at the Settlement Price and shall deliver the same to the relevant Clearing Members. Such invoices and credit notes shall be for the contract weight.
- (iii) Payments and receipts in respect of the invoices and credit notes raised by the Clearing House under (ii) above shall be effected through PPS.
- (iv) The net Lots covered by Precious Metal Contracts open on expiry of the contract shall be settled by delivery between Unallocated Precious Metal accounts as set out below at ~~1.161~~15. Once the settlement instructions have been matched with LCH.Clearnet, the settlement is irrevocable.

~~1.12.5~~1.13.5 Reference Prices for Daily Settlement to Market of Precious Metal Contracts

The Clearing House will use the LBMA Gold Forward Curve and LBMA Silver Forward Curve anchored onto the spot gold and silver prices, respectively, for the purposes of producing reference prices each business day for daily settlement to market of contracts.

In the event that the LBMA Gold Forward Curve and/or LBMA Silver Forward Curve is not available or is deemed to not be an accurate reflection of current market prices, the Gold and/or Silver prices would be based on either:

- broker quotes for spot gold or silver and a previous LBMA Gold Forward Curve or LBMA Silver Forward Curve adjusted to reflect changes in US interest rates; or
- gold or silver forward prices that LCH.Clearnet Risk Department deems to be an accurate reflection of current market prices.

The Clearing House will use the London Gold Fixing PM price for the final settlement price. In the event that the London Gold Fixing PM price is not available (for example on Christmas eve) or deemed to not be an accurate reflection of the current market price either the London Gold Fixing AM price or broker quotes for spot gold or a price that LCH.Clearnet Risk Department

deems to be an accurate reflection of the current market price will be used for the Final Settlement Price.

The Clearing House will use the London Silver Fixing price for the final settlement price. In the event that the Silver Fixing price is not available (for example on Christmas eve) or deemed to not be an accurate reflection of the current market price either the broker quotes for spot silver or a price that LCH.Clearnet Risk Department deems to be an accurate reflection of the current market price will be used for the Final Settlement Price.

The London Bullion Market Association is the owner of the LBMA Gold Forward Curve and the LBMA Silver Forward Curve. The London Gold Market Fixing Ltd is the owner of the London Gold Fixing price data and The London Silver Market Fixing Ltd is the owner of the London Silver Fixing price data.

#### ~~1.13.1.14~~ **Option Exercise and Expiry**

~~1.13.1.14.1~~ The OTC EnClear service provides option contracts that are exercised through the Clearing System.

(a) Freight, Fertiliser and Iron Ore Options

Freight, Fertiliser and Iron Ore options are European style. Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price. Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price which will be immediately cash settled. Clearing Members cannot make any adjustments to the automatic exercise settings. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.

(b) Emissions Options

Emission options are European style. Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price. Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price. Clearing Members cannot make any adjustments to the automatic exercise settings. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.

(c) Coal Options

Coal options are European style. Coal options will be automatically exercised or expired, unless manually exercised or cancelled, as described below.

(i) Automatic Exercise

Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price.

Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.

(ii) Manual Exercise or Cancellation

On expiry day and before 17:30 hours, Clearing Members can override the automatic exercise of a coal option by using the ECS EnClear Trade GUI to perform a manual exercise or cancellation of the option contract. Upon exercise or assignment, an open futures position will be created in the underlying contract at the strike price.

It is not possible for Clearing Members to input exercise or exercise cancellation instructions after the option expiry deadline has dropped.

(d) Exercise by the Clearing House

When exercised against, the Clearing House will select sellers against which to assign, based on their open position at the end of the last trading day.

(i) Notice of Assignment/Allocation

The Clearing House will use reasonable endeavours to notify the relevant seller of its allocation as soon as is possible on the day the options expire.

Notification will be sent via the MBREXR report on the MemberLive reporting site. Members must have a valid account and password to access this secure site.

~~1.14.1.15~~ **Emissions Delivery Procedures**

~~1.14.1.15.1~~ General Information

(a) Additional Definitions

Additional definitions relevant to the ~~LCH EnClear-OTCLCH EnClear~~ Services: Energy Division are set out in the Product Specific Contract Terms and Eligibility Criteria Manual.

(b) Delivery of Documentation to the Clearing House

Clearing Members must submit the required delivery documentation by email to [Derivative.Ops.Uk@lchclearnet.com](mailto:Derivative.Ops.Uk@lchclearnet.com) or by hand to

LCH.Clearnet Limited, Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom in both cases marked "Urgent, for the attention of Operations and Client Servicing".

(c) Authorised Signatories

Prior to making or taking any delivery, Clearing Members must submit a list of authorised signatories to the Clearing House (Appendices 2E.A). It is the Clearing Member's responsibility to ensure that details of authorised signatories held at the Clearing House are updated as appropriate.

(d) "Buyers" and "Sellers"

Throughout these delivery procedures the term "Buyer" or "buyer" is used to refer to the buying Clearing Member and "Seller" or "seller" to the selling Clearing Member.

(e) Member Accounts

No offset is allowed for either physical delivery or financial settlement between Clearing Members' Proprietary Accounts and Client Accounts (or between an Individual Segregated Account and any other Client Accounts).

(f) Clearing House Account

The Clearing House shall maintain Accounts in the Registry for the purposes of making and taking delivery under ~~LCH-EnClear-OTC~~LCH EnClear Contracts. Deliveries to the Clearing House must be made to the Clearing House's Account as follows:

Account number: EU-100-5016892-0-62

~~1.14.21.15.2~~ 1.15.21.14.2 OTC Emissions Delivery for Forward Contracts

(a) Introduction

This Section ~~1.15.21.14.2~~ (plus Appendices 2E.A-E) applies to deliveries under Forward EUA and CER Emissions Contracts within the OTC Emissions Service of the ~~LCH-EnClear-OTC~~LCH EnClear Services (Energy Division). The following terms shall have the following meanings for the purposes of the same provisions.

<b>Authorised Representative</b>	A natural person authorised for the purposes of the Registry Regulation to initiate Transfer Requests.
<b>Additional Authorised Representative</b>	A natural person authorised for the purposes of the Registry Regulation to authorise Transfer Requests.

**Fourth Bank of England Submission EnClear Futurisation**

<b>Buyer</b>	A <del>LCH EnClear</del> <u>OTCLCH EnClear</u> Clearing Member who is the buyer under an <del>LCH EnClear</del> <u>OTCLCH EnClear</u> Contract.
<b>CER</b>	A certified emissions reduction that conforms to the contract terms and eligibility criteria contained in the Product Specific Contract Terms and Eligibility Criteria Manual.
<del>LCH EnClear</del> <u>OTCLCH EnClear</u> <b>Clearing Member</b>	A <del>LCH EnClear</del> <u>OTCLCH EnClear</u> Clearing Member who has entered into a clearing extension agreement with the Clearing House for the purpose of participating in the OTC Emissions Service.
<b>EUA</b>	An EU allowance that conforms to the contract terms and eligibility criteria contained in the Product Specific Contract Terms and Eligibility Criteria Manual.
<b>Forward Contract</b>	An <del>LCH EnClear</del> <u>OTCLCH EnClear</u> Contract, being a forward EUA or CER emissions contract.
<b>Instruments</b>	EUAs or CERs, as the case may be, to be delivered in accordance with the terms of an <del>LCH EnClear</del> <u>OTCLCH EnClear</u> Contract.
<b>OTC Emissions Service</b>	That part of the <del>LCH EnClear</del> <u>OTCLCH EnClear</u> Services (Energy Division) which relates to OTC Emissions Products.
<b>PPS</b>	Protected Payment System to debit or credit payments from <del>LCH EnClear</del> <u>OTCLCH EnClear</u> Clearing Members' accounts.
<b>Registry</b>	The Union registry established pursuant to the Registry Regulation.
<b>Registry Regulation</b>	As defined in the Product Specific Contract Terms and Eligibility Criteria Manual.
<b>Seller</b>	A <del>LCH EnClear</del> <u>OTCLCH EnClear</u> Clearing Member who is the seller under an <del>LCH EnClear</del> <u>OTCLCH EnClear</u> Contract.
<b>Trading Account</b>	An Account that is a trading account.
<b>Transfer Request</b>	A request made in accordance with the Registry Regulation for the transfer of Instruments.

(b) Compliance Registry Regulation and other requirements

## ~~Fourth Bank of England Submission~~ EnClear Futurisation

Each ~~LCH-EnClear-OTC~~ LCH EnClear Clearing Member shall at all times comply with any applicable provisions of the Registry Regulation, any other applicable legislation and any applicable requirements, terms, conditions and procedures of the Registry in performing its obligations under ~~LCH-EnClear-OTC~~ LCH EnClear Contracts and otherwise when participating in the OTC Emissions Service. Each ~~LCH-EnClear-OTC~~ LCH EnClear Clearing Member shall additionally obtain and at all times adequately maintain such systems and technology as may be necessary in order to comply with such provisions.

(c) Delivery Specification

(i) Delivery

Delivery under an ~~LCH-EnClear-OTC~~ LCH EnClear Contract is effected by the transfer of Instruments in accordance with the terms of that ~~LCH-EnClear-OTC~~ LCH EnClear Contract from the Trading Account of the Seller to the relevant Trading Account of the Clearing House and from the relevant Trading Account of the Clearing House to the Trading Account of the Buyer.

(d) Requirement to have a Trading Account and "trusted account list"

To participate in the OTC Emissions Service, each ~~LCH-EnClear-OTC~~ LCH EnClear Clearing Member must maintain an operational Trading Account from which it is possible to make delivery under that ~~LCH-EnClear-OTC~~ LCH EnClear Contract into the relevant Trading Account of the Clearing House or, as the case may be, into which it is possible to take delivery under that ~~LCH-EnClear-OTC~~ LCH EnClear Contract from the relevant Trading Account of the Clearing House. Each Clearing Member must link to the Clearing House's designated Trading Account and maintain that link in its "trusted account list" to enable deliveries to progress in accordance with the timetable at sub-Section (g).

(e) Nature of the Instruments to be delivered

Instruments to be delivered shall meet the relevant eligibility criteria set out in the Product Specific Contract Terms and Eligibility Criteria Manual. Each ~~LCH-EnClear-OTC~~ LCH EnClear Clearing Member shall ensure that any Instruments it delivers in performing its obligations under an ~~LCH-EnClear-OTC~~ LCH EnClear Contract within the OTC Emissions Service are free and clear of all and any encumbrances.

(f) Days and Times

Unless otherwise stated, references to "day" mean "business day". All "timings" or "times of day" are London times.

DAY	TIME	ACTION	
		will prompt	
		Buying-in.	

(h) Delivery Procedure

Contracts will expire at 18:00 hours on the last Monday of the contract month. Where the last Monday of the contract month is not a business day, or there is a non-business day in the four days following the last Monday of the contract month, then the expiry day will be the second last Monday of the contract month. In cases where there is a non-business day in the four days following the second last Monday of the contract month, then the expiry day will be the third last Monday of the contract month.

(i) Cessation of Trading Day (D – 1)

At 18:00 hours

Trading ceases.

By 18:30 hours

~~LCH – EnClear – OTCLCH~~ EnClear Clearing Members must ensure that all settlements and transfers are performed via ECS by 18:30 hours.

N.B: Upon contract expiry the delivery positions are calculated for each product with individual long and short positions in each Settlement Account being netted for delivery to or from either the house or the client account of the Clearing Member.

The delivery position will be the number of contracts that are deliverable into or out of the Trading Account of the Clearing House.

End of day

At end of day, open contracts in the expiring contract month become open delivery contracts; ~~LCH – EnClear – OTCLCH~~ EnClear Clearing Members are obliged to make or take delivery.

(j) Delivery Day (D)

By 09:00 hours

Representative in respect of each Trading Account specific to each Transfer Request;

- (D) Confirmation that the Member will maintain the relevant Trading Account or Trading Accounts listed in (B) during the delivery period and is not for any reason prevented from processing Transfer Requests as required for the purposes of the relevant Forward Contract;
- (E) Such other details as are required by the Clearing House from time to time.

Appended to these Procedures are forms for Buyers and Sellers for CERs and EUAs.

~~1.14.3~~ 1.15.3 OTC Emissions Delivery for Spot Contracts

(a) Introduction

This Section ~~1.14.3~~ 1.15.3 applies to deliveries under spot contracts within the OTC Emissions Service of the ~~LCH EnClear OTCLCH~~ EnClear Services (Energy Division). The following terms shall have the following meanings for the purposes of the same provisions.

<b>Authorised Representative</b>	A natural person authorised for the purposes of the Registry Regulation to initiate Transfer Requests.
<b>Additional Authorised Representative</b>	A natural person authorised for the purposes of the Registry Regulation to authorise Transfer Requests.
<b>Buyer</b>	A <del>LCH EnClear OTCLCH</del> <u>EnClear</u> Clearing Member who is the buyer under an <del>LCH EnClear OTCLCH</del> <u>EnClear</u> Contract.
<b>CER</b>	A certified emissions reduction that conforms to the contract terms and eligibility criteria contained in the Product Specific Contract Terms and Eligibility Criteria Manual.
<del>LCH EnClear OTCLCH</del> <u>EnClear</u> <b>Clearing Member</b>	An <del>LCH EnClear OTCLCH</del> <u>EnClear</u> Clearing Member who has entered into a clearing extension agreement with the Clearing House for the purpose of participating in the OTC Emissions Service.
<b>EUA</b>	An EU allowance that conforms to the contract terms and eligibility criteria

**Fourth Bank of England Submission EnClear Futurisation**

	contained in the Product Specific Contract Terms and Eligibility Criteria Manual.
<b>Forward Contract</b>	An <del>LCH-EnClear-OTC</del> <u>LCH EnClear</u> Contract, being a forward EUA or CER emissions contract.
<b>Instruments</b>	EUAs or CERs, as the case may be, to be delivered in accordance with the terms of an <del>LCH-EnClear-OTC</del> <u>LCH EnClear</u> Contract.
<b>OTC Emissions Service</b>	That part of the <del>LCH-EnClear-OTC</del> <u>LCH EnClear</u> Services (Energy Division) which relates to OTC Emissions Products.
<b>PPS</b>	Protected Payment System to debit or credit payments from <del>LCH-EnClear-OTC</del> <u>LCH EnClear</u> Clearing Members' accounts.
<b>Registry</b>	The Union registry established pursuant to the Registry Regulation.
<b>Registry Regulation</b>	As defined in the Product Specific Contract Terms and Eligibility Criteria Manual.
<b>Seller</b>	A <del>LCH-EnClear-OTC</del> <u>LCH EnClear</u> Clearing Member who is the seller under an <del>LCH-EnClear-OTC</del> <u>LCH EnClear</u> Contract.
<b>Trading Account</b>	An Account that is a trading account.
<b>Transfer Request</b>	A request made in accordance with the Registry Regulation for the transfer of Instruments.

(b) Compliance with Registry Regulation and other Requirements

Each ~~LCH-EnClear-OTC~~LCH EnClear Clearing Member shall at all times comply with any applicable provisions of the Registry Regulation, any other applicable legislation and any applicable requirements, terms, conditions and procedures of the Registry in performing its obligations under ~~LCH-EnClear-OTC~~LCH EnClear Contracts and otherwise when participating in the OTC Emissions Service. Each ~~LCH-EnClear-OTC~~LCH EnClear Clearing Member shall additionally obtain and at all times adequately maintain such systems and technology as may be necessary in order to comply with such provisions.

(c) Delivery Specification

## Fourth Bank of England Submission EnClear Futurisation

### (i) Delivery

Delivery under an ~~LCH EnClear OTC~~LCH EnClear Contract is effected by the transfer of Instruments in accordance with the terms of that ~~LCH EnClear OTC~~LCH EnClear Contract from the Trading Account of the Seller to the relevant Trading Account of the Clearing House and from the relevant Trading Account of the Clearing House to the Trading Account of the Buyer.

### (ii) Requirement to have a Trading Account and "trusted account list"

To participate in the OTC Emissions Service, each ~~LCH EnClear OTC~~LCH EnClear Clearing Member must maintain an operational Trading Account from which it is possible to make delivery under that ~~LCH EnClear OTC~~LCH EnClear Contract into the relevant Trading Account of the Clearing House or, as the case may be, into which it is possible to take delivery under that ~~LCH EnClear OTC~~LCH EnClear Contract from the relevant Trading Account of the Clearing House. Each Clearing Member must link to the Clearing House's designated Trading Account and maintain that link in its "trusted account list" to enable deliveries to progress in accordance with the timetable at Section (v). Each ~~LCH EnClear OTC~~LCH EnClear Clearing Member shall identify that Trading Account on the Static Data Form. The Clearing House will only accept the allowances from that specified Trading Account.

The Clearing House will reject any delivery from an account other than the ~~LCH EnClear OTC~~LCH EnClear Clearing Member's Account as specified on the Static Data Form. The rejection will be an equivalent amount of instruments as the attempted delivery, but will not necessarily be the identical instruments (although they will be of the same type).

### (iii) Nature of the Instruments to be delivered

Instruments to be delivered shall meet the relevant eligibility criteria set out in the Product Specific Contract Terms and Eligibility Criteria Manual. Each ~~LCH EnClear OTC~~LCH EnClear Clearing Member shall ensure that any Instruments it delivers in performing its obligations under an ~~LCH EnClear OTC~~LCH EnClear Contract within the OTC Emissions Service are free and clear of all and any encumbrances.

### (iv) Days and Times

Unless otherwise stated, references to "day" mean "business day". All "timings" or "times of day" are London times.

**Fourth Bank of England Submission EnClear Futurisation**

(v) Delivery Timetable for Spot Emissions Contracts

The following is the UK timetable governs the delivery of Instruments under ~~LCH EnClear~~ LCH EnClear Contracts in the OTC Spot Emissions Service. For the avoidance of doubt the timetable applies whether the Instruments to be delivered under the particular ~~LCH EnClear~~ LCH EnClear Contract are EUAs or CERs.

DAY	TIME	ACTION	
		SELLERS	BUYERS
Cessation of trading day (CTD) D-1	At 18:00	Trading ceases.	Trading ceases.
Cessation of trading day (CTD) D-1	By 18:30	Trade confirmation only.	Trade confirmation only.
Cessation of trading day (D-1)	After 19:15	HIT report available.  Invoice and Account Sales report available.	HIT report available.  Invoice and Account Sales report available.
Delivery Day (D)	By 09:00		Pays contract value to the Clearing House via PPS for the Instruments to be transferred to the Buyer by the Clearing House.
	At 11:00	Sellers must ensure that the necessary	

DAY	TIME	ACTION	
		SELLERS	BUYERS
		Clearing Member in respect of Late Delivery of Instruments requiring them to transfer the necessary Instruments by 11:00 hours on the Delivery Day +1. A failure to do so will be deemed a Failed Delivery and will prompt Buying-in.	Late Delivery of Instruments.

(d) Delivery Procedures

Cessation of Trading Day

At 18:00 hours on each business day

Trading ceases.

By 18:30 hours

The window will remain open until 18:30 for the members to complete the confirmation of any outstanding trades in ClearWay.

End of day

At end of day, open contracts on each expiry day will become open delivery positions; ~~LCH-EnClear-OTCLCH~~ EnClear Clearing Members are obliged to make or take delivery.

(i) Delivery Day D

By 09:00 hours

Value Added Tax will account for on the Invoice and Account Sale Report. VAT amounts due from the Buyer and due to the Seller will be included with contract payments via the PPS.

**1.15.1.16 Precious Metals: Delivery Procedures**

**1.15.1.16.1 General Information**

(a) Delivery

The following terms shall have the following meanings in this Section:

Unallocated Account	An account held with one of the members of the LPMCL for the purposes of holding Unallocated Precious Metal.
Settlement Agent	One of the six commercial bank members of the LPMCL.
LPMCL	London Precious Metals Clearing Limited
Transfer Request	An instruction from a <del>LCH—EnClear</del> <u>OTCLCH EnClear</u> Clearing Member's Settlement Agent in AURUM to make or take delivery of Unallocated Precious Metal

Delivery is effected by transferring Precious Metal between members' Unallocated Accounts held with one of the Settlement Agents who are members of the LPMCL.

(b) Settlement Agent and Unallocated Account details

Clearing Members must ensure they have an Unallocated Account with a Settlement Agent member of the LPMCL. It is the Clearing Member's responsibility to ensure that the Clearing House holds accurate up to date details of their Unallocated Account via submission of updated Static Data Forms.

Clearing Members must submit their transfer instructions to their Settlement Agents, to be matched with the Clearing House, no later than 16:00 hours on the day of settlement.

The Clearing House Unallocated Account is managed by its settlement bank Barclays Bank PLC. For matching with the Clearing House the following are its Unallocated Account and settlement bank details:

Barclays Bank plc (SWIFT BARCGB22PMD)

a/c LCH.Clearnet Ltd, London

a/c 20193

~~1.15.21.16.2~~ Precious Metal Forwards Delivery

(a) Compliance with LPMCL and other Requirements

Each ~~LCH-EnClear-OTC~~LCH EnClear Clearing Member shall at all times comply with any applicable provisions of the LPMCL, any other applicable legislation and any applicable requirements, terms, conditions and procedures of any relevant Settlement Agent in performing its obligations under ~~LCH-EnClear-OTC~~LCH EnClear Contracts and otherwise when participating in the OTC Precious Metals Service. Each ~~LCH-EnClear-OTC~~LCH EnClear Clearing Member shall additionally obtain and at all times adequately maintain such systems and technology as may be necessary in order to comply with such provisions.

(b) Delivery Specification

(i) Nature of the Precious Metal delivery

The eligibility criteria for the Precious Metal Contract are set out in the Product Specific Contract Terms and Eligibility Criteria Manual. Each ~~LCH-EnClear-OTC~~LCH EnClear Clearing Member shall ensure that all Unallocated Precious Metal it delivers in performing its obligations under a Precious Metal Contract is free and clear of all and any encumbrances.

(ii) Unallocated Accounts

The Clearing House shall maintain an Unallocated Account with its Settlement Agent for the purposes of making and taking delivery of Precious Metal Contracts. The account is held on the terms stipulated by the LPMCL on its website at:

<http://www.lpmcl.com/Final%20Unallocated%20Agreement%2020061005.pdf>

Each ~~LCH-EnClear-OTC~~LCH EnClear Clearing Member approved to clear trades in the Precious Metals Division shall maintain an Unallocated Account from which it is possible to make or take delivery into or from the relevant Unallocated Account of the Clearing House. Each ~~LCH-EnClear-OTC~~LCH EnClear Clearing Member shall identify its Unallocated Account on the Static Data Form. The Clearing House will only accept or deliver the Unallocated Precious Metal from or to that specified Unallocated Account. (i.e. The Clearing House will reject any delivery from an account other than the ~~LCH-EnClear-OTC~~LCH EnClear Clearing Member's Unallocated Account as specified on the Static Data Form.

(iii) Delivery

**Fourth Bank of England Submission EnClear Futurisation**

Delivery under a Precious Metal Contract is effected by the transfer of Unallocated Precious Metal in accordance with the terms of that contract from the Unallocated Account of the Seller to the relevant Unallocated Account of the Clearing House and from the relevant Unallocated Account of the Clearing House to the Unallocated Account of the Buyer.

It should be noted that, in accordance with the terms stipulated by the LPMCL, referred to above at ~~1.16.2~~<sup>1.15.2</sup>(a), the Settlement Agent acting for the Clearing House has reserved the power to reverse provisional or erroneous entries credited to the account of the Clearing House. In such event, the Clearing House reserves the right to reverse or adjust any payments made in respect of such entries and to give such directions as it considers appropriate to the Clearing Members who are party to the corresponding Precious Metal Contracts in order that settlement and delivery may be achieved at the earliest opportunity.

(iv) Days and Times

Unless otherwise stated, references to "day" mean "business day". All "timings" or "times of day" are London times.

(v) Delivery Timetable for Precious Metal

The following is the timetable governing the delivery of Unallocated Gold and Silver pursuant to Precious Metal Contracts.

DAY	TIME	ACTION	
		SELLERS	BUYERS
D-1	At 15:00	Trade acceptance ceases for next valid Value Date.	Trading ceases for next valid Value Date.
	After 16:15	Delivery instructions sent for matching with LCH.Clearnet Settlement Agent.	Delivery instructions sent for matching with LCH.Clearnet Settlement Agent.
	After 20:00	Invoice & Account Sales Synapse screens will reflect delivery amounts. Member Synapse reports will be	Invoice & Account Sales Synapse screens will reflect delivery amounts. Member Synapse reports will be made

Clearing House must receive the Precious Metal into its account before payment will be made to the Seller.

Precious Metal received from Sellers by the Clearing House after this time will be deemed a Late Delivery and may incur administration charges in accordance with these Procedures.

Once delivery has been made into the account of the Clearing House, the Clearing House will authorise payments to the relevant Seller via UK PPS. If confirmation of delivery into the account of the Clearing House occurs after 15:30 hours, the relevant Seller will be paid via its US PPS accounts.

(ii) Payment

Buyers must pay the Clearing House by 09:00 hours on the value date via PPS.

Sellers will be paid by the Clearing House on receipt of Precious Metal on the value date.

(d) Invoice

Invoice Calculation

The Invoice and Account Sale Report gives details of all delivery transfers and amounts due to Sellers and payable by the Buyers. These amounts are calculated as follows:

Lots	X	Fine troy ounces	X	quotation on trading day for the
		of gold/silver		relevant gold/silver contract
				delivery settlement price

~~4.15.31.16.3~~ Delivery Failure

It is the responsibility of the ~~LCH-EnClear-OTC~~ LCH EnClear Clearing Member to ensure that any Precious Metal Contract settles on the intended Value Date.

Sellers/buyers must ensure that the necessary Transfer Requests are made so as to allow Unallocated Precious Metal to be transferred between their account and that of the Clearing House.

The Clearing House must receive the Precious Metal into its Unallocated Account from the Seller before any payments are made to the Seller.

Without prejudice to the provisions of the Contract, the Procedures and any other steps or sanctions which may be taken or applied under the General Regulations, Default Rules and Procedures:

- (a) if there is a Delivery Failure as a result of any failure on the part of the Seller/Buyer to comply with the applicable obligations under such

Contract, then that party shall indemnify the Clearing House in respect of any costs directly attributable to that Delivery Failure;

- (b) the Clearing House shall have absolute discretion in determining the costs arising Pursuant to (a);
- (c) without prejudice to (a) above, the Seller/Buyer shall indemnify the Clearing House against all costs and expenses incurred by the Clearing House in taking steps to mitigate the losses, charges, expenses or penalties which would otherwise be incurred as a result of the Seller's/Buyer's failure to comply with its obligations under a Contract;
- (d) in the event of a further delivery failure subsequently taking place and a further cost being incurred by the Clearing House, the Selling/Buying Member will be liable to reimburse the Clearing House for all costs incurred;
- (e) the Clearing House is entitled to collect such costs through the PPS and debit the appropriate PPS account of that Selling/Buying Member accordingly.

The Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits.

In the event of a failure on the part of the Seller to deliver, the Clearing House will continue to impose initial margin obligations and require Collateral from the Selling Member until settlement of the Precious Metal contract is complete or the position has been closed out by the Clearing House.

If any ~~LCH-EnClear-OTC~~ LCH EnClear Clearing Member is unable to fulfil their delivery obligation they must inform the Clearing House immediately.

- (f) Delivery Failure on Value Date (D)

In the case of a failure to deliver by the time specified under Section 1.16.2(b)(v)~~1.15.2(b)(v)~~, the Clearing House will declare a Delivery Failure.

The declaration will be in the form of a Closeout Notification being sent out to the ~~LCH-EnClear-OTC~~ LCH EnClear Clearing Member on Value Date (D).

The Clearing House may, at its absolute discretion, take such steps as it deems appropriate to facilitate a mutually acceptable resolution of the Delivery Failure at any stage.

Upon the declaration of a Delivery Failure the Clearing House will organise a back to back trade to cover the position, by instructing its Settlement Agent to execute a swap trade to cover any overnight exposure caused by the Seller's failure to deliver. The swap will comprise of two trades: a purchase by the Clearing House for the value

date of the amount that the Seller failed to deliver; a sale by the Clearing House for the next value date of the same amount.

The Seller will be required to pay to the Clearing House the full contractual amount of the purchase side of the swap trade on the Value Date (D) of the failure. The Clearing House will pay to the Seller the full contractual amount of the sell side on the next value date (minus administration costs, charges and any penalties) by 09:30 hours. All amounts will be processed via PPS Calls/Pays to the Seller's PPS account.

The Clearing House will cancel its Delivery Transfer Request instruction to its Settlement Agent in respect of the failed delivery for that Value Date (D) and will instruct a Delivery Transfer Request against the ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Member for the next value date (D+1). Despite the swap trade, the ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Member remains responsible to deliver on the next Value Date (D+1) and must ensure delivery no later than 14:00 hours on that day.

(g) Delivery Transfer Request Failure on the day after Value Date (D+1)

The ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Member will remain obliged to fulfil the original delivery on D and must match with the new Delivery Transfer Request of the Clearing House by 14:00 hours on D+1.

If the delivery remains unsettled by such time, the Clearing House will purchase the contract amount of the Precious Metal on behalf of the Seller in accordance with the terms of the Closeout Notification which was sent to the Seller on value date.

The Clearing House will instruct its Settlement Agent to purchase the full contract amount of the Precious Metal on behalf of the Clearing House to close out the outstanding failed delivery, for delivery on the same day.

Once the Clearing House has placed an order with its Settlement Agent, the Clearing House will not accept any Precious Metal delivery from the failing ~~LCH-EnClear-OTCLCH EnClear~~ Clearing Member. The Clearing House will use its reasonable endeavours to execute the relevant contract by close of business on the day after the original delivery failure (D+1).

Where a the Clearing House purchases Precious Metal pursuant to a Closeout Notification, the Seller will indemnify the Clearing House against all costs and expenses incurred in taking steps to mitigate the losses, charges, expenses or penalties which would otherwise be incurred as a result of the Seller's failure to deliver under a Contract and those attributed to the purchase following the Closeout Notification.

The Clearing House will also charge an administration fee of \$200 plus any applicable VAT for any Closeout Notification issued to a ~~LCH EnClear~~ LCH EnClear Clearing Member. This fee will be charged to the ~~LCH EnClear~~ LCH EnClear Clearing Member in accordance with standard Clearing House procedures at the beginning of each calendar month (for the previous month's charges). The Clearing House will debit the appropriate PPS account of that Selling Member accordingly.

The Clearing House will continue to impose initial margin obligations and require Collateral from the Seller until the position has been closed out fully.

The Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits.

~~1.16.1.17~~ LCH EnClear ~~OTCLCH EnClear~~ Client Clearing Services

~~1.16.1.17.1~~ LCH EnClear ~~OTCLCH EnClear~~ Client Clearing – Ancillary Documentation

(a) Security Deed

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

(b) Prescribed Language

Pursuant to the Clearing House's General Regulations, each ~~LCH EnClear~~ LCH EnClear ~~OTCLCH EnClear~~ OTCLCH EnClear Clearing Member is required to ensure that it includes certain language in its agreement with its ~~LCH EnClear~~ LCH EnClear ~~OTCLCH EnClear~~ OTCLCH EnClear Clearing Client (the "Clearing House Prescribed Language"). The Clearing House Prescribed Language is shown at Schedule 2 to Procedure 4 of the Clearing House Procedures.

~~LCH EnClear~~ LCH EnClear ~~OTCLCH EnClear~~ OTCLCH EnClear Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website:

[•]<sup>4</sup>

~~1.16.2.1.17.2~~ Backup Clearing Members

---

4 To insert web address upon the relevant website link going live

An ~~LCH EnClear~~ ~~OTCLCH EnClear~~ Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the ~~LCH EnClear~~ ~~OTCLCH EnClear~~ Contracts entered into by an ~~LCH EnClear~~ ~~OTCLCH EnClear~~ Clearing Member on its behalf, in accordance with the Client Clearing Annex.

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

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

#### 1.17.1.18 **Indirect Clearing**

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

- (a) in circumstances where (i) the ~~LCH EnClear~~ ~~OTCLCH EnClear~~ Clearing Member notifies a single Backup Client in respect of all of the relevant Indirect Clients and (ii) within such time as the Clearing House may determine of the receipt of the relevant instructions from the ~~LCH EnClear~~ ~~OTCLCH EnClear~~ Clearing Member, the Clearing House has received confirmation in writing from the Backup Client of its agreement to act as Backup Client in relation to the arrangement described in this paragraph (a) (in such form as the Clearing House may require at the relevant time), transfer to the appointed Backup Client all of the open Related ~~LCH EnClear~~ ~~OTCLCH EnClear~~ Contracts and the balance of the Collateral recorded by the Clearing House as being credited to the relevant Indirect Omnibus Segregated Account (a "**Client to Client Porting**"); or

- (b) transfer the relevant Related ~~LCH EnClear OTCLCH EnClear~~ Contracts from the relevant Indirect Omnibus Segregated Account to a new Omnibus Segregated Account opened within the Clearing House by the relevant ~~LCH EnClear OTCLCH EnClear~~ Clearing Member directly on behalf of the relevant clients (a "**Direct Account Opening**").

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

~~1.17.2~~1.18.2 Each of the steps referred to in paragraphs ~~1.18.1-1.17.1~~ (a) and (b) above and any Fallback Transfer will be subject to receipt by the Clearing House of the following:

- (a) a copy of the notice from the relevant ~~LCH EnClear OTCLCH EnClear~~ Clearing Member to the relevant ~~LCH EnClear OTCLCH EnClear~~ Clearing Client or from the relevant ~~LCH EnClear OTCLCH EnClear~~ Clearing Client to the relevant ~~LCH EnClear OTCLCH EnClear~~ Clearing Member, copied to each of the relevant Indirect Clearing Clients, designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;
- (b) a copy of a notice served by the relevant ~~LCH EnClear OTCLCH EnClear~~ Clearing Member on the relevant ~~LCH EnClear OTCLCH EnClear~~ Clearing Client and copied to each of the relevant Indirect Clearing Clients, alerting that ~~LCH EnClear OTCLCH EnClear~~ Clearing Client and those Indirect Clearing Clients (i) of its intention to request a Client to Client Porting or a Direct Account Opening (as applicable) in respect of the relevant Related ~~LCH EnClear OTCLCH EnClear~~ Contracts; and (ii) that, in the event of an Impossibility Determination in respect of a request for Porting or a Direct Account Opening, a Fallback Transfer is likely to occur; and
- (c) an indemnity from the relevant ~~LCH EnClear OTCLCH EnClear~~ Clearing Member in a form suitable to the Clearing House.

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

For the purposes of this Section ~~1.18.1-1.17.1~~ a "**Related ~~LCH EnClear OTCLCH EnClear~~ Contract**" means, in respect of a transaction between an

**Fourth Bank of England Submission EnClear Futurisation**

~~LCH-EnClear-OTCLCH-EnClear~~ Clearing Member and an ~~LCH-EnClear-OTCLCH-EnClear~~ Clearing Client which has been terminated on an early termination date, the open position represented by the ~~LCH-EnClear-OTCLCH-EnClear~~ Contract entered into with the Clearing House by such ~~LCH-EnClear-OTCLCH-EnClear~~ Clearing Member on behalf of the relevant ~~LCH-EnClear-OTCLCH-EnClear~~ Clearing Client on equal and opposite terms to such transaction, save that, in this Section [1.18.2-1.17.2](#) the ~~LCH-EnClear-OTCLCH-EnClear~~ Clearing Client is acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.



**Appendix IV**

**FCM REGULATIONS OF  
THE CLEARING HOUSE  
LCH.CLEARNET LIMITED**

## REGULATION 1 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:

<b>“Account Manager Executing Party”</b>	means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated FCM SwapClear Transactions.
<b>“Affected Client”</b>	means a client of an FCM Clearing Member (or potential client of an FCM Clearing Member) in respect of which the application of laws or regulations in the client’s jurisdiction of establishment or applicable in the context of activity on a relevant trading platform do not prevent or prohibit EMIR Client Clearing being provided to such client.
<b>“Aggregate Excess Loss”</b>	has the meaning assigned to it in the Clearing House’s <b>“General Regulations”</b> .
<b>“Allocation Notice”</b>	means a message delivered to the Clearing House which contains the following information: (i) details of the Client Segregated Sub-Account or the Proprietary Account of the Post-Allocation FCM Clearing Member to which an Unallocated FCM SwapClear Contract should be allocated; (ii) the amount of notional value of the Unallocated FCM SwapClear Contract to be allocated to each such Client Segregated Sub-Account or Proprietary Account of the Post-Allocation FCM Clearing Member; and (iii) confirmation of the Unallocated FCM SwapClear Contract to which the Allocation Notice relates. Any additional information contained in the Allocation Notice (including any economic details) shall be disregarded by the Clearing House.
<del><b>“Approved Broker”</b></del>	<del>means a person authorized by the Clearing House to participate as a broker in the LCH EnClear OTC Services (as such term is used in the UK General Regulations), including the FCM EnClear Clearing Services as the context may require.</del>
<b>“Assumed Allocation”</b>	has the meaning assigned to it in FCM Regulation 15(d)(iii).
<b>“Auction Portfolio”</b>	has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
<b>“Available FCM Buffer”</b>	means, at any given time, (i) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the Without Client

Excess Model, FCM Buffer credited therein that is not Encumbered FCM Buffer (as described in FCM Regulation 15(c)(ii)(A)), and (ii) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the With Client Excess Model, FCM Buffer credited therein that is not being used by the Clearing House to offset Margin deficits in the relevant FCM Client Sub-Accounts (as described in FCM Regulation 15(d)(iv)).

**“Backload Registration Cycle”**

has the meaning assigned to such term in the FCM Procedures.

**“Backloaded Trade”**

has the meaning assigned to such term in the FCM Procedures.

**“Base Currency”**

has the meaning assigned to such term in FCM Regulation 37(d)(ii).

**"Block IRS Trade"**

means a trade the notional amount of which is at or above the minimum block size established by the CFTC pursuant to CFTC Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such trade to the Clearing House for registration.

**“Business Category of FCM Contract”**

means a category of one or more Products which the Clearing House treats as separate from other Products for purposes of calculating the amount of Margin required to be furnished by an FCM Clearing Member (as set forth in the FCM Procedures) in respect of the FCM Contracts in each such category and, except to the extent otherwise set forth in the FCM Procedures, such separate margin categories consist of: (1) FCM SwapClear Contracts (referred to in the FCM Rulebook as the **“SwapClear Business Category”**), (2) FCM ForexClear Contracts (referred to in the FCM Rulebook as the **“ForexClear Business Category”**), ~~and (3) FCM EnClear Contract (referred to in the FCM Rulebook as the **“EnClear Business Category”**) and (4) FCM Nodal Contracts (referred to in the FCM Rulebook as the **“Nodal Business Category”**).~~

**“Business Day”**

means, in respect of an FCM Contract (except where specified otherwise in the relevant FCM SwapClear Contract Terms, FCM ForexClear Contract Terms, ~~FCM EnClear Contract Terms~~ or FCM Nodal Contract Terms, as applicable), a day on which the Clearing House is open for business as set forth in the FCM Procedures.

**“Buyer”**

means an FCM Clearing Member (or the Clearing House where the context so requires) who is a buyer under the

otherwise furnished to (including any proceeds therefrom) an FCM Clearing Member's Proprietary Account or its FCM Omnibus Client Accounts with LCH for the purpose of margining, guaranteeing and/or securing (as Margin) FCM Contracts for such accounts. The Clearing House will only credit deposited securities or other non-cash collateral or assets as Collateral to the extent such securities or other noncash collateral or assets are acceptable forms of collateral as set forth in the FCM Procedures or as otherwise explicitly permitted by the Clearing House. For the avoidance of doubt, Collateral will not include, and will not be comprised of, an FCM Clearing Member's Contribution.

**“Commodity” or  
“commodity”**

means any “commodity” (as such term is defined in Section 1a(9) of the CEA and CFTC Regulation 1.3(e)) that is the subject matter of an FCM Exchange Contract.

**“Contribution”**

has the meaning assigned to it in the UK General Regulations, and as used herein refers to one or more of the Contributions of one or more FCM Clearing Members or Non-FCM Clearing Members, as the context may require.

**“cover”**

means either Collateral, Margin or both, as the context may require as used in the FCM Rulebook.

**“CVR” or “Collateral Value  
Report”**

has the meaning assigned to it in FCM Regulation 15(d)(ii).

**“Defaulter”**

has the meaning assigned to it in rule 4 of the Default Rules.

**“Default Notice”**

has the meaning assigned to it in rule 3 of the Default Rules.

**“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.

**“Delivery Month”**

in respect of an FCM Exchange Contract, has the meaning ascribed to it in the Exchange Rules applicable to such FCM Exchange Contract.

**“Delivery Notice”**

means a notice in writing, given by or on behalf of a Seller (or Buyer where Exchange Rules so require) pursuant to Exchange Rules, these FCM Regulations and the FCM Procedures, of the Seller's (or Buyer's) intention to make (or take) delivery of a commodity in connection with an FCM Exchange Contract.

**“Economic Terms”**

means that part of the FCM SwapClear Contract Terms ~~or~~, the FCM ForexClear Contract Terms, ~~or the FCM EnClear Contract Terms~~ designated as Economic Terms by the Clearing House from time to time.

	that is registered in such capacity with the CFTC.
<b>“FCM Approved Trade Source System”</b>	means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market, trade affirmation or routing system or other similar venue or system, approved by the Clearing House for submitting or presenting FCM Transactions to the Clearing House. For the avoidance of doubt, the <b>“SwapClear API”</b> is not an FCM Approved Trade Source System.
<b>“FCM Buffer”</b>	has the meaning assigned to such term in FCM Regulation 15(a).
<b>“FCM Buffer Sub-Account”</b>	has the meaning assigned to such term in FCM Regulation 15(a).
<b>“FCM Clearing Member”</b>	means an FCM that has been approved by the Clearing House for the clearing of one or more categories of FCM 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 <b>“Clearing Member”</b> for all purposes under the Default Rules and the FCM Default Fund Agreement, unless otherwise specified in these FCM Regulations.
<b>“FCM Clearing Membership Agreement”</b>	means the agreement so designated under which, <i>inter alia</i> , the Clearing House agrees to make available clearing services to an FCM Clearing Member in respect of FCM Contracts together with any ancillary agreements.
<b>“FCM Clearing Services”</b>	means the FCM SwapClear Clearing Services, the FCM ForexClear Clearing Services, <del>the FCM EnClear Clearing Services</del> and the FCM Nodal Clearing Services, collectively.
<b>“FCM Client”</b>	means a client of an FCM Clearing Member with positions in FCM Contracts on behalf of which the FCM Clearing Member provides FCM Clearing Services and clears FCM Contracts; <b>provided, that</b> any such client is only an FCM Client with respect to its positions in FCM Contracts; <b>and provided, further, that</b> any entity whose account would be considered a Cleared Swaps Proprietary Account pursuant to CFTC Regulation 22.1 or a proprietary account pursuant to CFTC Regulation 1.3(y) if such account were carried by an FCM Clearing Member (such as in the case of an affiliate), shall not be an “FCM Client” of any such FCM Clearing Member.
<b>“FCM Client Business”</b>	means the provision of FCM Clearing Services by an FCM Clearing Member to its FCM Clients.

<b>“FCM Client Funds”</b>	means all FCM Swaps Client Funds and/or FCM Futures Client Funds, as the context may require.
<b>“FCM Client Segregated Depository Account”</b>	means an FCM Swaps Client Segregated Depository Account or an FCM Futures Client Segregated Depository Account, as the context may require.
<b>“FCM Client Sub-Account”</b>	means an individual segregated sub-account on behalf of an individual FCM Client, established on the books of the Clearing House as a sub-account of the relevant FCM Omnibus Swaps Client Account with LCH of an FCM Clearing Member which shall reflect the relevant Margin balance attributable to such sub-account, and the relevant FCM Contracts registered to such sub-account and carried for such FCM Client by its FCM Clearing Member, based on information provided by the applicable FCM Clearing Member and/or an FCM Approved Trade Source System to the Clearing House. Each FCM Client will have an FCM Client Sub-Account in the relevant FCM Omnibus Swaps Client Account with LCH for each Business Category of FCM Contracts in which such FCM Client clears Swap Products.
<b>“FCM Client Sub-Account Balance”</b>	means, at any given time, the legally segregated value of the Margin balance attributable to an FCM Client Sub-Account of the relevant FCM Client as determined by the Clearing House in accordance with the FCM Rulebook. For the avoidance of doubt, an FCM Client Sub-Account Balance at no time reflects the value of any FCM Buffer (including any Encumbered FCM Buffer) or the value of any Unallocated Excess.
<b>“FCM Contract”</b>	means an FCM SwapClear Contract, an FCM ForexClear Contract, <del>an FCM EnClear Contract</del> or an FCM Nodal Contract. <b>“FCM Contracts”</b> means FCM SwapClear Contracts, FCM ForexClear Contracts, <del>FCM EnClear Contracts</del> and FCM Nodal Contracts, collectively.
<b>“FCM Contract Terms”</b>	means the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms, <del>the FCM EnClear Contract Terms</del> and the FCM Nodal Contract Terms, collectively.
<b>“FCM Default Fund Agreement”</b>	means an agreement in a form prescribed by the Clearing House, entered into between an FCM Clearing Member and the Clearing House relating to the “default funds” of the Clearing House.
<b>“FCM Eligible US Trading Venue”</b>	means, in respect of an FCM Clearing Member, an FCM US Trading Venue for which the Clearing House’s records reflect that such FCM Clearing Member has completed the Clearing House’s process for enabling the FCM Clearing

Member to be eligible to submit (or have submitted on its behalf) a transaction executed on such FCM US Trading Venue to the Clearing House for registration.

~~“FCM EnClear Clearing Services”~~

~~means the services provided by an FCM Clearing Member in connection with FCM EnClear Contracts cleared on behalf of its FCM Clients.~~

~~“FCM EnClear Clearing Member”~~

~~means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM EnClear Transactions and register FCM EnClear Contracts.~~

~~“FCM EnClear 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 EnClear Contract Terms, and which is governed by these FCM Regulations.~~

~~“FCM EnClear Contract Terms”~~

~~means the terms applicable to each FCM EnClear Contract as set out from time to time in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.~~

~~“FCM EnClear Product Eligibility Criteria”~~

~~means the product criteria set out in paragraph 1.2 of Part B of Schedule 3 to the FCM Product Specific Contract Terms and Eligibility Manual.~~

~~“FCM EnClear 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 EnClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM EnClear Contract or a Non-FCM EnClear Contract.~~

**“FCM Exchange Contract”**

means an FCM Contract arising out of a transaction executed on a market administered by an Exchange in accordance with the Exchange Rules of the relevant Exchange. Such FCM Contracts are: FCM Nodal Contracts.

**“FCM Exchange Contract Subject to Delivery Notice”**

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

**“FCM Exchange Transaction”**

means a transaction entered on, or subject to, the Exchange Rules of the relevant Exchange of which particulars are to be presented to the Clearing House for registration as (i) an FCM Exchange Contract in the name of the relevant FCM Clearing Member in accordance with the relevant Exchange Rules, and the FCM Regulations and FCM Procedures and (ii) as applicable, as either (A) a second such FCM

<b>“FCM Nodal Clearing Member”</b>	means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM Nodal Transactions and register FCM Nodal Contracts.
<b>“FCM Nodal Clearing Services”</b>	means the services provided by an FCM Clearing Member in connection with FCM Nodal Contracts cleared on behalf of its FCM Clients.
<b>“FCM Nodal Contract”</b>	means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM Nodal Contract Terms, and which is governed by these FCM Regulations.
<b>“FCM Nodal Contract Terms”</b>	means the terms applicable to each FCM Nodal Contract as set out from time to time in the Nodal contract specifications provided in the Nodal Rules.
<b>“FCM Nodal Transaction”</b>	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 Nodal Contract, and the other side of such transaction registered with the Clearing House as either an FCM Nodal Contract or a Non-FCM Nodal Contract.
<b>“FCM Omnibus Client Account with LCH”</b>	means either an FCM Omnibus Swaps Client Account with LCH or an FCM Omnibus Futures Client Account with LCH.
<del><b>“FCM Omnibus EnClear Client Account with LCH”</b></del>	<del>means an omnibus account maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM EnClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus EnClear Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM EnClear Contracts. Each FCM Omnibus EnClear Client Account with LCH is a book entry account, the associated Collateral of which is contained in the LCH Swaps Client Segregated Depository Account. The Clearing House will establish FCM Client Sub Accounts within each FCM Omnibus EnClear Client Account with LCH.</del>
<b>“FCM Omnibus ForexClear Client Account with LCH”</b>	means an omnibus account maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM ForexClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the

Clearing House. Such FCM Omnibus ForexClear Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM ForexClear Contracts. Each FCM Omnibus ForexClear Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Swaps Client Segregated Depository Account. The Clearing House will establish FCM Client Sub-Accounts within each FCM Omnibus ForexClear Client Account with LCH.

**“FCM Omnibus Nodal Client Account with LCH”**

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

**“FCM Omnibus Futures Client Account with LCH”**

means an FCM Omnibus Nodal Client Account with LCH.

**“FCM Omnibus SwapClear Client Account with LCH”**

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

**“FCM Omnibus Swaps Client Account with LCH”**

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

**“FCM Option Contract”**

means an FCM Exchange Contract which is a contract for an Option.

**“FCM SwapClear Transaction”**

means any transaction the details of which are presented to the Clearing House via an FCM Approved Trade Source System for the purpose of having such transaction registered at the Clearing House as two FCM SwapClear Contracts (or, where a corresponding presentation has been made in respect of the same transaction for registration of a Non-FCM SwapClear Contract, one Non-FCM SwapClear Contract and one FCM SwapClear Contract), regardless of whether (a) such transaction is an existing swap transaction, (b) it was entered into in anticipation of clearing, and (c) it is contingent on clearing.

**“FCM Swaps Client Funds”**

means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member (*i.e.*, not furnished to the Clearing House) on behalf of its FCM Clients with respect to Swaps Products or other Cleared Swaps.

**“FCM Swaps Client Segregated Depository Account”**

means an omnibus account maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository (including any applicable “PPS Accounts”, which are described in the FCM Procedures), which is segregated in accordance with Section 4d(f) of the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account and which contains the FCM Swaps Client Funds of its FCM Clients held in connection with Swap Products or other Cleared Swaps (and, if applicable, the funds of other Cleared Swaps customers of an FCM Clearing Member held in connection with other Cleared Swaps).

**“FCM Transaction”**

means either an FCM SwapClear Transaction, an FCM ForexClear Transaction, ~~an FCM EnClear Transaction~~ or an FCM Exchange Transaction (including an FCM Nodal Transaction), as the context may require.

**"FCM US Trading Venue"**

means a swap execution facility or designated contract market registered as such with the CFTC which the Clearing House has approved for the purposes of having transactions executed thereon submitted to the Clearing House for registration. For the avoidance of doubt, an FCM US Trading Venue need not be an FCM Approved Trade Source System.

**"FCM US Trading Venue Transaction"**

means, in respect of an FCM Clearing Member, a transaction recorded in the Clearing House’s systems (via applicable messaging from the relevant FCM US Trading Venue, FCM Approved Trade Source System or otherwise) as a transaction that was executed on a swap execution facility or designated contract market that, as at the time of such execution, was an FCM Eligible US Trading Venue in

	respect of such FCM Clearing Member.
<b>“FDICIA”</b>	means the Federal Deposit Insurance Corporation Improvement Act of 1991, as amended.
<del><b>“First EnClear Clearing Member”</b></del>	<del>has the meaning assigned to it in FCM Regulation 53(a).</del>
<b>“First Nodal Clearing Member”</b>	has the meaning assigned to it in FCM Regulation 56(a).
<b>“ForexClear Clearing Member”</b>	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.
<b>“ForexClear Contribution”</b>	means, in relation to the Default Rules, the meaning assigned to it in rule 16 of the Default Rules.
<b>“ForexClear DMP”</b>	has the meaning assigned to it in the ForexClear DMP Annex of the Default Rules.
<b>“Futures Account Class”</b>	means the account class for futures accounts (as defined in CFTC Regulation 190.01(a)(i)) for purposes of Part 190 of the CFTC Regulations and Section 4d(a) of the CEA.
<b>“Futures/Options Contract”</b>	means the type of contract which is either (i) a contract for the purchase or sale of a commodity for future delivery that is traded on or subject to the rules of an Exchange, (ii) an option on any such contract or (iii) any similar type of contract, and which, in the case of any of the foregoing, is required to be segregated (along with any related margin) pursuant to Section 4d(a) of the CEA if cleared by an FCM for a customer.
<b>“Futures Product”</b>	means a Product which constitutes a Futures/Options Contract. Such Products are: FCM Nodal Contracts.
<b>“Hedged Account”</b>	has the meaning assigned to it in the FCM Procedures.
<b>“Ineligible FCM ForexClear Contract”</b>	has the meaning assigned to it in FCM Regulation 49(e)(ii).
<b>“Ineligible FCM ForexClear Transaction”</b>	has the meaning assigned to it in FCM <a href="#">Regulation 49(e)(i)</a> <del>Regulation 49(e)(i)</del> .
<b>“Ineligible FCM SwapClear Contract”</b>	has the meaning assigned to it in FCM Regulation 46(f).
<b>“Ineligible FCM SwapClear Transaction”</b>	has the meaning assigned to it in FCM Regulation 46(f).

<b>“Initial Margin”</b>	means, with respect to the amount of Margin attributable to a particular account or accounts of an FCM Clearing Member with the Clearing House, the portion of such Margin held in respect of the Clearing House’s initial margin requirements (as published from time to time by the Clearing House) in respect of the relevant FCM Contracts attributable to such account or accounts.
<b>“LCH.Clearnet Group”</b>	means the group of undertakings consisting of LCH.Clearnet Limited, LCH.Clearnet Group Limited, LCH.Clearnet LLC, LCH.Clearnet (Luxembourg) S.a.r.l., LCH.Clearnet Service Company Limited and Banque Centrale de Compensation S.A. trading as LCH.Clearnet SA. (any reference to a “ <b>member</b> ” of LCH.Clearnet Group Limited within these FCM Regulations is to be construed accordingly).
<b>“LCH Approved Outsourcing Agent”</b>	means a person, designated as such by the Clearing House, as may be provided for in the FCM Procedures.
<del><b>“LCH EnClear-OTC Clearing Member”</b></del>	<del>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.</del>
<b>“LCH Futures Client Segregated Depository Account”</b>	means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and the CFTC Regulations, which is part of the Futures Account Class and which contains the Collateral deposited by such FCM Clearing Members on behalf of their FCM Clients solely in connection with Futures Products cleared for such FCM Clients by such FCM Clearing Members.
<b>“LCH Swaps Client Segregated Depository Account”</b>	means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account that is part of the Cleared Swaps Account Class and which contains the Collateral deposited by such FCM Clearing Members on behalf of their FCM Clients solely in connection with Swaps Products cleared for such FCM Clients by such FCM Clearing Members.

<b>“Lot”</b>	means the standard unit or quantity prescribed by an Exchange, with the approval of the Clearing House, as the trading unit of an FCM Exchange Contract.
<b>“Margin”</b>	means, with respect to a particular account or accounts of an FCM Clearing Member with the Clearing House, the Collateral value that is attributable to such account or accounts as margin for the margining of FCM Contracts in such account or accounts, as determined by the Clearing House in accordance with the FCM Rulebook.
<b>“MCE”</b>	has the meaning assigned to it in Section 2.2.12(c) of the FCM Procedures.
<b>“MER”</b>	Has the meaning assigned to it in Section 2.1.3(c) of the FCM Procedures.
<b>“Nodal”</b>	means Nodal Exchange, LLC of 8065 Leesburg Pike, 3 <sup>rd</sup> Floor, Vienna, VA 22182, United States of America.
<b>“Nodal Eligible Derivative Product”</b>	means a derivative product prescribed from time to time by the Clearing House as eligible for the FCM Nodal Clearing Service.
<b>“Nodal’s Rules”</b>	means the rules, practices, procedures, trading protocols and arrangements of the Nodal Trading Facility as the case may be and as may be prescribed from time to time relating to Nodal Eligible Derivative Products.
<b>“Nodal Service Clearing Member”</b>	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.
<b>“Nodal Trading Facility”</b>	means the facility, trading system or systems operated directly or indirectly by Nodal on which Nodal Eligible Derivative Products may be traded.
<b>“Non-FCM Clearing Member”</b>	means either a SwapClear Clearing Member, a ForexClear Clearing Member, <del>an LCH EnClear OTC Clearing Member</del> or a Nodal Service Clearing Member, as applicable.
<b>“Non-FCM Contract”</b>	means either a Non-FCM SwapClear Contract, a Non-FCM ForexClear Contract, <del>a Non FCM EnClear Contract</del> or a Non-FCM Nodal Contract, as applicable.
<del><b>“Non-FCM EnClear Contract”</b></del>	<del>means an “LCH EnClear OTC Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.</del>
<b>“Non-FCM ForexClear Contract”</b>	means a “ForexClear Contract” (as such term is defined in the UK General Regulations) and which is governed in

amount of Initial Margin required by the Clearing House (in accordance with the FCM Rulebook) to be held in such account or accounts from time to time.

**“Resignation Effective Date”**

means the date on which the termination of a Resigning Member's FCM Clearing Member status in respect of a specific FCM Clearing Service becomes effective as specified in FCM Regulation 5(a).

**“Resigning Member”**

means at any time any FCM Clearing Member: (i) who has given notice to the Clearing House for the purposes of resigning from a particular FCM Clearing Service; or (ii) in respect of whom the Clearing House has given notice for the purposes of requiring such FCM Clearing Member to resign from a particular FCM Clearing Service.

**“Retirement Effective Date”**

means the date on which the termination of a Retiring Member's FCM Clearing Member status becomes effective in accordance with Section 17 of the FCM Clearing Membership Agreement and the FCM Procedures as specified in FCM Regulation 5(e).

**“Retiring Member”**

means at any time any FCM Clearing Member or, as the context may require, any former FCM Clearing Member: (i) who has given notice to terminate its FCM Clearing Member status to the Clearing House; or (ii) in respect of whom the Clearing House has terminated or given notice to terminate its FCM Clearing Member status, in each case in accordance with Section 17 of the FCM Clearing Membership Agreement and the FCM Procedures.

**“Risk Neutralisation”**

has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.

**“Rules Change Committee”**

means the decision-making body of the Clearing House that will oversee and implement all material alterations, amendments or extensions to the FCM Rulebook or the FCM Clearing Membership Agreement in accordance with its terms of reference

~~**“Second EnClear Clearing Member”**~~

~~has the meaning assigned to it in FCM Regulation 53(a).~~

**“Second Nodal Clearing Member”**

has the meaning assigned to it in FCM Regulation 56(a).

**“Seller”**

means an FCM Clearing Member (or the Clearing House where the context so requires) who is a seller under the terms of an FCM Exchange Contract.

<b>“Settlement Finality Regulations”</b>	means the Clearing House's Settlement Finality Regulations from time to time in force.
<b>“Settlement Price”</b>	means, in relation to an FCM Contract, one or more prices determined in accordance with the FCM Regulations or the FCM Procedures.
<b>“Standard Terms”</b>	means those parts of the FCM Contract Terms designated as Standard Terms by the Clearing House from time to time.
<b>“Strike Price”</b>	means the price specified in an FCM Option Contract which becomes the price of the commodity under an FCM Exchange Contract, upon the exercise of the FCM Option Contract, in accordance with the relevant Exchange Rules, and the FCM Regulations and FCM Procedures.
<b>“Swap Product”</b>	means a Product which constitutes a Cleared Swap. Such Products are: (1) FCM SwapClear Contracts, <del>and</del> (2) FCM ForexClear Contracts <del>and (3) FCM EnClear Contracts.</del>
<b>“SwapClear Contribution”</b>	means, in relation to the Default Rules, the meaning assigned to it in rule 16 of the Default Rules.
<b>“SwapClear Clearing Member”</b>	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.
<b>“SwapClear DMP”</b>	has the meaning assigned to it in the SwapClear DMP Annex of the Default Rules.
<b>“SwapClear Tolerance”</b>	has the meaning assigned to it in Section 2.1.3(c) of the FCM Procedures.
<b>“Termination Amount”</b>	has the meaning assigned to such term in FCM Regulation 37(d)(iii).
<b>“UK General Regulations”</b>	means the Clearing House's Default Rules and the Settlement Finality Regulations, and the Clearing House's General Regulations from time to time in force.
<b>“UK General Procedures”</b>	means the Clearing House's <b>“Procedures”</b> as such term is defined in the UK General Regulations, which are applicable to the UK General Regulations.
<b>“Unallocated Excess”</b>	has the meaning assigned to such term in FCM Regulation 15(b).
<b>“Unallocated Excess Sub-Account”</b>	has the meaning assigned to such term in FCM Regulation 15(b).
<b>“Unallocated FCM</b>	has the meaning assigned to such term in FCM <a href="#">Regulation</a>

<b>SwapClear Contract</b>	<u>46(o)(ii)Regulation 46(o)(ii).</u>
<b>“Unallocated FCM SwapClear Transaction”</b>	has the meaning assigned to such term in FCM <u>Regulation 46(o)(i)Regulation 46(o)(i).</u>
<b>“Variation Margin”</b>	means the amount payable by an FCM Clearing Member to the Clearing House or by the Clearing House to an FCM Clearing Member, as applicable, in respect of, and in the amount of, the Clearing House’s variation margin requirements (as published from time to time by the Clearing House) in respect of an FCM Contract and with reference to the change in the NPV of such FCM Contract over a particular period of time.
<b>“Withdrawal Date”</b>	means the date upon which the Clearing House determines to withdraw the FCM SwapClear Service, <u>or</u> the FCM ForexClear Service <del>or the FCM EnClear Service</del> , as applicable, in accordance with these FCM Regulations and the FCM Procedures.
<b>“With Client Excess Model”</b>	has the meaning assigned to it in FCM Regulation 15(d).
<b>“Without Client Excess Model”</b>	has the meaning assigned to it in FCM Regulation 15(c).

Any reference in these FCM Regulations or the FCM Procedures to statutes, laws or regulations (or to specific provisions within them) thereof shall be to such statutes, laws or regulations (or to specific provisions within them) as amended, modified, supplemented or replaced from time to time.

Any reference to a Regulatory Body includes any successor or replacement Regulatory Body.

Reference to writing contained in these FCM Regulations or the FCM Procedures shall include typing, printing, photography, email, 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.

The words “**include**”, “**includes**” or “**including**” are to be deemed followed by the words “without limitation”.

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 or the FCM Procedures to a person or a party (however described) shall include its legal successors or assigns.

Headings are used herein for ease of reference only.

## CHAPTER II - STATUS

### REGULATION 4 FCM CLEARING MEMBER STATUS 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 Clearing Services shall be governed by these FCM Regulations, the Other Specific Regulations and the FCM Procedures. Additionally, an FCM Clearing 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 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 Transactions involving an FCM Client cleared by an FCM Clearing Member as FCM Contracts, such FCM Clearing Member shall act solely as agent of its FCM Clients in connection with the clearing of such FCM Contracts; **provided, that** each FCM Clearing Member shall remain fully liable for all obligations to the Clearing House arising in connection with such FCM Contracts.
- (c) **General Qualification of FCM Clearing Members.** An FCM Clearing Member must obtain approval from the Clearing House in order to provide FCM Clearing Services in respect of a Product. A separate approval is required for each Product that an FCM Clearing Member proposes to clear. 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) maintain adjusted net capital, as defined in CFTC Regulation 1.17, of at least \$7,500,000 (seven and a half million United States dollars), or \$50,000,000 (fifty million United States dollars) in the case of FCM Clearing Members that clear either FCM SwapClear Contracts, ~~or~~ FCM ForexClear Contracts ~~or FCM EnClear Contracts~~; **provided, that** (A) the Clearing House shall be permitted (in its sole and reasonable discretion), including as described in the FCM Procedures, to scale an FCM Clearing Member's required level of net capital in accordance with the level of risk introduced to the Clearing House by such FCM Clearing Member and (B) the Clearing House shall be permitted (in its sole and reasonable discretion) to scale an FCM Clearing Member's level of risk introduced to the Clearing House by such FCM Clearing Member in accordance with its level of net capital (and regardless of whether such FCM Clearing Member has adjusted net capital exceeding \$7,500,000 or \$50,000,000, as applicable); **provided, further, that** each FCM Clearing Member or FCM Clearing Member applicant must maintain compliance with all regulatory financial requirements (whether relating to capital, equity, risk

applicable CFTC Regulations (including but not limited to Part 1, Part 22 and Part 190 of such Regulations, as applicable). In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the value of all Collateral received from each FCM Clearing Member on behalf of an identified FCM Client in connection with Swap Products as belonging to each such individual FCM Client, and such amount shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, other FCM Clients or any other person, except as permitted under the FCM Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 22 of the CFTC Regulations; **provided**, that the Clearing House shall be permitted to physically hold and commingle all Collateral and other cover deposited in any FCM Omnibus Swaps Client Account with LCH in a single physical depository account with a Permitted Depository.

- (iii) The Clearing House shall establish and maintain on its books and records an FCM Client Sub-Account in the name and on behalf of each FCM Client of an FCM Clearing Member, as a sub-account of each applicable FCM Omnibus Swaps Client Account with LCH maintained for such FCM Clearing Member. The Clearing House shall reflect on its books and records the FCM Contracts and Margin value attributable to each FCM Client Sub-Account; **provided**, that the books and records of the Clearing House in this regard shall be based solely on the information provided by the FCM Clearing Member, and the Clearing House shall have no obligation to verify any such information or to investigate independently any such information. Each FCM Client Sub-Account shall be considered to be part of the Cleared Swaps Customer Account Class solely for purposes of Part 190 of the CFTC Regulations. The Clearing House shall, in accordance with the provisions of FCM Regulation 7(h), establish and maintain on its books and records an FCM Buffer Sub-Account on behalf of each FCM Clearing Member and its FCM Clients, as a sub-account of each FCM Omnibus SwapClear Client Account with LCH; ~~and each FCM Omnibus ForexClear Client Account with LCH~~ ~~and each FCM Omnibus EnClear Client Account with LCH~~, maintained for each such FCM Clearing Member.
- (iv) An FCM Clearing Member shall provide the Clearing House with all information required under the FCM Procedures regarding Swap Products, Collateral and other FCM Swaps Client Funds held or furnished by such FCM Clearing Member for each of its FCM Clients and shall instruct the Clearing House as to the Swap Products and Collateral to be reflected in each applicable FCM Client Sub-Account, at such time and in such form as required under the FCM Procedures. In addition, an FCM Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the FCM Clients of the FCM Clearing Member, or the clearing of Swap Products by such FCM Clearing Member on behalf of its FCM Clients or on its own behalf.

(c) **Book Entry Accounts – Futures.**

## CHAPTER XIV - ~~FCM ENCLEAR REGULATIONS~~NOT USED

### REGULATION 52 ~~REGISTRATION OF FCM ENCLEAR CONTRACTS~~NOT USED

- ~~(a) An FCM EnClear Clearing Member must submit particulars of an FCM EnClear Transaction for registration as an FCM EnClear Contract, through such means as shall be prescribed by the FCM Procedures.~~
- ~~(b) Without prejudice to the Clearing House's rights under FCM Regulation 52(f), an FCM EnClear Clearing Member shall be bound by an FCM EnClear Contract registered in its name pursuant to the presentation of particulars of an FCM EnClear Transaction by it or on its behalf, or by an Approved Broker or presented by another FCM EnClear Clearing Member **provided that** the particulars of such FCM EnClear Transaction are submitted to the Clearing House through such means as shall be prescribed by the FCM Procedures.~~
- ~~(c) Without prejudice to the Clearing House's rights under FCM Regulation 52(f), an FCM EnClear Transaction, the particulars of which are submitted for registration as an FCM EnClear Contract, must meet the FCM EnClear Product Eligibility Criteria at the time the particulars of such FCM EnClear Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as an FCM EnClear Contract.~~
- ~~(d) The Clearing House shall be deemed to register an FCM EnClear Contract, in accordance with this FCM Regulation 52 in the name of an FCM EnClear Clearing Member at the Registration Time.~~
- ~~(e) For the avoidance of doubt, any transaction of which details have been submitted by, or on behalf of, an FCM EnClear Clearing Member or by an Approved Broker for registration as an FCM EnClear Contract which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto, and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.~~
- ~~(f) If at any time after registration of an FCM EnClear Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration did not, at the Registration Time, meet the FCM EnClear Product Eligibility Criteria for registration as an FCM EnClear Contract, the Clearing House shall, as soon as practicable thereafter, set aside such FCM EnClear Contract. Upon the FCM EnClear Contract being set aside under this FCM Regulation 52(f), the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House and such transaction shall remain in effect or be terminated, as the case may be, in accordance with any terms agreed between the parties thereto. Any payment made under, or in respect of, an FCM EnClear Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 44 and its obligations under this FCM Regulation 52(f), 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 EnClear Contract in respect of a transaction which did not meet the FCM EnClear Product Eligibility Criteria at the Registration Time to enable it to be registered as an FCM EnClear Contract.~~

## **REGULATION 53 ~~FCM ENCLEAR CONTRACTS~~NOT USED**

~~(a) — An FCM EnClear Transaction presented for registration to, and accepted by the Clearing House, shall be registered by the Clearing House as two FCM EnClear Contracts or as one FCM EnClear Contract and one Non FCM EnClear Contract, one between the First EnClear Clearing Member being the seller, or party paying a Fixed Price (as the case may be) and the Clearing House as buyer, or the party paying a Floating Price (as the case may be), and the other between the Clearing House as the seller or party paying a Fixed Price (as the case may be) and the Second EnClear Clearing Member being the buyer or the party paying a Floating Price (as the case may be). For the purposes of this FCM Regulation:~~

~~(i) — “**First EnClear Clearing Member**” is an FCM EnClear Clearing Member or an LCH EnClear OTC Clearing Member who was, before registration of the FCM EnClear Contract or Non FCM EnClear Contract, as the case may be, party to the corresponding FCM EnClear Transaction as the seller, or party paying a Fixed Price (as the case may be), or, if appropriate, who has Accepted such FCM EnClear Transaction in accordance with the relevant FCM Procedures or UK General Procedures, as the case may be; and~~

~~(ii) — “**Second EnClear Clearing Member**” is an FCM EnClear Clearing Member or an LCH EnClear OTC Clearing Member who was, before registration of the FCM EnClear Contract or the Non FCM EnClear Contract, as the case may be, party to the corresponding FCM EnClear Transaction as the buyer, or the party paying a Floating Price (as the case may be), or, if appropriate, who has Accepted such FCM EnClear Transaction in accordance with the relevant FCM Procedures or UK General Procedures, as the case may be.~~

~~For the purposes of this FCM Regulation 53, “**Accepted**” shall mean that the relevant FCM EnClear Clearing Member (or LCH EnClear OTC Clearing Member, where applicable) has agreed, by such means as may be prescribed from time to time by the FCM Procedures, to become counterparty with the Clearing House to such FCM EnClear Contract (or Non FCM EnClear Contract, where applicable).~~

~~(b) — With effect from registration of an FCM EnClear Transaction as either two FCM EnClear Contracts or one FCM EnClear Contract and one Non FCM EnClear Contract, as the case may be, under FCM Regulation 53(a):~~

~~(i) — the parties to the corresponding FCM EnClear Transaction, to the extent that they are bound by these FCM Regulations or the UK General Regulations, shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time; where the parties to the corresponding FCM EnClear Transaction are not bound by these FCM Regulations or the UK General Regulations, such trade shall be dealt with according to the terms agreed by the parties to that trade;~~

~~(ii) — each FCM EnClear Contract registered under FCM Regulation 53(a) shall be governed by the relevant FCM EnClear Contract Terms as applicable to that FCM EnClear Contract;~~

~~(iii) — subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the First EnClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM EnClear Contract or Non-FCM EnClear Contract (as the case may be) to which it (or the party on whose behalf it is clearing) is party as the seller had and owed in respect of its counterparty under the corresponding FCM EnClear Transaction; and~~

~~(iv) — subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the Second EnClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM EnClear Contract or Non-FCM EnClear Contract (as the case may be) to which it (or the party on whose behalf it is clearing) is party as the buyer had and owed in respect of its counterparty under the corresponding FCM EnClear Transaction.~~

~~In sub-paragraphs (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM EnClear Transaction (it being assumed, for this purpose, that such FCM EnClear 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.~~

~~(c) — If an FCM EnClear 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 EnClear Contract arising under this FCM Regulation 53 (including any subsequent FCM EnClear Contract novated or transferred in accordance with the FCM Rulebook, if applicable).~~

~~(d) — In the case of an FCM EnClear 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 53 shall take effect.~~

**REGULATION 54 ~~DAILY SETTLEMENT~~ NOT USED**

- ~~(a) — Where the FCM Procedures so provide, in respect of any FCM EnClear Transaction and any FCM EnClear Contract arising therefrom, the Clearing House may effect the daily settlement to market, of such open FCM EnClear Contracts (in each case, as opposed to requiring the collateralization of such open contracts) in accordance with the FCM Procedures.~~
- ~~(b) — The Clearing House may, in accordance with the Procedures, in respect of each such open FCM EnClear Contract in an FCM Clearing Member's name which is subject to daily settlement to market, effect and register a settlement contract, being a contract on the same terms (except as to price) as the Open Contract, save that where that FCM Clearing Member is the seller or the party paying a "Fixed Price" (as the case may be) under the terms of the Open Contract, that FCM Clearing Member shall be the buyer or the party paying a "Floating Price" (as the case may be) under the terms of the settlement contract and vice versa, such settlement contract to be effected in accordance with the FCM Procedures at the relevant Reference Price for that day. The Clearing House shall thereupon settle each Open Contract against the respective settlement contract in accordance with the FCM Procedures.~~
- ~~(c) — Upon completion of the process set out in paragraph (b) above, the Clearing House may, if the FCM Procedures so provide, calculate the daily settlement amounts in accordance with the FCM Procedures and may thereafter debit or credit (as the case may be) the FCM Clearing Member's account and upon the Clearing House so doing, that FCM Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising in accordance with the arrangements set out in the FCM Procedures in respect of the relevant FCM EnClear Contract.~~
- ~~(d) — The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph (c) above in the manner prescribed by the FCM Procedures, in respect of those open FCM EnClear Contracts in an FCM Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily settlement to market, register at the Reference Price referred to in paragraph (b) above, which price shall be deemed to be the "traded price", contracts in that FCM Clearing Member's name as open FCM EnClear Contracts on the same terms (except as to price) as the settled Open Contracts, save that no contract for the purchase and no contract for the sale of the same commodity, for the same Delivery Month, or Expiry Month and price, shall be registered in that FCM Clearing Member's name.~~



**Appendix V**



**FCM PROCEDURES OF  
THE CLEARING HOUSE**

**LCH.CLEARNET LIMITED**

## 1.7 Additional Requirements

### 1.7.1 *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 per cent. or more of the voting power of the firm). However, 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.

1.7.2 Each FCM Clearing Member shall maintain current written risk management policies and procedures which address the risks that the relevant FCM Clearing Member may pose to the Clearing House, including any policies and procedures that the Clearing House may reasonably request to be incorporated therein. Upon the request of the Clearing House, an FCM Clearing Member shall promptly provide the Clearing House with a copy of its current policies and procedures for review by the Clearing House.

1.7.3 Pursuant to, and in accordance with, FCM Regulation 14(n) (*Margin and Collateral*), where an FCM Client enters into an FCM Transaction that is non-hedging in nature, the relevant FCM Clearing Member shall collect from that FCM Client additional FCM Client Funds with a value that is:

(a) in respect of FCM SwapClear Contracts, 10 per cent. above the amount that the Clearing House would normally require for such contracts;

(b) in respect of FCM ForexClear Contracts, 10 per cent. above the amount that the Clearing house would normally require for such contract; and

~~(c) in respect of FCM EnClear Contracts, 10 per cent. above the amount that the Clearing House would normally require for such contracts; and~~

~~(d)~~(c) in respect of FCM Nodal Contracts, 10 per cent above the amount that the Clearing House would normally require for such contracts.

For the avoidance of doubt, FCM Regulation 14(n) (*Margin and Collateral*) and this Section 1.7.3 do not require that FCM Clearing Members furnish the Clearing House with Excess Margin.

## 1.8 Other Conditions

The Clearing House may, at any time, impose additional conditions in relation to continued FCM Clearing Member status, and at any time vary or withdraw any such conditions, provided that any conditions which restrict, or may be considered to have the effect of restricting, access of an FCM Clearing Member to the Clearing House shall be imposed only in circumstances where, and to the extent that, their object is to control the exposure of the Clearing House to risk. FCM Clearing Members are

## 2. PRODUCT-SPECIFIC PROCEDURES

Section 2 of these FCM Procedures contains certain requirements and procedures that are specific to individual Products cleared by the Clearing House. The clearing of FCM SwapClear Contracts is discussed in Section 2.1, the clearing of FCM ForexClear Contracts is discussed in Section 2.2, ~~the clearing of FCM EnClear Contracts is discussed in Section 2.3,~~ and the clearing of FCM Nodal Contracts is discussed in Section 2.4.

### 2.1 SWAPCLEAR

#### 2.1.1 *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.

##### (a) *FCM SwapClear Service Functions*

The following functions are performed within the FCM SwapClear Service:

- (i) processing and settlement of coupon payments;
- (ii) processing and settlement of consideration (fee) payments;
- (iii) calculation of initial and variation margin requirements;
- (iv) calculation of MER amounts and SwapClear Tolerance Limits;
- (v) calculation of Price Alignment Interest;
- (vi) adjustment of cash payments to conform with opening days and the SwapClear calendars;
- (vii) allocation and designation of trades to a position-keeping account; and
- (viii) 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 Section 2.1.3(e)) 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 2.1.1(c)).

2.3 **ENCLEARNOT USED**

~~2.3.1~~ **General Matters**

~~(a)~~ **Introduction**

~~This Section 2.3 of the FCM Procedures governs the FCM EnClear Clearing Services, form part of the FCM Rulebook and must be read in conjunction with the other parts of the FCM Rulebook. FCM Clearing Members must inform themselves fully of their obligations under the FCM Rulebook and other relevant documentation, such as the FCM Clearing Membership Agreement, and the terms of any approval by the Clearing House to extend clearing activities. It is to be noted that the FCM Rulebook (including these FCM Procedures) is subject to change from time to time.~~

~~FCM EnClear Clearing Services are provided to FCM Clearing Members authorized by the Clearing House to participate in it (“FCM EnClear Clearing Members” or “ECFCMs”) in respect of “FCM EnClear Transactions” executed by ECFCMs. Such transactions must comply with the Clearing House’s requirements (see the FCM Regulations).~~

~~These FCM Procedures apply to all FCM EnClear Contracts on ECS in the Freight Division of the EnClear Service.~~

~~In the event of any conflict between any provision of these FCM Procedures and any requirement, rule or provision of any other documentation, these FCM Procedures shall prevail.~~

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

~~(b)~~ **Definitions**

~~The following terms shall have the meanings below for the purposes of this Section 2.3 of the FCM Procedures:~~

**~~ECFCM~~**                      ~~An FCM EnClear Clearing Member that has entered into a Clearing Extension Agreement with the Clearing House for the purpose of participating in FCM EnClear Clearing Services.~~

**~~ECS~~**                              ~~The Extensible Clearing System, made available by the Clearing House for position management in the Freight Division of the FCM EnClear Clearing Services.~~

**~~ClearWay~~**                      ~~A user interface made available by the Clearing House for the purpose of entering and confirming FCM EnClear Transactions~~

~~for the EnClear market and for submission of FCM EnClear Transactions into ECS for clearing.~~

**~~Approved Broker~~**

~~A broker that has entered into an FCM EnClear Clearing Services Approved Broker Agreement~~

**~~OTP~~**

~~OTC EnClear Trading Platform~~

~~(c) — Agreements~~

~~(i) — Clearing Approval~~

~~Only FCM EnClear Clearing Members may clear FCM EnClear Contracts.~~

~~Details of how to obtain FCM Clearing Member status at the Clearing House or how to become approved by the Clearing House as an ECFCM of the Freight Division can be obtained from the Clearing House's Membership Department at +44 (0)20 7426 7627/7521/7968.~~

~~FCM Clearing Members seeking approval from the Clearing House to clear FCM EnClear Transactions in the Freight Division must submit to the Clearing House the appropriate signed Clearing Extension Agreement(s) which can be obtained from the Membership department.~~

~~(d) — Customers~~

~~Parties who are not ECFCMs or non-ECFCM Clearing Members (“Customers”) may not directly clear trades through the FCM EnClear Clearing Services. However, any such Customer may enter into an agreement with an ECFCM who has been approved (on such terms as may be agreed between them) to clear that Customer's trades. Particulars of such a trade, if it is an FCM EnClear Transaction that is, it meets all the relevant criteria published by the Clearing House from time to time may be submitted for registration to the Clearing House by the ECFCM in accordance with the FCM Regulations and these FCM Procedures. For the Freight Division, a clearing arrangement is entered into if particulars relating to that trade are “accepted” by two relevant ECFCMs (or an ECFCM and a non-ECFCM Clearing Member, as the case may be) who each agree to become counterparty to the appropriate FCM EnClear Contract (or FCM EnClear Contract a Non FCM EnClear Contract) with the Clearing House, in accordance with the FCM Regulations and these FCM Procedures.~~

~~However, there is no relationship between the Clearing House and any Customer and no Customer has any rights against the Clearing House in respect of any FCM EnClear Contract.~~

~~(e) — Approved Brokers~~

~~Only brokers who are expressly authorized by the Clearing House (“Approved Broker”) may access ClearWay and submit FCM EnClear Transactions for registration. These brokers need to seek permission from the Clearing House to submit eligible trades under each product type separately:~~

~~(i) — Freight (FFAs, Options and Containers)~~

~~(ii) — Iron Ore (Swaps and Options)~~

~~(iii) — Steel~~

~~(iv) — Coal (Swaps and Options)~~

~~(v) — Fertilizer~~

~~The Rules of the Broker Scheme, which bind each Approved Broker and a copy of the Freight Agreement to be signed between the Clearing House and the Approved Broker, are available from the Clearing House.~~

~~Details of how to obtain Approved Broker status at the Clearing House of the Freight Division can be obtained from the Clearing House's Membership Department at +44 (0)20 7426 7627//7521/7968.~~

~~Where a broker who is not an Approved Broker purports to input particulars of a trade via ClearWay, that trade will not be registered by the Clearing House and will be rejected by the Clearing House.~~

~~**PLEASE NOTE:** If the two relevant ECFCMs accept an FCM EnClear Transaction which has been brokered, within the timeframe laid down by these FCM Procedures, it will be registered by the Clearing House in the names of those ECFCMs, whether or not those ECFCMs have appointed or authorized that broker to submit such a trade.~~

~~In the event that a trade is submitted to the Clearing House for registration by an Approved Broker and such trade is accepted for registration by that ECFCM, that ECFCM shall be bound by an FCM EnClear Contract arising there from, notwithstanding that any trade particulars submitted by that Approved Broker in respect of such trade are erroneous or incorrect. An ECFCM shall accept full responsibility to the Clearing House for any trade notified to the Clearing House by an Approved Broker.~~

~~The Clearing House shall not be liable for any errors or omissions on the part of an Approved Broker who inputs a trade via ClearWay and which is registered by the Clearing House.~~

~~Approved Brokers do not act as agents for the Clearing House in participating in the services offered by the Clearing House in the FCM EnClear Clearing Services.~~

~~The Clearing House, in adding a broker to the list of Approved Brokers, makes no warranty or promise regarding the competence, ability, experience or professional skills of any Approved Broker, or at all, notwithstanding that such broker shall have been authorized by the Clearing House to submit trades under the relevant product types. The authorization of such brokers as Approved Brokers is purely to assist ECFCMs to submit trades to the Clearing House for registration in the names of those ECFCMs. No check is made regarding the skills, professionalism or competence of those brokers, nor is any consideration paid by any such, in return for authorization or at all.~~

~~(f) — OTPs~~

~~Application for approved OTP status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of OTPs currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves additional OTPs, it will notify FCM Clearing Members via member circular.~~

~~OTPs may submit FCM EnClear Transactions for registration via the ClearWay ticket entry system.~~

~~LCH.Clearnet has signed agreements with the following OTPs:~~

~~(i) — **Baltic Exchange Derivatives Trading Limited** (“BEDT”). BEDT submit trades for clearing via ClearWay. Tickets therefore pass through the ClearWay Lot Limit Credit Filter and are automatically accepted by the ECFCMs (STP facility) and registered for clearing in ECS if they are within the parameters set. Transactions which are not within the parameters set, or where no limit has been set by the ECFCMs, will remain in ClearWay as pending transactions for ECFCMs to accept manually.~~

~~(ii) — **Cleartrade** (“CT”). CT connects directly to ECS and has its own Credit Filter, monitored by CT itself. Trades are sent to the Clearing House pre-confirmed by the ECFCMs in the CT Credit Filter, meaning ECFCMs will not have to accept the trades in either ECS or ClearWay and they will be registered as soon as received in ECS. On occasion, CT may manually enter details of trades transacted on their screen into ClearWay. These tickets will therefore pass through the ClearWay Lot~~

~~Limit Credit Filter and be automatically accepted by the ECFCMs and registered for clearing in ECS if they are within the parameters set. Transactions which are not within the parameters set, or where no credit limit has been set by the ECFCMs, will remain in ClearWay as pending transactions for ECFCMs to accept manually.~~

~~**PLEASE NOTE:** If an ECFCM accepts an FCM EnClear Transaction which has been matched on BEDT, within the timeframe laid down by these FCM Procedures, it will be registered by the Clearing House in the name of that ECFCM, whether or not it is a participant of BEDT.~~

~~In the event that a trade is submitted to the Clearing House for registration by an OTP and such trade is “accepted” for registration by that ECFCM, that ECFCM shall be bound by an FCM EnClear Contract arising there from, notwithstanding that any trade particulars submitted by that OTP in respect of such trade are erroneous or incorrect.~~

~~The Clearing House shall not be liable for any errors or omissions on the part of an OTP who inputs a trade directly to ECS or via ClearWay and which is registered by the Clearing House.~~

~~(g) — *Contract Terms*~~

~~The FCM EnClear Contract Terms for contracts cleared in the Freight Division are set out in Section 3.4 of Part A of Schedule 3 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.~~

~~The Eligibility Criteria for each FCM EnClear Contract are set out in Part B of Schedule 3 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.~~

~~(h) — *Registration*~~

~~(i) — *General*~~

~~FCM EnClear Transactions in the Freight Division must be submitted to the Clearing House either via ClearWay or by an OTP for processing in the ECS System.~~

~~The Clearing House may require an ECFCM in whose name an FCM EnClear Contract is to be registered to provide it with sufficient Margin as a condition of registration.~~

~~(ii) — *EnClear Market User Systems*~~

~~(A) — *ClearWay*~~

~~ClearWay is an application used by ECFCMs, Approved Brokers and OTPs to enter FCM EnClear~~

~~Transactions, which once confirmed by both ECFCM's, will be registered for clearing in ECS.~~

~~ClearWay contains a Lot Limit Credit Filter which enables ECFCMs to set limits for their position accounts. If a ticket is entered which falls within an ECFCM's set parameters, its side of the trade will be automatically confirmed.~~

~~Transactions which breach the parameters set, or where no credit limit has been set by the ECFCMs, will remain in ClearWay as pending transactions, for ECFCMs to accept manually.~~

~~In the event that a trade is submitted to the Clearing House for registration by an OTP, Broker or ECFCM and such trade is accepted for registration by the ECFCM, the ECFCM shall be bound by the terms set in FCM EnClear Contract.~~

~~(B) — ECS~~

~~ECS is the clearing system which registers trades within the FCM EnClear Clearing Services: Freight Division. The following functionality is available to ECFCMs:~~

- ~~(1) — position keeping~~
- ~~(2) — position adjustments~~
- ~~(3) — position transfers (LCH.Clearnet will perform the transfers on the request of ECFCMs)~~
- ~~(4) — manual exercise/abandonment of Coal Options~~

~~(iii) — Clearing House System Requirements~~

~~ECFCMs and Approved Brokers must maintain an acceptable network connection from a location acceptable to the Clearing House for connecting to the ECS system and/or ClearWay in order to carry out their Clearing Member responsibilities within the clearing systems and to review their trades and positions as necessary.~~

~~(iv) — General Clearing House Reporting~~

~~The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligations) shall, to the extent required by (and in line with the requirements of) applicable law (including Parts 43 and 45 of the CFTC Regulations, and applicable requirements under English law), report to one or more data or trade repositories~~

~~(including swap data repositories) or similar body the details of all FCM EnClear Transactions and FCM EnClear Contracts, including any modifications or terminations without duplication and no later than the working day following the conclusion, modification or termination of such contract. In order to avoid any such duplication of reports, each ECFCM acknowledges and agrees that it will not report the details referred to in this paragraph to the bodies referred to in this paragraph, unless otherwise agreed with the Clearing House.~~

~~(i) — *Submission and Acceptance of FCM EnClear Transactions for Registration in the Freight Division*~~

~~For registration of FCM EnClear Transactions, ECFCMs must comply with all the requirements of the Clearing House as set out in the FCM Rulebook and other relevant documentation issued by the Clearing House in this regard.~~

~~An FCM EnClear Transaction submitted to the Clearing House, which complies with the Clearing House requirements for registration, will be deemed to be registered or rejected by the Clearing House immediately upon receipt by ECS, after the acceptance by both ECFCMs, whether the acceptance is explicit or is given via the parameters of a credit filter.~~

~~(j) — *Novation*~~

~~Once a trade has been registered in ECS, novation replaces each FCM EnClear Transaction submitted through the FCM EnClear Clearing Services with either:~~

~~(i) — two separate FCM EnClear Contracts: one between the selling ECFCM and the Clearing House and the other between the buying ECFCM and the Clearing House; or~~

~~(ii) — (where only one Clearing Member is an ECFCM) one FCM EnClear Contract between the Clearing House and the ECFCM, and the other between the Clearing House and the non-ECFCM Clearing Member, with the latter being governed by the General Regulations.~~

~~(k) — *Notification of Rejection*~~

~~If the Clearing House does not register a trade presented for registration it will notify the relevant ECFCMs concerned within a reasonable time, indicating the reasons for rejection.~~

~~(l) — *Notification*~~

~~For the Freight Division, all FCM EnClear Contracts arising from registered FCM EnClear Transactions are listed on ECS and in the~~

~~daily Trade report available through the Clearing House's Member reporting extranet site.~~

~~(m) — Position Keeping Accounts~~

~~(i) — Types of Accounts for the Freight Division~~

~~Positions with regard to LCH.Clearnet Freight Contracts are recorded within the ECS system in position keeping accounts.~~

~~An ECFCM's position account will be assigned a free format alphanumeric code, as prescribed by the ECFCM.~~

~~There is no restriction on the number of individual position accounts an ECFCM may open.~~

~~(ii) — Basis of Position Keeping for the Freight Division~~

~~Position Accounts can be held net or gross, as required by the ECFCM. ECFCMs must notify the Clearing House of their requirements in this regard.~~

~~(iii) — Position Settlement (Gross Accounts) for Freight Division~~

~~Where a position account is held gross, the ECFCM may, if it so wishes, carry out a closeout by the manual settlement of open positions, using the position adjustment facility in the ECS system.~~

~~(iv) — Financial Accounts~~

~~Position accounts have financial accounts associated with them. These are, *inter alia*, used to record cash balances, securities/documentary credits and non-realized margin.~~

~~Where appropriate, ECFCMs' financial accounts are identified by a single character code: "C" for FCM Client Business used for Initial Margin Flows and "L" for FCM Client Business used for Variation Margin Flows; and "H" for house business.~~

~~The C account is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations.~~

~~Position accounts will map to either an ECFCM's "C" account or "H" account, as specified by that Member.~~

~~(v) — Other Financial Accounts~~

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

	<u>Code</u>
<del>Additional Margin accounts (House), used for holding additional cash in relation to house business</del>	<del>B</del>
<del>Additional Margin account (Client), used for holding additional cash in relation to FCM Client Business</del>	<del>E</del>
<del>Unallocated Excess account (Client), used for holding excess cash and non-cash Collateral in relation to FCM Client Business</del>	<del>U</del>

~~The E and U accounts are Cleared Swaps Customer Accounts as defined in Part 22 of the CFTC Regulations.~~

~~(vi) — Default Fund (DF) Account~~

~~Each FCM Clearing Member's Contribution is held in a separate financial account, in accordance with the Default Rules. The Default Fund account code is "F".~~

~~(n) — Margin~~

~~(i) — Initial Margin~~

~~Separate Initial Margin calculations are performed for an ECFCM's house "H" and client "C" accounts. Accounts are margined net, meaning that if long and short positions are held in the same delivery month, Initial Margin is charged on the net position. Separate Initial Margin calculations are performed for an FCM Clearing Member's house "H" and client "C" accounts and, within a "C" account, separately in respect of each FCM Client Sub Account therein. No offset between the "C" and "H" accounts is permitted.~~

~~(ii) — Initial Margin Parameters~~

~~Initial Margin parameters are set by the Clearing House. However, in accordance with the FCM Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for an individual ECFCM's house and/or client accounts.~~

~~ECFCMs will be notified by the Clearing House of alterations to Initial Margin parameters no later than the day before calls are made based on the new rates.~~

~~(iii) — Calculation of Initial Margins~~

~~London SPAN~~

~~Initial Margin is re-calculated at the close of each business day using the London SPAN algorithm, which is an adaptation of the SPAN method developed by the Chicago Mercantile Exchange<sup>8</sup>.~~

~~For full details of how London SPAN calculates margin, reference should be made to the SPAN technical information package available from the Clearing House's Service Desk at +44 (0)20 7426 7200. Technical questions should be directed to the Clearing House's Risk Management Department at +44 (0)20 7426 7620.~~

~~(iv) — Realized Variation Margin~~

~~FCM EnClear Contracts are settled to market daily by the Clearing House in accordance with the relevant FCM EnClear Contract Terms. Profits or losses are either credited to or debited from FCM Clearing Members' relevant Proprietary Account or FCM Omnibus EnClear Client Account with LCH (and further attributed to the relevant FCM Client Sub-Account).~~

~~Realized margin is the calculated profit or loss arising from a comparison between the values of open positions at the relevant Reference Price with the value of positions recorded (i.e., the Fixed Price for new trades and the previous day's Reference Price for other positions).~~

~~Separate Variation Margin calculations are performed in respect of an FCM Clearing Member's house "H" account and in respect of an FCM Clearing Member's client "C" account. No offset between the "C" and the "H" accounts is permitted. The Clearing House shall make or receive a separate Variation Margin payment with respect to each house "H" account and each client "C" account (subject to the Default Rules).~~

~~(v) — Option Variation Margin~~

~~As premium is paid up front, option Variation Margin is the value of unexpired options, calculated with reference to the official quotation. Bought and sold options generate credit and debit NLV (Net Liquidation Value) margin respectively.~~

~~Separate Variation Margin calculations are performed in respect of an FCM Clearing Member's house "H" account and in respect of an FCM Clearing Member's client "C" account.~~

---

<sup>8</sup> ~~The Chicago Mercantile Exchange (CME) permitted the Clearing House to adapt the CME specifications for SPAN to produce London SPAN, which meets the particular requirements of the London futures and options markets. 'SPAN [TM] ®' is a registered trademark of the CME. The CME assumes no liability in connection with the use of SPAN or London SPAN by any person or entity.~~

~~No offset between the “C” and the “H” accounts is permitted. The Clearing House shall make or receive a separate Variation Margin payment with respect to each house “H” account and each client “C” account (subject to the Default Rules).~~

~~(vi) — Intra Day Margin Calls~~

~~In accordance with the FCM Regulations the Clearing House is entitled to make additional margin calls for payment the same day (intra day margin calls) where it considers it necessary. Intra day margin calls will be made through the Protected Payments System (see Section 3.2).~~

~~(o) — Trade Management for the Freight Division~~

~~PLEASE NOTE: FCM EnClear Transactions for the Freight Division may be submitted for clearing to be registered either:~~

~~(a) — in the name of two ECFCMs; or~~

~~(b) — an ECFCM and a non-ECFCM Clearing Member.~~

~~As such, for the purposes of this Procedure 2.3.1(o), for the ease of expositions, references to an ECFCM, may, in the case of FCM EnClear Transactions of type (b) above, included a non-ECFCM Clearing Member.~~

~~(i) — Trade Entry~~

~~FCM EnClear Transactions for the Freight Division may be submitted for clearing either directly by the ECFCM or by an Approved Broker via ClearWay, or through an OTP. A list of Approved Brokers is available from the Clearing House.~~

~~BEDT trades will be submitted via the Baltex screen, which is linked directly to ClearWay. Cleartrade trades may be entered via the Cleartrade screen, which is linked directly to ECS, or manually (by Cleartrade staff) via ClearWay.~~

~~The following particulars of FCM EnClear Transactions must be entered in ClearWay via its Ticket Entry screen:~~

~~(A) — Product~~

~~(B) — Series (Spot, Month, Quarter, Season or Calendar)~~

~~(C) — Contract Type (Forward, Call or Put)~~

~~(D) — Prompt (contract day, month, quarter, season or calendar)~~

~~(E) — Strike (select from the dropdown list)~~

- ~~(F) — Seller Ref (a sequential number)~~
- ~~(G) — Buyer Ref (same as the Seller Ref)~~
- ~~(H) — Seller Account (obtained from the customer or its ECFCM)~~
- ~~(I) — Buyer Account (obtained from the customer or its ECFCM)~~
- ~~(J) — Lots (per month (or day in the case of spot))~~
- ~~(K) — Price~~

~~The following particulars of FCM EnClear Transactions must be entered in ClearWay via an Upload file:~~

- ~~(1) — Type (always TICKET)~~
- ~~(2) — Sell Trader (always LCH1)~~
- ~~(3) — Sell Account (obtained from the customer or its ECFCM)~~
- ~~(4) — Sell Broker (their 3 letter mnemonic)~~
- ~~(5) — Buy Trader (always LCH1)~~
- ~~(6) — Buy Account (obtained from the customer or its ECFCM)~~
- ~~(7) — Buy Broker (their 3 letter mnemonic)~~
- ~~(8) — Contract (combination of the product, series, contract type, prompt and strike)~~
- ~~(9) — Quantity (in lots)~~
- ~~(10) — Price~~
- ~~(11) — Buy Client Ref (a sequential number)~~
- ~~(12) — Sell Client Ref (same as the Buy Client Ref)~~
- ~~(13) — Anonymous Trade (always Y)~~

~~In certain circumstances the Clearing House may enter trades upon request from an ECFCM, Approved Broker, OTP or other party. In such circumstances, the Clearing House shall have no liability to the ECFCM, Approved Broker, OTP or any other party for any failure to input trades or for inputting trade details incorrectly.~~

~~(ii) — Trades between persons who are not ECFCMs~~

~~Where an FCM EnClear Transaction is executed directly between two parties who are not ECFCMs, or between an ECFCM and another non-ECFCM party (who is not a non-ECFCM Clearing Member), the trade may be submitted for clearing **provided that** each party to that trade has an ECFCM who is prepared to “accept” that trade for clearing. Such FCM EnClear Transaction will then be submitted to the relevant ECFCMs via ClearWay for acceptance.~~

~~(iii) — Acceptance of Trades~~

~~Freight Trades must be accepted by ECFCMs in order to be cleared.~~

~~When details of an FCM EnClear Transaction are input via ClearWay, such trade details will be sent to the ECFCMs identified in such particulars, who may then accept or reject their side of that trade.~~

~~ECFCMs can accept and reject trades in ClearWay manually, but can also set lot limit parameters for their customers, such that trades which fall within those parameters are automatically deemed as accepted by those ECFCMs. Trades which do not pass the lot limit validation criteria set by an ECFCM will go to a pending state, and will not be cleared unless they are manually accepted on the same day by the ECFCM, unless the ECFCM has elected, via the lot limit filter, to have its trades automatically rejected if they do not pass the lot limit validation criteria. If an ECFCM has a credit limit set up for an account and a trade is entered which is within that limit, that ECFCM will not have an opportunity to reject that trade.~~

~~Once a trade has been accepted by both ECFCMs in ClearWay, either manually or automatically via the credit filter, it is submitted to ECS for registration, where the trade is novated and a subsequent FCM EnClear Contract arises between each ECFCM and LCH.Clearnet.~~

~~If a trade is neither accepted nor rejected by both ECFCMs by close of business at the end of any business day, it shall cease to be eligible for registration in the name of that ECFCM or any other ECFCM and the trade will either remain open as a bilateral uncleared trade or be terminated, dependent upon what the trading parties have agreed in the event of non-registration and will automatically be deleted from the ClearWay system.~~

~~Acceptance by an ECFCM of any FCM EnClear Transaction means that the ECFCM so accepting agrees to be bound by an FCM EnClear Contract arising in respect of that FCM EnClear~~

~~Transaction in accordance with the FCM Regulations and these FCM Procedures, and other applicable documentation. Once a trade has been accepted in accordance with the requirements of the Clearing House, as notified from time to time to ECFCMs, the trade may not be withdrawn, recalled or amended.~~

~~(iv) — Contra Trades~~

~~Where incorrect details of a trade have been accepted by both ECFCMs in accordance with the FCM Regulations and these FCM Procedures, the only available method to correct that trade will be by the entry of a contra trade.~~

~~A contra trade will not be required if the trade has a status of “pending” and has not been accepted by both counterparties, as the trade can be cancelled via ClearWay by the ECFCM or Approved Broker and input again with the correct details.~~

~~An accepted trade may need to be corrected by a contra trade for the following reasons:~~

~~(A) — incorrect price;~~

~~(B) — incorrect expiry month;~~

~~(C) — incorrect product;~~

~~(D) — incorrect lots (only where too many lots have been entered);~~

~~(E) — incorrect buyer/seller.~~

~~ECFCMs will be able to view and confirm all contra trades in ClearWay. Contra trades will appear in ClearWay as new trades and it will be the responsibility of the ECFCMs to confirm the trades as appropriate. Where a contra trade is entered via ClearWay and passes the lot limit validation criteria set by an ECFCM, it will be automatically accepted by that ECFCM. Where a trade does not meet the validation criteria, it will remain pending and need to be manually confirmed by that ECFCM, unless the ECFCM has elected, via the lot limit filter, to have its trades automatically rejected if they do not pass the lot limit validation criteria.~~

~~Contra trades will attract the same clearing fees as a normal trade unless the Clearing House's Commercial Services are notified of the trade details at +44 (0)20 7426 7027/6311.~~

~~(p) — Position Transfers~~

~~ECFCMs wishing to affect a position transfer from one ECFCM to another ECFCM should submit a request (a “**Position Transfer**”~~

~~Request~~) to the Clearing House's Membership Team by email to MembershipTeam@lchclearnet.com. Confirmation of a position transfer is required from both the transferor ECFCM and the transferee ECFCM.

ECFCMs are requested to forward the Position Transfer Request as early as possible, but no later than 12:00 hours, on a business day, to ensure timely input of the details into ECS.

~~Provided that~~ adequate Margin is available from both ECFCMs, the transfer will normally be authorized. Should insufficient Margin be available, the transfer may not be authorized until additional Margin is provided.

~~(q)~~ ~~Reports~~

~~ECS~~

The ECS system will generate reports at the end of each business day detailing registered FCM EnClear Contracts in the Freight Division, margin requirements and positions. These reports are available to ECFCMs and some to Approved Brokers via the Clearing House Member Reporting site (a private member-only site).

It is the responsibility of each ECFCM and Approved Broker to preserve any report required for historic, audit or legal purposes, including, but not limited to, any margin reports.

~~ClearWay~~

ClearWay will retain 90 days of trade data only, showing details of all trades entered and whether or not they cleared, which can be accessed by ECFCMs and Approved Brokers through the ClearWay GUI and downloaded as a report.

~~(r)~~ ~~Fees~~

Fees arising for the provision of FCM EnClear Clearing Services will be collected from the ECFCMs monthly through the Members' accounts. Fee information may be found online at [●].

Details of tariffs and any changes thereto will be notified to ECFCMs by means of Member circulars.

For further details regarding fees (including details of how information regarding charges made for FCM EnClear Contracts registered by the Clearing House is communicated to ECFCMs), please see Section 3.6 of these FCM Procedures. ECFCMs should also have regard for the individual sections of this Section 2.3 of these FCM Procedures which may contain further information regarding fees.

~~(s) — Tax~~

~~ECFCMs should take their own legal and accounting advice regarding any taxation liabilities in any country in which a liability to pay tax may arise.~~

~~In the event that the Clearing House incurs any liability to pay any tax in respect of or in connection with any FCM EnClear Contract, it shall have the right to require reimbursement of such tax liability, together with any costs or expenses incurred by the Clearing House in connection with the administration and processing of such tax liability, from the ECFCM who is or was party to that FCM EnClear Contract and whom, in the Clearing House's reasonable opinion, should be responsible for meeting such tax liability, costs and expenses. The Clearing House will collect such payments through the Clearing House Protected Payments System.~~

~~To the extent that VAT or any equivalent tax is due or becomes due in respect of a transaction under any FCM EnClear Contract, the consideration which the parties have agreed is due under the contract will be regarded as VAT exclusive and VAT will be charged in addition to this amount.~~

~~(t) — Procedures for Liquidation of FCM EnClear Contracts of FCM Clients~~

~~Upon the default of an FCM Clearing Member, the Clearing House has the power and authority, pursuant to the FCM Rulebook, the CEA and the CFTC Regulations, to liquidate the FCM EnClear Contracts of FCM Clients which, pursuant to the FCM Rulebook, would be conducted in accordance with the Default Rules. This section sets forth certain supplementary procedures (in addition to the Default Rules and other applicable provisions of the FCM Rulebook) that will apply under such circumstances.~~

~~In certain circumstances the Clearing House may deem, in its sole discretion, that one or more of the FCM EnClear Contracts attributable to an FCM Client's FCM Client Sub Account should be liquidated. Such determination may result from factors including: (i) the Clearing House determining that the FCM Client poses too great a risk to the Clearing House and should therefore be liquidated, (ii) the Clearing House becoming aware of the FCM Client becoming insolvent or otherwise failing in its obligations to the defaulting FCM Clearing Member, (iii) the relevant FCM Client requesting that it be liquidated, or (iv) a request or instruction from a Regulatory Body, whether orally or in writing. In the event of such liquidation the Clearing House shall transfer (either physically or by book entry) such FCM Client's FCM EnClear Contracts to be liquidated into an account at the Clearing House established for purposes of liquidating the FCM EnClear Contracts of FCM Clients of the defaulter (such account, a "**Hedged Account**"). The Clearing House shall establish a separate Hedged~~

~~Account for each currency of FCM EnClear Contracts that are non-transferable and will be subject to liquidation and will include in each such Hedged Account the FCM EnClear Contracts in the applicable currency that are to be liquidated, regardless of the FCM Clients for which such FCM EnClear Contracts are held. The provisions of this section shall apply equally to any such Hedged Account. Additionally, no FCM Contracts other than FCM EnClear Contracts will be transferred into a Hedged Account established for liquidating FCM EnClear Contracts.~~

~~An FCM Client whose FCM EnClear Contracts are transferred into a Hedged Account is referred as a “**Non-Porting Client**”. The Clearing House shall hold the relevant Collateral of Non-Porting Clients (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in the relevant FCM Omnibus EnClear Client Account with LCH of the Defaulter until the liquidation of the entire Hedged Account and all FCM EnClear Contracts and other positions therein, as described below. At the time that the FCM EnClear Contracts of a Non-Porting Client are transferred into a Hedged Account, any outstanding and accrued but unpaid Variation Margin in respect of such FCM EnClear Contracts shall be discharged as of the time such FCM EnClear Contracts are transferred into the Hedged Account, by (i) in the event that Variation Margin is accrued but unpaid in favor of the Clearing House, debiting the relevant FCM Client Sub Account of such FCM Client, or (ii) in the event that Variation Margin is accrued but unpaid in favor of the FCM Client, crediting the relevant FCM Client Sub Account of such FCM Client.~~

~~(i) — *Administration of a Hedged Account.* The Clearing House may enter into hedge transactions and liquidate and/or auction the FCM EnClear Contracts and hedges for the account of the Hedged Account, and may take related actions with respect to a Hedged Account (and the positions held therein), in its sole discretion as permitted by the FCM Rulebook, the CEA and the CFTC Regulations, or as directed by an applicable Regulatory Body.~~

~~(ii) — *Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients.* The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs including the gains and losses associated with hedging transactions, and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:~~

~~(A) — At the time an FCM Client becomes a Non-Porting Client, such Non-Porting Client is assigned a risk factor (a “**Risk Factor**”) which is equal to such Non-Porting Client's Required Margin with respect to its FCM EnClear Contracts that are transferred into the Hedged~~

~~Account at the time such FCM Client became a Non-Porting Client (i.e., at the time of transfer into the Hedged Account).~~

- ~~(B) On the first day that FCM Clients become Non-Porting Clients, gains and losses in the Hedged Account on such day shall be allocated on a *pro rata* basis among such Non-Porting Clients based on their individual Risk Factors. The allocation of gains and losses on subsequent days shall be made in the same manner until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account. Additional Non-Porting Clients that are included in the Hedged Account on a subsequent day, until further additional Non-Porting Clients are included in the Hedged Account on a further subsequent day, are referred to as “**New Non-Porting Clients**”.~~
- ~~(C) On a day when one or more New Non-Porting Clients are included in the Hedged Account, the Clearing House shall calculate a combined risk factor (the “**Existing Non-Porting Clients Combined Risk Factor**”) in respect of the Non-Porting Clients that were previously included in the Hedged Account and are not New Non-Porting Clients (such existing Non-Porting Clients, “**Existing Non-Porting Clients**”). The Existing Non-Porting Clients Combined Risk Factor shall be based on the amount of Required Margin associated with the Hedged Account with respect to all positions (including all FCM EnClear Contracts, hedges or other positions) held in the Hedged Account, at the beginning of the day on which New Non-Porting Clients are included in the Hedged Account (i.e., at a time prior to the transfer of the FCM EnClear Contracts of New Non-Porting Clients into the Hedged Account). For the avoidance of doubt, the Existing Non-Porting Clients Combined Risk Factor is calculated without respect to the Required Margin applicable to the transferred FCM EnClear Contracts of the New Non-Porting Clients.~~
- ~~(D) On any day on which New Non-Porting Clients are included in the Hedged Account, gains and losses in the Hedged Account that are incurred on that day will be allocated among the Existing Non-Porting Clients (as a group) and the New Non-Porting Clients (individually) on a *pro rata* basis based on the Existing Non-Porting Clients Combined Risk Factor (with respect to the Existing Non-Porting Clients as a group) and the individual Risk Factors of each New Non-Porting Client~~

~~(with respect to each such New Non-Porting Client individually). The gains and losses allocated in such manner to the Existing Non-Porting Clients as a group shall be further allocated to each individual Existing Non-Porting Client on a *pro rata* basis based on the Risk Factor of each such Existing Non-Porting Client. The allocation of gains and losses on subsequent days shall occur in the same manner as set forth in this paragraph (D) until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account and thus become the New Non-Porting Clients. In such a case, (A) the Existing Non-Porting Clients shall continue to be treated as Existing Non-Porting Clients, (B) the Non-Porting Clients previously constituting the New Non-Porting Clients shall then constitute Existing Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (B) above), (C) the additional Non-Porting Clients included in the Hedged Account constitute the New Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (B) above), and (D) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Risk Factor and the allocation of gains and losses shall be in accordance with paragraph (C) above and this paragraph (D).~~

~~(E) Upon the liquidation of the Hedged Account and all FCM EnClear Contracts and other positions therein, by auction or otherwise, any gains or losses associated with such auction/liquidation shall be allocated among all Non-Porting Clients on a *pro rata* basis based on the "unit value" of each FCM EnClear Contract of each Non-Porting Client transferred into the Hedged Account, as adjusted by a "liquidation adjustment factor". For purposes of this clause (E), (1) "**unit value**" means the value applied to each FCM EnClear Contract, based on the net present value and outstanding notional value associated with each such FCM EnClear Contract, and (2) "**liquidation adjustment factor**" means a ratio applied to an FCM EnClear Contract based on the aggregate auction/liquidation costs incurred in auctioning/liquidating the Hedged Account and the aggregate notional value of all FCM EnClear Contracts in the Hedged Account, each of clauses (1) and (2) as determined by the Clearing House. The allocations described in this clause (E) are without reference to any Risk Factor or Existing Non-Porting Clients Combined Risk Factor.~~

~~(iii) Settlement of Non-Porting Clients Following Liquidation of Hedged Account. Following the liquidation of a Hedged Account, the Clearing House shall allocate the appropriate gains and losses (as determined in accordance with the above provisions) to each Non-Porting Client's relevant FCM Client Sub Account.~~

### ~~2.3.2 Freight Division~~

#### ~~(a) Introduction~~

~~**This Section 2.3.2 only applies to the Freight Division of the FCM EnClear Clearing Services.**~~

~~References to “FCM EnClear Clearing Members” or “ECFCMs” in this section, means those ECFCMs who are party to, or accept, FCM EnClear Transactions in the Freight Division for clearing by the Clearing House. See Section 2.3.1(a) for further details about obtaining approval to clear within the Freight Division.~~

#### ~~(b) OTC Freight Division Products Eligible for Clearing~~

~~Only trades in products approved by the Clearing House for the LCH FCM EnClear OTC Freight Division (“**Eligible Products**”) may be submitted for registration. The contract terms of Eligible Products for the Freight Division are set out in Section 3.4 of Part A of Schedule 3 to the FCM Product Specific Contract Terms And Eligibility Criteria Manual and may be amended from time to time.~~

~~Below is a list of Eligible Products in the Freight Division; this list is split into four categories of products within Freight Division. The list may change from time to time.~~

##### ~~(i) FFA (Forward Freight Agreement) Products~~

~~Dry Timecharter Basket Routes — Forwards (CTC, PTC, STC, HTC)~~

~~Dry Timecharter Basket Routes — Options (CTO, PTO, STO, HTO)~~

~~Dry Voyage Routes (C3E, C4E, C5E, C7E)~~

~~Dry Trip Timecharter Routes (P1E, P2E, P3E, P1A, P2A, P3A)~~

~~Dry Timecharter Voyage Route (S7)~~

~~\$ per Tonne Tanker Voyage Routes (DD3, DD5, DD7, D19, DC2, DC6)~~

~~(ii) — CFSA (Container Freight Swap Agreement) Products~~

~~CNW (Shanghai — North West Europe)~~

~~CMD (Shanghai — Mediterranean)~~

~~CSW (Shanghai — US West Coast)~~

~~CSE (Shanghai — US East Coast)~~

~~(iii) — WCI Container Products~~

~~WRS (Rotterdam — Shanghai)~~

~~WLS (Los Angeles — Shanghai)~~

~~(iv) — Commodities~~

~~Iron Ore Swaps (TSI)~~

~~Iron Ore Options (TSO)~~

~~Steel Swaps (SCN, SCS, SST, SBC, SCC)~~

~~Fertilizer Swaps (UNO, UYZ, DTA, DNO, UAN, UNE)~~

~~Coal Swaps (API 2 and API 4)<sup>9</sup>~~

~~Coal Options (API 2 and API 4)<sup>10</sup>~~

~~(c) — Operating Times~~

~~(i) — Opening Days~~

~~The Clearing House will publish details of the business days on which the FCM EnClear Clearing Services is operational to receive FCM EnClear Transactions in its Freight Division by Member Circular.~~

<sup>9</sup> — API 2 and API 4 are trademarks and are used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 2 and API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts.

<sup>10</sup> — See footnote 2, above. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts.

~~(ii) — Opening Hours~~

~~FCM EnClear Transactions in the Freight Division may be notified during the following hours, London time:~~

<del>Products</del>	<del>Trade Entry Times</del>	<del>Trade Confirmation Times</del>
<del>FFAs</del>	<del>07:00—18:00</del>	<del>07:00—18:30</del>
<del>Containers</del>	<del>07:00—18:00</del>	<del>07:00—18:30</del>
<del>Iron Ore</del>	<del>07:00—18:00</del>	<del>07:00—18:30</del>
<del>Steel</del>	<del>07:00—18:00</del>	<del>07:00—18:30</del>
<del>Fertilizer</del>	<del>07:00—18:00</del>	<del>07:00—18:30</del>
<del>Coal Swaps</del>	<del>07:00—18:00</del>	<del>07:00—18:30</del>
<del>Coal Options</del>	<del>07:00—18:00</del>	<del>07:00—18:30</del>
	<del>On expiry date— 07:00—17:00</del>	<del>On expiry date— 07:00—17:30</del>

~~Any trade which has not been accepted within the time specified above, on the day on which particulars of that trade are input into ClearWay, will be deleted from ClearWay automatically during the end of day run. It will cease to be an FCM EnClear Transaction and will not be registrable that day. It may, however, be re-submitted on another day.~~

~~Note: ECFCMs are asked to note that where trades are executed or originated outside the Opening Hours, no registration can take place until the relevant registration time on the following Opening Day. Where a weekend and/or public holiday intervenes, registration may be delayed for more than a day.~~

~~(d) — Settlement~~

~~All FCM EnClear Contracts arising from FCM EnClear Transactions in the Freight Division are subject to cash settlement unless closed out prior to expiry of the relevant contract series. No physical settlement is permissible.~~

~~(e) — Reference Prices for Daily Settlement and Marking to Market~~

~~The Clearing House will use a variety of data from market participants, price reporting agencies and brokers for the purposes of producing reference prices each Business Day for daily settlement purposes and for the final settlement prices. See Part B of Schedule 3 to the FCM~~

~~Product Specific Contract Terms and Eligibility Criteria Manual for details of the reference prices for each eligible product in the Freight Division listed therein. The reference price will be the “Floating Price” for the purposes of the Contract Terms (see Schedule 3 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual).~~

### ~~2.3.3 Option Exercise and Expiry~~

#### ~~(a) Freight, Fertilizer and Iron Ore Options~~

~~Freight, Fertilizer and Iron Ore options are European style. Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price. Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price which will be immediately cash settled. Clearing Members cannot make any adjustments to the automatic exercise settings. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.~~

#### ~~(b) Coal Options~~

~~Coal options are European style. Coal options will be automatically exercised or expired, unless manually exercised or cancelled, as described below.~~

##### ~~Automatic Exercise~~

~~Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price.~~

~~Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.~~

##### ~~Manual Exercise or Cancellation~~

~~On expiry day and before 17:30 hours, London time, Clearing Members can override the automatic exercise of a coal option by using the ECS EnClear Trade GUI to perform a manual exercise or cancellation of the option contract. Upon exercise or assignment, an open futures position will be created in the underlying contract at the strike price.~~

~~It is not possible for Clearing Members to input exercise or exercise cancellation instructions after the option expiry deadline has dropped.~~

(e) ~~Exercise by the Clearing House~~

~~When exercised against, the Clearing House will select sellers against which to assign, based on their open position at the end of the last trading day.~~

~~Notice of Assignment/Allocation~~

~~The Clearing House will use reasonable efforts to notify the relevant seller of its allocation as soon as is possible on the day the options expire.~~

~~Notification will be sent via the MBREXR report on the MemberLive reporting site. ECFCMs must have a valid account and password to access this secure site.~~

withdrawal of cash Collateral and its replacement by the lodgment of non-cash Collateral or the replacement of one currency for another. Where an FCM Clearing Member fails to give such notice, the Clearing House may decline to release such cash Collateral until the end of the required notice period. This paragraph applies only to the Proprietary Account of an FCM Clearing Member.

### 3.3.2 *Securities*

Please refer to the following pages on our website for both prevailing haircuts and notes on types of collateral acceptable to the Clearing House as Collateral:

[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 Margin value of securities on their account by viewing the relevant reports available on the Member Reporting Website.

### 3.3.4 *Investment of FCM Client Funds*

Pursuant to the application of FCM Regulation 7(n), the investment of cash Collateral held on behalf of FCM Clients by the Clearing House is limited to investments in U.S. Treasury securities (through outright purchases, repurchase or reverse repurchase transactions).

Each FCM Clearing Member shall instruct the Clearing House as to whether or not to invest such cash Collateral delivered by such FCM Clearing Member to the Clearing House by submitting to the Clearing House such documents as the Clearing House shall provide to FCM Clearing Members for such purpose. If an FCM Clearing Member fails to issue any such instruction to the Clearing House in accordance with such documents, the Clearing House shall invest such cash Collateral from such FCM Clearing Member in accordance with Regulation 7(n).

The Clearing House shall be entitled to charge a cash management fee to FCM Clearing Members that elect to instruct the Clearing House not to invest such cash Collateral. The Clearing House shall notify FCM Clearing Members of the details of such cash management fee via member circular.

### ~~3.3.5 *Use of EnClear NLV as Collateral*~~

~~EnClear credit net liquidating value is not paid in cash, but may be offset against EnClear debit net liquidating value and initial margin across currencies.~~

## 3.4 **Distribution Of Collateral**

The following procedures are not in any way intended to restrict, vary, or alter the Clearing House's rights to apply Collateral held (including any described

Margin applied to an FCM Clearing Member shall be determined by reference to the FCM SwapClear Contracts comprising the SwapClear House Business of that FCM Clearing Member only. Nothing in the foregoing sentence shall prevent the Clearing House from introducing changes to the methodology used for calculating the SwapClear Margin Weight and, in particular, with effect from 28 September 2012, the average daily requirement for Initial Margin applied to an FCM Clearing Member for the purposes of such calculation shall be determined by reference to the FCM SwapClear Contracts comprising both the SwapClear House Business and the SwapClear Clearing Client Business of that FCM Clearing Member.

### 3.9 **Default Fund; ForexClear Contributions**

ForexClear Contributions (as defined in the Default Rules) will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the ForexClear Contribution under Rule F2(a) of the Default Rules (each a “**ForexClear Reset Day**”). ForexClear Contribution requirements will be notified to ForexClear Clearing Members at least two working days prior to each ForexClear Reset Day on Member Intranet Report 000032.

Excess ForexClear Contribution amounts due to ForexClear Clearing Members following the adjustment to the ForexClear Contribution will be repaid to ForexClear Clearing Members' PPS accounts on the ForexClear Reset Day immediately following the adjustment to the ForexClear Contribution.

Interest on ForexClear Contributions will be paid to ForexClear Clearing Members' PPS accounts on the first working day after the ForexClear Reset Day following the end of the relevant “interest accrual period”. Interest is calculated in respect of each “interest accrual period”, which commences on (and includes) a ForexClear Reset Day and ends on (and includes) the calendar day immediately before the next ForexClear Reset Day.

### 3.10 **Quantifying ForexClear Contributions**

For the purposes of calculating the ForexClear Margin Weight under Rule F2(d) of the ForexClear Default Fund Supplement, the average daily requirement for Initial Margin applied to an FX FCM shall be determined by reference to the ForexClear Contracts comprising the ForexClear House and Client Business of that FX FCM only.

### 3.11 **Default Fund Contributions and Loss Distribution Charges: ~~FCM-EnClear Clearing Service and~~ FCM Nodal Clearing Service**

For the ~~FCM-EnClear Clearing Service and~~ FCM Nodal Clearing Service, Contributions will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the Contribution under the Commodities Default Fund Supplement (each a “**Reset Day**”). Contribution requirements will be notified to FCM Clearing Members at least two working days prior to each Reset Day on the report available on the Member website named “Member Default Fund” (REP000032).



**Appendix VI**

---

FCM PRODUCT SPECIFIC CONTRACT TERMS AND  
ELIGIBILITY CRITERIA MANUAL

---

**SCHEDULE 2**  
**FCM ENCLEAR NOT USED**

**Part A**  
**FCM ENCLEAR CONTRACT TERMS**

~~Where an FCM EnClear Contract arises between the Clearing House and an FCM Clearing Member pursuant to the FCM Rulebook and the terms of any agreement between them, the terms of a registered FCM EnClear Contract shall include these FCM EnClear Contract Terms (these "**Contract Terms**") which shall comprise:~~

~~Interpretation and Definitions;~~

~~(3) — Economic Terms;~~

~~(4) — Specific Standard Terms\*; and~~

~~(5) — General Standard Terms~~

~~Section 1. — **Interpretation and Definitions: General**~~

~~1.1 — [This section has been removed.]~~

~~1.2 — Words and expressions used in these FCM EnClear Contract Terms shall have the same meaning as in the "FCM Rulebook" of the Clearing House (as defined in the Clearing House's "FCM Regulations").~~

~~1.3 — The accidental omission to give any notice which may be required under the FCM Rulebook for the amendment of these Contract Terms, or the non-receipt of any such notice by any FCM Clearing Member shall not invalidate the amendment with which such notice is concerned.~~

~~1.4 — In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.~~

~~1.5 — Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.~~

~~1.6 — Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.~~

~~1.7 — "**US Business Day**" means a day upon which banks in the United States of America are generally open to settle payments and for general business. "**UK Business Day**" means a day upon which banks in England and Wales are generally open to settle payments and for general business.~~

~~Section 2. — Economic Terms~~

~~2.1 — The Economic Terms of an FCM EnClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM EnClear 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 EnClear Contract that the particulars of an FCM EnClear Transaction presented to the Clearing House must include matched information in respect of all such designated Economic Terms with the exception of 2.3(viii) which will be determined in accordance with the FCM Procedures.~~

~~2.3 — The Economic Terms comprise:~~

- ~~(a) — Fixed Rate Payer or seller;~~
- ~~(b) — Floating Rate Payer or buyer;~~
- ~~(c) — Contract;~~
- ~~(d) — Contract Series;~~
- ~~(e) — Quantity;~~
- ~~(f) — Delivery Period (where applicable);~~
- ~~(g) — Fixed Price or Traded Price (as the case may be);~~
- ~~(h) — Floating Price (where applicable).~~

~~**PROVIDED, however, that,** as set out in FCM Regulation 38 (*Registration of FCM EnClear Contracts*) where the FCM EnClear Transaction specifies an FCM Clearing Member as the party paying the Fixed Price or being the seller ("**the First EnClear Clearing Member**") with the other FCM Clearing Member (or LCH EnClear OTC Clearing Member, as the case may be) as the party paying the Floating Price or being the buyer ("**the Second EnClear Clearing Member**") the Clearing House, in respect of each FCM EnClear Contract it is party to pursuant to the corresponding FCM EnClear Transaction, shall be (i) the party paying the Floating Price or the buyer to the First EnClear Clearing Member under the FCM EnClear Contract; and (ii) the party paying the Fixed Price or seller to the Second EnClear Clearing Member under the FCM EnClear Contract.~~

~~Section 3. — Specific Standard Terms For FCM EnClear Contracts~~

~~[Sections 3.1 and 3.2 no longer in force]~~

~~3.3 — LCH EnClear OTC Services: Energy Division~~

~~[Section 3.3 not applicable to the FCM EnClear Service]~~

~~3.4 — **LCH EnClear OTC Services: Freight Division**~~

~~Clause 3.4 of Part A of the Schedule to the LCH EnClear OTC Regulations in the UK General Regulations is incorporated herein by reference; **provided, that** for purposes of the FCM Regulations, (i) references therein to LCH EnClear OTC Contracts shall instead be to FCM EnClear Contracts and (ii) references therein to an Eligible OTC Trade shall instead be to an FCM EnClear Transaction.~~

~~3.5 — **LCH EnClear OTC Services: Precious Metals Division**~~

~~{Section 3.5 not applicable to the FCM EnClear Service}~~

~~Section 4. — **General Standard Terms**~~

~~4A. — The following General Standard Terms apply to all FCM EnClear Contracts:~~

~~4A.1 — **Payment of Stamp Tax and Other Taxes**~~

- ~~(a) — All payments due under an FCM EnClear Contract shall be made by the FCM Clearing Member free and clear and without deduction or withholding for or on account of any tax.~~
- ~~(b) — 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.~~
- ~~(c) — The FCM Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty or tax levied or imposed upon the Clearing House in whatsoever jurisdiction in respect of the Clearing House's execution or performance of this FCM EnClear Contract.~~

~~4A.2 — **Payment of Stamp Tax**~~

~~The FCM Clearing Member will pay any Stamp Tax or other similar duty levied or imposed upon it in respect of any FCM EnClear 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.~~

~~The FCM Clearing Member shall indemnify the Clearing House against any stamp tax or other duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM EnClear Contract registered by the Clearing House and to which that FCM Clearing Member is a party.~~

~~4A.3 — **Payments under an FCM EnClear Contract**~~

~~The Clearing House shall, unless specified otherwise in the FCM Procedures, effect daily settlement to market of open FCM EnClear Contracts in accordance with the FCM Regulations. Any Reference Price shall be determined in accordance with the FCM Regulations and the FCM Procedures.~~

~~Payments under, and in respect of, an FCM EnClear 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 Regulations and the FCM Procedures.~~

#### ~~4A.4 *FCM Regulations*~~

~~This FCM EnClear 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 EnClear Contract Terms and the FCM Regulations and/or the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.~~

#### ~~4A.5 *Governing Law*~~

~~This FCM EnClear 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 laws and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of Americas, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM Clearing Member party to this FCM EnClear Contract irrevocably submits to such jurisdiction and to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of Americas, the United states District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.~~

#### ~~4A.6 *Third Party Rights*~~

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

~~4B. [Section 4B not applicable to the FCM EnClear Service]~~

~~4C. The following Standard Terms apply only in respect of FCM EnClear Contracts arising from FCM EnClear Transactions (Freight Division):~~

#### ~~4C.1 *Unavailability of any Reference Price*~~

~~In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided by a panel formed by the Forward Freight Agreement Brokers Association or other applicable provider designated by the Clearing House.~~

~~4C.2—*Calculation Agent*~~

~~The Calculation Agent is the Clearing House.~~

~~4C.3—*Change in Route*~~

~~In the event of a change in a route, the successor reference price as published by the Baltic Exchange or other applicable provider designated by the Clearing House shall be applicable.~~