

VIA CFTC PORTAL

8 June 2016

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

LCH.Clearnet Limited Self-Certification: Default Rule Changes

Dear Mr Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (the "CFTC") Regulation §40.6(a), LCH.Clearnet Limited ("LCH"), a derivatives clearing organization registered with the CFTC, is submitting for self-certification changes to its rules to remove Schedule 10 to its default rules which was rendered inapplicable by LCH's recent Portfolio Margining Service (as defined below) rule changes.

Part I: Explanation and Analysis

LCH operates both SwapClear, an OTC interest rate derivatives clearing service, and Listed Interest Rates Service, an on-exchange interest rate derivatives clearing service that currently clears contracts traded on NASDAQ OMX NLX. LCH recently submitted for self-certification rule changes to offer its qualifying SwapClear Clearing Members of both SwapClear and the Listed Interest Rates service, and their respective clearing clients, an optional portfolio margining service, which enables them to portfolio margin economically correlated Listed Interest Rates Contracts and SwapClear Contracts (the "Portfolio Margining Service"). The Portfolio Margining Service rule changes went into effect on May 23, 2016.

In order to offer the Portfolio Margining Service, LCH created a single default fund and a single set of default management arrangements for the SwapClear and Listed Rates services. Therefore, LCH's Portfolio Margining Service rule changes rendered defunct Schedule 10 to its Default Rules for LCH's former "Listed Interest Rate Service", which governed that service's default fund and default management arrangements.

The changes will go live on, or after, June 23, 2016.

Part II: Description of Rule Changes

To effect the removal of the inapplicable schedule to its default rules, LCH will be making changes to the Default Rules section of its rulebook, as set out below.

Default Rules

Schedule 10 has been deleted in its entirety, as that schedule, in light of LCH's recent Portfolio Margining Service rule changes was rendered inapplicable. The text of the changes to the Default Rules is attached hereto as **Appendix I**.

Part III: Core Principle Compliance

LCH has reviewed these rule changes against the requirements of Core Principles G and finds that the service will continue to comply with all the requirements and standards therein.

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

Part IV: Public Information

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

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

Part V: Opposing Views

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

Certification

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

Should you have any questions please contact me at julian.oliver@lchclearnet.com .

Yours sincerely



Julian Oliver

Chief Compliance Officer

LCH.Clearnet Limited

Appendix I
Default Rules

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Schedule 10
LISTED INTEREST RATE DEFAULT FUND SUPPLEMENT

~~L1. In this Supplement, subject to any contrary indication or where the context otherwise requires, references to:~~

~~the "**Business**" means the Listed Interest Rate Business of a Member~~

~~a "**Contract**" means a Listed Interest Rate Contract, a contract cleared pursuant to a Service and such other listed interest rate derivative contract as the Clearing House may from time to time specify by notice to the Members~~

~~a "**Contribution**" means a Listed Interest Rate Contribution~~

~~the "**Default Fund**" means the fund established by this Listed Interest Rate Default Fund Supplement~~

~~a "**Determination Date**" means a Listed Interest Rate Determination Date~~

~~the "**Excess Loss**" means the Listed Interest Rate Excess Loss~~

~~the "**Fund Amount**" means the Listed Interest Rate Fund Amount~~

~~a "**Member**" means a Listed Interest Rate Clearing Member and a Clearing Member approved to clear a Specified Market~~

~~a "**Minimum Contribution**" means GBP 500,000~~

~~a "**Non-Defaulting Clearing Member**" means a Member that is not a Defaulter under Rule 4 of the Default Rules~~

~~"**Service**" means the listed interest rate derivatives and listed interest rate derivatives-related services provided by the Clearing House pursuant to its rules governing the clearing of the Specified Markets and includes the Listed Interest Rate Service~~

~~"**Specified Markets**" means NLX and any other markets from time to time specified by the Clearing House~~

~~and calculations of "**Combined Loss Value**", "**End of Day Margin Weight**", "**Peak Intra-Day Margin Weight**", "**STLIEOM**" and "**Weight Factor**" are carried out in accordance with this Supplement only.~~

~~Capitalised terms not otherwise defined in this Supplement shall have the meanings assigned to them in the General Regulations or the Default Rules, as applicable.~~

~~L2. **Fund Amount**~~

~~(a) The Default Fund is denominated in GBP, and all amounts referable to it shall be denominated, calculated, called and payable in GBP.~~

~~(b) On each business day, the Clearing House will determine the "**Combined Loss Value**" in respect of each of the three preceding calendar months. The~~

~~Combined Loss Value in respect of a particular day will be the sum of the STLIEOMs for the Members which have the largest and the second largest STLIEOM on that day. For this purpose, the "STLIEOM" means, in respect of each Member and in respect of any day, the stress tested loss in excess of initial margin (determined for a given scenario determined by the Clearing House) which could be incurred by the Clearing House in respect of that Member's Business if that Member became a Defaulter on that day.~~

- ~~(c) The Fund Amount shall be determined by the Clearing House on the first business day of each calendar month (the "**Determination Date**") in accordance with this Rule.~~
- ~~(i) The Fund Amount is, for a given Determination Date, the largest of the Combined Loss Values as determined during the three calendar month period under paragraph (b) of Rule L2, plus 10 per cent., subject to the following provisions of this Rule.~~
- ~~(ii) On any Determination Date, if the Fund Amount as determined under paragraph (c)(i) of Rule L2 would be lower than three times the Minimum Contribution, the Fund Amount will be deemed to be three times the Minimum Contribution (the "**Fund Floor**").~~
- ~~(iii) On any Determination Date, if the Fund Amount as determined would exceed GBP 500,000,000, the Fund Amount will be deemed to be GBP 500,000,000 unless the Risk Committee of the Clearing House has resolved that an increase in the Fund Amount is warranted, in which case the Fund Amount shall be as determined by the Risk Committee.~~
- ~~(iv) In the case of a Default in relation to which the Clearing House does not apply Contributions under Rule 19 or Rule 21 of the Default Rules, determinations of the Fund Amount under the methodology of this Rule are suspended from the date of the occurrence of a Default until the completion of the management of such Default. Where other such Defaults have commenced during the period of suspension, the suspension will end at the completion of the management of the last of such Defaults.~~
- ~~(v) In the case of any Default in relation to which the Clearing House applies Contributions under Rule 19 or Rule 21 of the Default Rules, determinations of the Fund Amount under the methodology of this Rule are suspended from the date of the occurrence of a Default until the expiry of the Cooling Off Period under Rule L7. Where other such Defaults have commenced during the period of suspension, the suspension will end at the expiry of the Cooling Off Period following the Default Management Completion Notice in respect of the last of those Defaults.~~

~~L3. Contributions to Fund~~

- ~~(a) The amount of each Member's Contribution shall be determined by the Clearing House on each Determination Date on the basis of information~~

~~available as at close of business on the immediately preceding business day and notified to such Member as soon as practicable after such determination in accordance with the Procedures. However, determinations of Contributions under the methodology of this Rule are suspended after the occurrence of a Default in accordance with paragraph (e)(v) of Rule L2.~~

~~(b) A Member's Contribution shall be determined with reference to business conducted by it on the Specified Markets in Contracts as follows:~~

~~(i) the Member's "End of Day Margin Weight" shall be calculated by dividing the average daily initial margin obligation at the end of each day (as calculated under the Procedures or other arrangements applicable) which has applied to the Member during the Reference Period in respect of all Contracts by the total of such average daily obligations applied to all Members other than Defaulters;~~

~~(ii) the Member's "Peak Intra-Day Margin Weight" shall be calculated by dividing the average maximum intra-day initial margin obligation arising at any point during each day during the Reference Period (as calculated under the Procedures or other arrangements applicable) which has applied to the Member in respect of all Contracts by the total of such average maximum intra-day obligations applied to all Members other than Defaulters;~~

~~(iii) the Member's "Weight Factor" shall be calculated by adding one half of its End of Day Margin Weight to one half of its Peak Intra-Day Margin Weight,~~

~~and the Member's Contribution shall be the amount arrived at by multiplying the Fund Amount by the Member's Weight Factor, provided that (x) if the amount calculated for a particular Member pursuant to the foregoing would, when aggregated with the Contributions of all other Members, produce a Fund Amount that is in excess of that permitted under paragraph (e)(iii) of Rule L2, then such excess amount, as calculated by the Clearing House, shall be iteratively notionally allocated to such Member *pro-rata* to its Contribution as originally calculated and such proportionate excess shall be deducted from the amount originally calculated and the Member's Contribution shall be adjusted accordingly; and provided further that (y) in no case shall a Member's Contribution be less than the Minimum Contribution (notwithstanding that the Fund Amount may, taking into account all Contributions as adjusted in accordance with the provisos to this paragraph, exceed the level specified in paragraph (e)(iii) of Rule L2).~~

~~For the purposes of these calculations:~~

~~(iv) "Reference Period" means the period of three calendar months immediately before the Determination Date;~~

~~(v) references to "Members" do not include references to Defaulters (apart from any Defaulter in respect of which the Clearing House permits the~~

application of this Rule) or persons which were formerly Members but are not Members on the date on which the relevant calculation is made;

(vi) Contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand pounds; and

(vii) no account shall be taken, in calculating initial margin or Margin Weight under this paragraph (b) of any offsets applied in calculating the initial margin obligations imposed on Members in respect of Contracts, which may otherwise be permissible under the Procedures or other arrangements applicable.

(c) Without prejudice to any other requirements which the Clearing House may impose, the amount of the Contribution of a New Member shall be the sum of:

(i) the Minimum Contribution; and

(ii) any supplementary sum determined by the Clearing House in its discretion and notified to the New Member. The Clearing House shall determine the amount of such supplementary sum by reference to the actual or expected level of clearing activity of the New Member.

(d) Except to the extent that the cap specified in paragraph (c)(iii) of Rule L2 would be exceeded, the Clearing House may recalculate the Contributions due from certain Members on any business day other than one falling between the application of a Contribution and the end of the Cooling-Off Period, as set out at Rule L7, in the following circumstances:

(i) if the Combined Loss Value determined under paragraph (b) of Rule L2 on that day deviates by more than 25 per cent. upwards or downwards from the Combined Loss Value on which the previous Contribution determination was based, on such business day, the Clearing House shall be entitled to make an adjustment upwards or downwards to the Fund Amount commensurate with the deviation;

(ii) where the Risk Committee considers (for any reason) that a recalculation is warranted between Determination Dates.

~~L4. Interest on Contributions~~

~~On each day interest shall accrue on the amount of each Contribution held by the Clearing House, to the extent that it has not been applied under Rule 26 or Rule 28 of the Default Rules, at such rate and in such manner as provided by the Procedures, provided that the rate of interest for any particular day shall be based on a market-recognised benchmark rate plus or minus a spread. Such rate and such spread shall be determined, in light of market conditions at such time, by the Clearing House from time to time and notified by the Clearing House to Members. Interest on Contributions shall be payable in arrears and shall be paid on the date or dates specified by the Procedures. Any interest which has accrued under this Rule shall not be regarded as part of a Contribution.~~

~~L5. Payment of Contributions~~

- ~~(a) Upon determination of the amount of a Contribution on a Determination Date:~~
- ~~(i) if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date exceeds the amount of the Member's Contribution as determined on the Determination Date, the excess shall be paid by the Clearing House to the Member in accordance with the Procedures;~~
 - ~~(ii) if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date is the same as the amount of the Member's Contribution as determined on the Determination Date, no sum shall then be payable by or to the Member in respect of its Contribution; and~~
 - ~~(iii) if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date is less than the amount of the Member's Contribution as determined on the Determination Date, the shortfall shall be paid by the Member to the Clearing House in accordance with the Procedures.~~
- ~~(b) The provisions of this Rule do not apply to a Member which is a Defaulter, unless the Clearing House so requires in any particular case.~~

~~L6. Unfunded Contributions~~

- ~~(a) On any business day after the occurrence of a Default, if the Clearing House determines that by reason of reduction in accordance with Rule L7, (i) the Fund Amount (minus any Contribution of the Defaulter) has been reduced by at least 25 per cent., or (ii) by the time of issue of a Default Management Completion Notice in relation to that Default the Fund Amount will have been so reduced, the Clearing House may, by notice in writing (each an "**Unfunded Contribution Notice**"), require each Non-Defaulting Clearing Member to deposit and maintain an amount (each an "**Unfunded Contribution**") in accordance with this Rule.~~
- ~~(b) Unfunded Contributions will only be payable in circumstances where the relevant Unfunded Contribution Notice is delivered by the Clearing House to Members before a Default Management Completion Notice in relation to the relevant Default.~~
- ~~(c) The amount of an Unfunded Contribution payable by a Member in respect of a Default shall be payable *pro rata* by reference to the proportion which that Member's Contribution bears to the aggregate of Contributions of all Non-Defaulting Clearing Members, and shall not exceed the value of the Contribution of that Member as calculated on the last Determination Date prior to the date when the relevant Default occurred.~~
- ~~(d) Following the payment of an Unfunded Contribution in accordance with paragraphs (a), (b) and (c) of Rule L6, the Clearing House may, by the delivery of one or more further Unfunded Contribution Notices, require each Non-Defaulting Clearing Member to pay one or more further Unfunded~~

~~Contributions in respect of the same Default, provided that the total value of the Unfunded Contributions payable by any Member in respect of a particular Default may not exceed the value of the Contribution of such Member as calculated on the last Determination Date prior to the date when the relevant Default occurred.~~

- ~~(e) Following a Default in respect of which Unfunded Contributions were paid (the "First Default"), the Clearing House may require the payment of further Unfunded Contributions in respect of subsequent Defaults, (which, for the avoidance of doubt, can never be a First Default), provided that Unfunded Contributions will not be payable in respect of any more than three Defaults in any six month period (commencing on the date of delivery of the first Unfunded Contribution Notice in respect of the First Default).~~
- ~~(f) Members shall deposit the full amount of each Unfunded Contribution (without exercising any rights of set off or counterclaim) with the Clearing House on the business day following the receipt of an Unfunded Contribution Notice.~~

~~For the avoidance of doubt, references to "Members" for the purposes of this Rule include any Member (other than a Defaulter) who is: (i) a Retiring Member but whose status as a Member has not yet been terminated; and (ii) a Resigning Member whose resignation from the Service is not yet effective.~~

~~L7. Cooling Off and Replenishment of Fund~~

- ~~(a) This Rule applies where, after a Default, the Clearing House has applied part or all of a Contribution under Rule 19 or Rule 21 of the Default Rules. Upon such application the Fund Amount shall be reduced forthwith by the aggregate amount of the Contributions or parts of Contributions so applied, and (subject to the following provisions of this Rule) the amount of the Contribution that each Member must maintain with the Clearing House shall be reduced by the amount of its Contribution which has been applied pursuant to Rule 21 of the Default Rules, in each case until the next Determination Date. Unless and until the Clearing House has repaid a Defaulter's Contribution, the Fund Amount shall be treated as having been reduced by the amount of the Defaulter's Contribution (if any) regardless of whether the Clearing House has applied part or all of that Contribution under Rule 19 of the Default Rules.~~
- ~~(b) If following the issuance of a notice to the effect that it has completed the management of a Default (a "Default Management Completion Notice") the aggregate amount of Fund Amount determined in accordance with paragraph (a) of this Rule L7 is less than the Fund Floor, the Clearing House may notify each Non-Defaulting Clearing Member that it is required to make a Supplementary Contribution until the next Determination Date, based on the proportion that the value of its Contribution as at the last Determination Date prior to the date when the relevant Default occurred bears to the value of the aggregate Contributions of all Non-Defaulting Clearing Members as at such date, so as to maintain the Fund Amount at no less than the Fund Floor. Supplementary Contributions required hereunder shall be paid within two business days after notification and in accordance with the Procedures.~~

- ~~(e) For a further period (a "Cooling Off Period") of 30 calendar days from (and including) any day on which the Clearing House has issued a Default Management Completion Notice after an application pursuant to Rule 26 or Rule 21 of the Default Rules, calculation of the Fund Amount and the Contributions of Members in accordance with Rule L3 shall be suspended.~~
- ~~(d) Each Member's Contribution during a Cooling Off Period shall be no less than the Minimum Contribution.~~
- ~~(e) Notwithstanding Rule 25 of the Default Rules, if a Member which is not a Defaulter notifies the Clearing House within two business days after the issue of a Default Management Completion Notice that it wishes to resign from the Service; assuming all other requirements for termination of its membership have been satisfied by the end of the Cooling Off Period, such Member shall cease to be treated as a Member for the purpose of Rule L3 on the next Determination Date, and its Contribution shall (unless utilised in the interim in accordance with Rule 21 of the Default Rules) be repaid by the Clearing House following that Determination Date in accordance with the Procedures. A Member which has notified its wish to resign remains liable under Rule L8 until the effective date of its resignation.~~
- ~~(f) The first business day after a Cooling Off Period shall exceptionally be a Determination Date; and the Fund Amount determined on such exceptional Determination Date shall remain in effect until the first business day of the next calendar month.~~
- ~~(g) There may not be more than three exceptional Determination Dates of the type described in (f) above in any period of six months.~~

~~L8. Loss Allocation~~

- ~~(a) At any time after a Default, the Clearing House may determine that the Excess Loss resulting from the Default will exceed the resources available to be applied to it under Rules 15(a) to (g) of the Default Rules. If the Clearing House makes such a determination then the Clearing House may implement the process (the "Loss Distribution Process") described in this Rule L8 in order to mitigate the LCH Uncovered Loss. For these purposes, the difference between the Excess Loss as determined by the Clearing House on that day and such resources remaining available on that day shall be the "LCH Uncovered Loss".~~
- ~~(b) Definitions~~

~~In this Rule L8, the following definitions apply:~~

~~"Loss Distribution Day" means any business day in a Loss Distribution Period on which the Clearing House, prior to calling for Collateral in respect of margin on such business day, determines that the LCH Uncovered Loss for that business day is greater than zero.~~

~~"Loss Distribution Period" means the period from, but excluding, the day on which a Default occurs with respect to a Member to the business day on which all Loss Distribution Charges in respect of such Default have been paid in full.~~

~~(c) — Loss Distribution Charges~~

~~(i) — On each Loss Distribution Day, each Non-Defaulting Clearing Member shall pay to the Clearing House a "Loss Distribution Charge" which is equal to the product of (x) the LCH Uncovered Loss in respect of that Loss Distribution Day and (y) the proportion which that Member's Contribution bears to the aggregate of the Contributions of all Non-Defaulting Clearing Members, provided that the cumulative total of all such Loss Distribution Charges that a Non-Defaulting Clearing Member is required to pay in respect of all Loss Distribution Days relating to that Default shall not be greater than the Loss Distribution Cap Amount in respect of that Non-Defaulting Clearing Member, and provided such Loss Distribution Charge shall also include any liquidity amounts. For this purpose, "Loss Distribution Cap Amount" means an amount equal to the Contribution of such Member as calculated at the last Determination Date (disregarding any Determination Date arising after the Default occurred). For the purposes of this Rule L8, "liquidity amounts" means the gross amount paid or payable for borrowed or purchased assets solely to enable the physical settlement of Contracts.~~

~~(ii) — Any Loss Distribution Charge shall be paid by the Member to the Clearing House in accordance with the Procedures.~~

~~(d) — Application of Loss Distribution Charges~~

~~Apart from liquidity amounts used to effect physical settlement in accordance with paragraph (c)(i) of Rule L8, the Clearing House shall apply all other payments it receives in respect of Loss Distribution Charges solely for the purposes of meeting any loss incurred by the Clearing House in relation to the Defaulter's Contracts.~~

~~(e) — No Rebate~~

~~(i) — Subject to paragraph (c)(ii) of Rule L8, Rule L9 and paragraph (c) of Rule L10, the payment to the Clearing House by any Member of any Loss Distribution Charge shall be final and shall not give rise to any obligation of the Clearing House to repay any such amount or to pay any interest thereon.~~

~~(ii) — Following the issuance of a Default Management Completion Notice, surplus amounts of Loss Distribution Charges comprising liquidity amounts for physical settlement shall, in the case of a Retiring Member or a Resigning Member, be returned to such Member, and, in the case of other Members, be set off against a Member's Contribution (provided any surplus liquidity amounts in excess of the Contribution shall be returned to such Member), in both cases, *pro rata* by reference~~

~~to the proportion which the Loss Distribution Charge paid by the relevant Member bears to the aggregate of Loss Distribution Charges paid by all Non-Defaulting Clearing Members.~~

~~(f) — Ballot~~

~~If on a Loss Distribution Day, the LCH Uncovered Loss exceeds the aggregate amount of Loss Distribution Charges which the Clearing House may be entitled to receive under paragraph (c), the Clearing House may seek approval of Non-Defaulting Clearing Members for a proposal to increase the Loss Distribution Cap Amount for the purposes of the relevant Default to an amount beyond that specified in paragraph (c). Approval shall only be treated as given if, in a ballot: (i) at least 95 per cent. by number (rounding fractions upwards to the next 5 per cent.) of Members eligible to vote have voted, and no Member which has voted has voted against the proposal; or (ii) in the event that there are more than two but fewer than 20 Members, no more than one Member eligible to vote has voted against the proposal.~~

~~L9. — Application of Recoveries~~

~~(a) — The Clearing House will apply any recovery, first to the reimbursement of payers of Loss Distribution Charges, and then to reimburse any Members or other persons to whom recourse has been made under Rules 15(d) to (g) of the Default Rules, but in reverse order to that in which they appear in Rule 15 of the Default Rules. In relation to payers of Loss Distribution Charges, any partial recovery will be distributed *pro rata* to the aggregate payments made by those payers. For the purposes of this Rule, a recovery comprises:~~

~~(i) — any amounts received from the Defaulter as a result of the Clearing House being a creditor of the Defaulter in respect of the Business of such Defaulter in the context of the occurrence of any of the events under Rules 5(i) to (p) of the Default Rules in respect of the Defaulter or otherwise, other than in respect of sums due to the Clearing House for its own account; or~~

~~(ii) — any other amounts howsoever obtained or recovered in the course of the management of the Default or which are otherwise referable to the Default or the Defaulter;~~

~~in each case net of any related expenses incurred by the Clearing House or other sums owing to the Clearing House by the Defaulter in connection with the Service.~~

~~(b) — Nothing in this Rule L9 shall oblige the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.~~

~~(c) — If a Contribution made by a Defaulter to another default fund of the Clearing House has been applied to losses in respect of Contracts registered to an account of the Defaulter, any amounts recovered shall be applied *pari passu* as between the relevant default funds.~~

~~L10.— Service Closure~~

~~(a) Where, after the Default of one or more Members, the Clearing House determines that, notwithstanding the availability of any resources remaining under Rules 15(a) to (g) of the Default Rules and the availability of the Loss Distribution Process under Rule L8, the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of Contracts to which it is party with Non-Defaulting Clearing Members, the Clearing House shall make a further determination (an "**Insufficient Resources Determination**") that the Clearing House does not have sufficient available resources under Rules 15(a) to (g) of the Default Rules and via the Loss Distribution Process under Rule L8 to meet its obligations and liabilities arising in respect of those Contracts to which it is party with Non-Defaulting Clearing Members, and the provisions of this Rule shall have effect.~~

~~(b) All outstanding Contracts shall be closed out as of the business day following the date of the Insufficient Resources Determination and any further obligations to make any payments under or in respect of such Contracts shall cease. The closing prices used shall be prices calculated by the Clearing House in accordance with the methodology used by it to carry out end of day margin runs in respect of the outstanding Contracts. Where such data is not available to the Clearing House, the closing price shall be the last price used by the Clearing House to calculate the variation margin obligation for the position to be closed out.~~

~~(c) On the basis of the close out values established for each outstanding Contract, an account shall be taken (as at the time of close out) of what is due, in respect of each Member, from that Member to the Clearing House and from the Clearing House to that Member, as well as all other amounts owing under or in respect of such Contracts and any other amounts that may be due in respect of the Service (including for these purposes, a proportionate share of any amounts owed generally to or from the Clearing House), and the sums due from the Member shall be set off against the sums due from the Clearing House and only the balance of the account shall be payable. Amounts due in respect of such Contracts shall include, but shall not be limited to, returns of cash Collateral provided in respect of variation margin associated therewith and returns of Loss Distribution Charges, but shall exclude the repayment of any cash Collateral provided to the Clearing House in respect of initial margin or any Contributions.~~

~~To the extent that the aggregate of all of the amounts owed to the Clearing House by Members plus all of those other resources applicable to the Service under Rules 15(a) to (g) of the Default Rules that have not been applied towards an Excess Loss is less than the aggregate of the amounts owed to Members by the Clearing House, each amount owed to Members by the Clearing House shall be reduced *pro rata* the shortfall.~~

~~(d) The Clearing House shall determine any amounts due to each Member in respect of the repayment of cash Collateral provided in respect of initial margin obligations and outstanding Contributions to be repaid. The claim of~~

~~each such Member in respect to the foregoing shall be limited to a *pro rata* share of the assets available to the Clearing House to satisfy those amounts.~~

- ~~(e) For each Member, the amount due to it or due from it as determined pursuant to (c) above shall be aggregated with its claim determined pursuant to (d) above and only the net sum shall be payable. Where the result of such calculations is that a Member owes an amount to the Clearing House, that Member shall pay that amount to the Clearing House immediately. Where the result of such calculations is that a Member is owed an amount by the Clearing House, the Clearing House shall pay that amount to the Member immediately, subject to (g) below.~~
- ~~(f) The payment of such amount to a Member pursuant to (e) above, subject to any re-calculations performed pursuant to (g) below, shall constitute the full and final payment in respect of the Service and such Member shall not be permitted to make any further claims on the Clearing House in respect of amounts relating to the Service nor shall it be permitted to notify the Clearing House of a Termination Date pursuant to Regulation 45 (*Netting*) for a failure to pay any amounts in relation to the Service.~~
- ~~(g) The Clearing House may make the payments due under (e) above in one or more instalments to the Members in proportion to the value of their claims on the Clearing House under (e) above if some but not all of the amounts due under (e) above or Rules 15(a) to (g) of the Default Rules have not yet been received. The Clearing House shall take reasonable steps to recover such amounts and may deduct therefrom reasonable administration costs for such recovery. To the extent that the Clearing House determines that any such amounts will not in fact be recoverable, it shall re-determine the amounts due to Members in accordance with this Rule.~~
- ~~(h) This Rule shall not be applied in the event that a Termination Date has been specified in relation to the Clearing House in accordance with Regulation 45 (*Netting*).~~
- ~~(i)(j) Nothing in the foregoing shall override the obligation of the Clearing House to return non-cash Collateral provided by a Member in respect of its initial margin obligations pursuant to the Regulations and Procedures.~~