



VIA CFTC PORTAL

6 March 2015

Mr Christopher Kirkpatrick
Commodity Futures Trading Commission
1155 21st 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 changes to its rules with respect to the introduction of Zero Coupon Inflation-Indexed Swaps ("Inflation Swaps") clearing in the SwapClear service.

LCH.Clearnet intends to implement these rule changes on, or after, March 23, 2015.

Part I: Explanation and Analysis

LCH.Clearnet is launching Inflation Swaps as part of its SwapClear service, as an extension to its current product offering. SwapClear will launch Inflation Swaps referencing the most liquid indices, which correspond to the major underlying bond markets for inflation. The Inflation Swaps will be based on the following Indices, which cover approximately 95% of the developed market:

- United States, CPI-U
- The Euro Area, HICPxT
- France, CPIxT
- United Kingdom, RPI

The Inflation Swaps launched by SwapClear, being Zero Coupon, will have no exchange of funds before the maturity of the swap. The following are further characteristics of the SwapClear Inflation Swaps at launch:

- The floating leg is determined from an inflation index;
- The fixing is based on publicly generated price indices (in France, US, UK and EU); and
- The maximum tenors are 50 years for UK and 30 years for other indices.

LCH.Clearnet has made some adaptations to allow for Inflation Swaps clearing; in terms of risk management LCH.Clearnet will use a single combined default fund covering interest swaps and inflation.

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A single Default Management Group (“DMG”) will be responsible for hedging the combined portfolio, therefore Inflation specialist traders have been added to the DMG. Stress test scenarios used to size the SwapClear Default Fund have been augmented with new scenarios (historic and hypothetical) covering significant moves in inflation indices and breakdown in correlation between interest rate swaps and inflation. The liquidity margin framework has been adapted to include more conservative calibration for inflation products in a number of ways: ability to net between contracts has been limited; large positions are subject to a superlinear extrapolation which increases the charge compared with an interest rate contract of equivalent size; there will be no zero band for inflation derivatives (i.e. all positions will be charged an exit cost, even if small); there is a specific add-on for inflation reflecting that this is a new product for LCH.Clearnet. LCH.Clearnet has also updated its membership criteria, requiring nominated clearing members to provide Market Data once their clearing volume exceeds a certain size. **Part II** sets out this requirement in more detail, and includes a description of the process by which LCH.Clearnet will sanction clearing members which do not comply with this requirement (known as “Crossing”).

Part II: Description of Rule Change

To introduce Inflation Swaps clearing LCH.Clearnet will be making changes to the following sections of its Rulebook:

1. General Regulations
2. Procedures Section 2C (SwapClear)
3. Default Rules
4. Product Specific Contract Terms and Eligibility Criteria Manual
5. FCM Regulations
6. FCM Procedures
7. FCM Product Specific Contract Terms and Eligibility Criteria Manual

LCH.Clearnet will also be adapting its fee schedule to accommodate Inflation Swaps. A summary of changes to the Rulebook and the SwapClear fee schedule is set out below.

General Regulations

General Regulations 60A(a) to 60A(e) have been inserted and contain provisions relating to the clearing of inflation swaps and apply with respect to each type of inflation index cleared by the Clearing House.

On each of four given dates in a year (each a “Quarter Date”), the Clearing House will determine which groups of clearing members (each an “Inflation Clearing Group”) that clear inflation swaps will be required to provide Market Data. For the 12 months preceding the relevant Quarter Date, the Clearing House will determine the aggregate number of proprietary inflation contracts cleared by each Inflation Clearing Group. Where the amount of activity is higher than 250 contracts (or such lower number that the Clearing House requires in order to ensure at least 8 Inflation Clearing Groups provide Market Data) then that Inflation Clearing Group will be required to provide Market Data for the duration of the relevant quarter. An Inflation Clearing Group may apply for its obligation to provide Market Data to be deferred until the following Quarter Date.

Where there are less than eight Inflation Clearing Groups that are required to provide Market Data pursuant to the above (or such other number that the Clearing House considers sufficient), the Clearing House may: (i) require an Inflation Clearing Group that does meet the applicable threshold but continues

to enter into a non-trivial amount of cleared contracts to continue to provide Market Data; (ii) or request the Inflation Clearing Group that has requested a deferral be required to provide Market Data.

Where there has been insufficient clearing activity in order to determine which Inflation Clearing Groups are required to provide Market Data then the Clearing House has broad flexibility to use alternative means in order to make this determination, such as third party data.

Regulation 60A(f) dictates how and on what basis an Inflation Clearing Group provides Market Data to the Clearing House. Regulation 60A(g) contains use limitations which apply to the Clearing House with respect to Market Data and Regulation 60A(h) contains limitations on the Clearing House's rights to use and disclose Derived Data (data derived from Market Data). SwapClear Clearing Members' usage rights are limited to risk management and settlement activities.

Regulation 60A(i) contains restrictions on SwapClear Clearing Members' use of Derived Data, which is largely limited to provisions to clients, affiliates and service providers. Regulation 60A(k) requires an Inflation Clearing Group to nominate a Group Member that is responsible for entering into Crossing Transactions and to receive notices from the Clearing House in connection with the inflation swaps service.

Regulation 60A(l) describes how the Clearing House will measure Market Data received from an Inflation Clearing Group against the end of day market price that it produces for the purposes of determining whether it should issue a "Market Deviation Notice", where Market Data is outside of a given price range from the Clearing House's end of day price in certain key tenors or the data is corrupt. Regulation 60A(m) deals with a SwapClear Clearing Member that fails to provide Market Data and the issuing of a "Non-Performance Notice".

Where an Inflation Clearing Group receives a given number of Market Deviation Notices or Non-Performance notices the Clearing House will require an Inflation Clearing Group to enter into a Crossing Transaction.

Regulation 60A(n) requires an Inflation Clearing Group to provide a compliance report to the Clearing House where it repeatedly fails to provide off-market Market Data or fails to provide Market Data.

Through Regulation 60A(o), the Clearing House commits not to serve a Default Notice where a SwapClear Clearing Member fails to comply with Regulation 60A generally but does allow the Clearing House to prevent the members of an Inflation Clearing Group from clearing new inflation contracts where there is a failure to comply with Regulation 60A.

Procedures Section 2C (SwapClear)

Section 1.8.13 lists the eligible indices that are used to determine the floating rates for cleared inflation swap contracts (EUR, FRC, GBP and USA). Section 1.8.14 has been added to set out the treatment of the index at the end of trade, known as the "Index Final".

Section 1.27 provides further information on the provision of Market Data by SwapClear Clearing Members. It contains information on when Market Data must be provided, what constitutes 'Corrupted Market Data', the Clearing House's right to seek Market Data from alternative sources in certain circumstances and the Clearing House's reporting requirements with respect to Market Data delivered by SwapClear Clearing Members.

Section 1.27.4 contains information on how Inflation Swap Crossing will be carried out (where Inflation Clearing Groups fail to provide Market Data or provide off-market Market Data).

Default Rules

The Default Rules have been amended to introduce distinct categories of SwapClear Contracts, being Inflation SwapClear Contracts and IRS SwapClear Contracts. Portfolio splitting (2.1), Auction participants (2.3(f) and (g)), Auction Incentive Pools (2.4(b)) and loss allocation methodologies (2.5(c), (d), (e), (f), (g) and 2.6) are now linked to these two categories of SwapClear Contracts.

Product Specific Contract Terms and Eligibility Criteria Manual & FCM Specific Contract Terms and Eligibility Criteria Manual

References to the ISDA 2008 Inflation Definitions have been included as these govern the contractual terms of the cleared inflation contracts. Eligibility criteria for cleared inflation swap contracts are also included.

FCM Regulations

Minor changes to FCM Regulations, additions of appropriate definitions, as FCM Clearing Members are not required to provide Market Data or enter into Crossing Transactions as they do not engage in proprietary activity.

FCM Procedures

The FCM Procedures have been updated, in line with Procedures Section 2C, to set out the eligible indices that are used to determine the floating rates for cleared inflation swap contracts (EUR, FRC, GBP and USA), at section 2.1.8(o). Section 2.1.8(p) has been added to set out the treatment of the index at the end of trade, known as the "Index Final".

Section 2.1.1(e) has been updated to provide that despite the fact that FCM Clearing Members will not provide Market Data, they will be provided with Derived Data. The FCM Procedures provide usage and disclosure limitations that apply to FCM Clearing Members. These are similar to those that apply to SwapClear Clearing Members and allow FCM Clearing Members to provide Derived Data to affiliates, clients and service providers provided such entities use the Derived Data risk management and settlement activities in connection with cleared inflation contracts.

Fee Changes

LCH.Clearnet includes in this submission the fees which will be added to the existing SwapClear tariff for Inflation Swaps clearing. For each existing tariff a Member will be able to clear up to 200 Inflation Swap trades per calendar year for no charge. Any trade over this level will incur a fee and maintenance charge, to a capped amount of £300,000. Inflation Swaps fees for Members will be subject to a six month waiver from the service go-live date. Client Clearing fees have been updated to include a specific Inflation Swaps booking fee. The fee change does not require any changes to the Rulebook.

LCH.Clearnet will update its website to reflect these changes (at address <http://www.lchclearnet.com/asset-classes/otc-interest-rate-derivatives/fees>).



The rule changes and new fee schedule are attached as appendices.

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 julian.oliver@lchclearnet.com.

Yours sincerely,

A handwritten signature in blue ink that reads "Julian Oliver".

Julian Oliver
Chief Compliance Officer
LCH.Clearnet Limited

Appendix I
General Regulations



**GENERAL REGULATIONS OF
LCH.CLEARNET LIMITED**

"Affiliated Omnibus Segregated Clearing Clients"

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.

"Aggregate Excess Loss"

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

"Aggregate Omnibus Client Clearing Entitlement"

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

"Alternative Data"

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

"Applied Collateral Excess Proceeds"

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

"Applied FCM Buffer"

has the meaning assigned to it in the FCM Regulations

"approved agent"

means a person appointed by the Clearing House to perform certain functions on its behalf in respect of an ATP

"Approved Broker"

means a person authorised by the Clearing House to participate as a broker in the LCH EnClear service

"Approved Compression"

means an entity other than the Clearing House which is approved by the Clearing House for the facilitation of

"Co-operating Clearing House Contract" means, in respect of a Co-operating Clearing House, a class of contract, which is cleared by the Co-operating Clearing House from time to time, permitted to be made by members of the Co-operating Clearing House under Co-operating Clearing House Rules and which is the subject of a Link

"Co-operating Clearing House Rules" means the provisions of a Co-operating Clearing House's Memorandum or Articles of Association or other constitutional documents, by-laws, rules, regulations, procedures, customs, practices, notices and resolutions in whatever form adopted by such Co-operating Clearing House that regulate Co-operating Clearing House Contracts and the members and markets cleared by the Co-operating Clearing House and any amendment, variation or addition thereto

"Co-operating Exchange" means an exchange (which may also act as a central counterparty) which is party to a co-operation agreement with LSE

"Corrupted Data" [has the meaning assigned to it in Section 2C1.27 of the Procedures](#)

"Cover" means an amount of cash or (with the approval of the Clearing House) non-cash Collateral, determined by the Clearing House, and in a form and currency acceptable to the Clearing House as prescribed in the Procedures

"Cross-Border Re-registration" means the re-registration of LSE Derivatives Markets Cleared Exchange Contracts from an account of a Linked Member maintained with a Co-operating Exchange to an account of a Member with the Clearing House in accordance with Regulation 87

"Cross-Border Transfers" means the automatic transfers of LSE Derivatives Markets Cleared Exchange Contracts from an account of a Linked Member maintained with a Co-operating Exchange to an account of a Member with the Clearing House

"Crossing Transaction" [has the meaning assigned to it in Regulation 60A\(1\)](#)

"Cross-ISA Client Excess Deduction " means, where a Total Required Margin Amount relates to an Individual Segregated Account held by a Clearing Member on behalf of an Individual Segregated Account Clearing Client, if and to the extent that Client Excess is available in one or more other Individual Segregated Accounts held by such Clearing Member on behalf of the same Individual Segregated Account Clearing Client, a deduction by the Clearing House from the other Individual

"Default Rules"	means the Clearing House's Default Rules including the Supplements from time to time in force pursuant to Part IV of The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 which, for the avoidance of doubt, form a part of these General Regulations
"delivery contract"	means a Cleared Exchange Contract or LSE Derivatives Markets Cleared Exchange Contract between the Clearing House and a Member: <ul style="list-style-type: none"> (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 Contract, the meaning ascribed to it in the LCH EnClear Procedures, or in respect of an LSE Derivatives Markets Cleared Exchange Contract, an expiration month as defined in the LSE Derivatives Markets Rules
<u>"Derived Data"</u>	<u>has the meaning assigned to it in Regulation 60A(g)(i)</u>
<u>"Designated Group Member"</u>	<u>has the meaning assigned to it in Regulation 60A(k)</u>
"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 Contract Terms, or ForexClear Contract Terms as the case may require, designated as Economic Terms by the

Payment"	ForexClear Default Fund Supplement
"ForexClear Voluntary Payment Notice"	has the meaning assigned to it in Rule F10 of the ForexClear Default Fund Supplement
"Fund Amount"	in relation to the Commodities Business, the Equities Business and the Listed Interest Rate Business, has the meaning given to the term "Fund Amount" in the Supplement relating to each such Business and includes such amounts and the ForexClear Fund Amount, the General Fund Amount, the RepoClear Segregated Fund Amount and/or the SwapClear Segregated Fund Amount as applicable
"GC Trade"	means a €GC Trade or a SGC Trade or a Term £GC Trade
<u>"Group Member"</u>	<u>has the meaning assigned to it in Regulation 60A(c)(i)</u>
"Hedged Account"	has the meaning assigned to it in the FCM Regulations
"House Clearing Business"	means, in respect of SwapClear, SwapClear Clearing House Business and FCM SwapClear Clearing House Business, in respect of ForexClear, ForexClear Clearing House Business and FCM ForexClear Clearing House Business, in respect of RepoClear, RepoClear Clearing House Business and in respect of any other Service, Contracts entered into by a Clearing Member with the Clearing House on a proprietary basis and for its own account
"House Excess"	means in relation to a Service, that part of the Clearing Member Current Collateral Balance maintained by a Clearing Member with the Clearing House on a proprietary basis and for its own account which is in excess of the relevant Total Required Margin Amount
"Identified Client Omnibus Net Segregated Account"	means, in relation to a Relevant Client Clearing Business, (i) an account opened within the Clearing House by the relevant Clearing Member on behalf of its Identified Omnibus Segregated Clearing Clients which is designated by the Clearing House as an Identified Client Omnibus Net Segregated Account; together with (ii) for the purposes of the Default Rules, any Omnibus Segregated Account comprising Determined Omnibus Net Segregated Clients
"Identified Client Omnibus Segregated Account"	means (i) an Identified Client Omnibus Net Segregated Account or (ii) an Omnibus Gross Segregated Account opened on behalf of a group of Identified Omnibus Segregated Clearing Clients
"Identified Omnibus Net Segregated Clearing Clients"	means Identified Omnibus Segregated Clearing Clients in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Identified Client

Omnibus Net Segregated Account

"Identified Omnibus Segregated Clearing Clients"

means, in relation to a Relevant Client Clearing Business, (i) certain Omnibus Segregated Clearing Clients of the relevant Clearing Member or FCM whose identities have been recorded by the Membership department of the Clearing House and who are grouped together in a single Omnibus Segregated Account of the Clearing Member but who are not Affiliated Omnibus Segregated Clearing Clients; together with (ii) for the purposes of the Default Rules, any Determined Omnibus Net Segregated Clearing Clients who are grouped together in a single Omnibus Segregated Account

"Index"

[has the meaning assigned to it in Regulation 60A\(a\)](#)

"Indirect Clearing Client"

means a client of an Individual Segregated Account Clearing Client in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Indirect Omnibus Segregated Account

"Indirect Omnibus Segregated Account"

means in respect of an Individual Segregated Account, the sub-account to such Individual Segregated Account opened within the Clearing House by the relevant Clearing Member on behalf of the related Individual Segregated Account Clearing Clients and designated by the Clearing House as an Indirect Omnibus Segregated Account

"Indirect Segregated Account Clearing Client"

means a Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account

"Individual Segregated Account"

means an account opened within the Clearing House by a Clearing Member or an FCM which enables the relevant Clearing Member or FCM (as applicable) to distinguish the assets and positions held for the account of an Individual Segregated Account Clearing Client from the assets and positions held for the account of its other clients, and which is designated by the Clearing House as an Individual Segregated Account

"Individual Segregated Account Balance"

means, in respect of an Individual Segregated Account Clearing Client, the Clearing Member Current Collateral Balance of the Individual Segregated Account held by the relevant Clearing Member on behalf of such client (together with any receivables, rights, intangibles and any other collateral or assets deposited or held with the Clearing House in connection with such an account)

"Individual Segregated"

means a Clearing Client in respect of whom the relevant Clearing Member clears Contracts with the Clearing House

Account Clearing Client"

in an Individual Segregated Account

"Inflation Clearing Group"

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

"Inflation Clearing Group Aggregate"

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

"Inflation FCM SwapClear Contract"

has the meaning assigned to it in the FCM Regulations

"Inflation SwapClear Contract"

means a SwapClear Contract of the type of Contracts which are identified as being Inflation 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 Inflation FCM SwapClear Contract

"Inflation Swap Business Day"

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

"Inflation Swaps Operational Specifications "

means the operational specifications governing the provision of market data in relation to Inflation SwapClear Contracts, as may be amended by the Clearing House from time to time

"initial margin"

means an amount determined and published from time to time by the Clearing House with regard to each category of contract, in respect of which Members may be required to transfer to the Clearing House Collateral in accordance with these Regulations and the Procedures as a condition of registration of a contract by the Clearing House and otherwise in respect of all Contracts registered with the Clearing House, as prescribed by these Regulations and the Procedures

"Insufficient Resources Determination"

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

"Intellectual Property Rights"

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

"IRS FCM SwapClear Contract"

has the meaning assigned to it in the FCM Regulations

"IRS SwapClear Contract"

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

"Key Tenor Market Data"

has the meaning assigned in Regulation 60A(l)

"LCH Approved Outsourcing Party"

means a party approved for these purposes by the Clearing House, as set out in the FCM Procedures

"LCH.Clearnet Group"

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 "**member**" of LCH.Clearnet Group Limited within these Regulations is to be construed accordingly)

"LCH EnClear Clearing Client"

means, in respect of LCH EnClear Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client

"LCH EnClear Clearing House Business"

means LCH EnClear Contracts entered into by a LCH EnClear Clearing Member with the Clearing House on a proprietary basis and for its own account

"LCH EnClear Clearing Member"

means a Member who is designated by the Clearing House as an LCH EnClear Clearing Member eligible to clear LCH EnClear Contracts

"LCH EnClear Client"

means the provision of LCH EnClear Client Clearing

	Linked Member
"LSE Derivatives Markets OTC Trade"	means an OTC trade reported to LSE in accordance with its Rules for its OTC Service
"LSE Derivatives Markets Platform"	means LSE in its capacity as a recognised investment exchange
"LSE Derivatives Markets Regulations"	means those Regulations which apply to LSE Derivatives Markets Eligible Products as specified in Regulation 76
"LSE Derivatives Markets Rules"	means the rules, practices, procedures, trading protocols and arrangements of the LSE Derivatives Markets Platform as may be prescribed from time to time relating to LSE Derivatives Markets Eligible Products
"LSE Derivatives Markets Service"	the service provided by the Clearing House under the LSE Derivatives Markets Regulations
"LSE Derivatives Markets Trade Particulars"	means the trade particulars of an order submitted to the LSE Derivatives Markets Orderbook by or on behalf of a Member or, in the case of a Member which is a Co operating Clearing House, submitted to the Combined LSE Derivatives Markets Orderbook by or on behalf of a relevant Linked Member
"LSE Derivatives Markets Transactions"	means an Orderbook Match, LSE Derivatives Markets OTC Trade and Reported Trade Cross-Border Re-registration and a Cross-Border Transfer
"margin"	means initial margin and/or variation margin and any amounts required to be transferred and maintained under Regulation 20(a) (<i>Margin and Collateral</i>)
"Margin Cover"	has the meaning ascribed to such term in Default Rule 15(a)
"market"	means a futures, options, forward, stock or other market, administered by an Exchange, or an OTC market in respect of which the Clearing House has agreed with such Exchange or, in respect of an OTC market, with certain Participants in that market, to provide clearing services on the terms of these Regulations and the Procedures
<u>"Market Data"</u>	<u>has the meaning assigned to it in Regulation 60A(f)(i)</u>
"market day"	means in respect of a commodity, a day on which the market on which that commodity is dealt in is open for trading
<u>"Market Deviation Notice"</u>	<u>has the meaning assigned to it in Regulation 60A(l)</u>

	basis and for its own account
"Nodal Client Clearing Business"	means the provision of NODAL Client Clearing Services by a Nodal Service Clearing Member
"Nodal Client Clearing Services"	means the entering into of Nodal Contracts by a Nodal Service Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients
"Nodal Contract"	means a Contract entered into by the Clearing House with a Nodal Service Clearing Member pursuant to the Nodal Regulations
"Nodal Contract Terms"	means the terms of a Nodal Contract as set out from time to time in the Nodal contract specification provided in the Nodal Rules
"Nodal Eligible Derivative Product"	means a derivative product prescribed from time to time by the Clearing House as eligible for the Nodal Service
"Nodal Reference Price"	means a Reference Price in respect of a Nodal Contract
"Nodal Regulations"	means those Regulations which apply to Nodal Contracts as specified in Regulation 89
"Nodal Service"	means the service provided by the Clearing House under the Nodal Regulations
"Nodal Service Clearing Member"	means a Member who is designated by the Clearing House as eligible to clear Nodal Contracts
"Nodal Trading Facility"	means the facility, trading system or systems operated directly or indirectly by Nodal on which Nodal Eligible Derivative Products may be traded
"Nodal Transaction"	means a contract in a Nodal Eligible Derivative Product between Nodal Service Clearing Members arising or registered on a Nodal Trading Facility meeting the requirements of the Regulations and the Procedures
"Nodal Rules"	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
<u>"Nominated Group Member"</u>	<u>has the meaning assigned to it in Regulation 60A(k)</u>
"Non-Defaulting FXCCM"	means an FXCCM which is not a Defaulter under Rule 4 of the Default Rules

"Non-Defaulting RCM"	means an RCM which is not a Defaulter under Rule 4 of the Default Rules
"Non-Defaulting SCM"	means an SCM which is not a Defaulter under Rule 4 of the Default Rules
"Non-Deliverable FX Transaction"	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
"Non-Identified Client Omnibus Net Segregated Account"	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
"Non- Identified Omnibus Segregated Clearing Client"	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
"Non-Member Market Participant ("NCP")"	means, in respect of a particular Service, a person, other than a Clearing Member in such Service, who meets the criteria set out in Procedure 1 (<i>Clearing Member, Non-Member Market Participant and Dealer Status</i>) and has been notified to the Clearing House in accordance with Regulation 7 (Non-Member Market Participant Status)
<u>"Non-performance Notice"</u>	<u>has the meaning assigned to it in Regulation 60A(m)</u>
<u>"Non-Performer"</u>	<u>has the meaning assigned to it in Section 2C1.27.4 of the Procedures</u>
<u>"Off-Market Provider"</u>	<u>has the meaning assigned to it in Section 2C1.27.4 of the Procedures</u>
"official quotation"	means a price determined by the Clearing House under Regulation 22

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

and shall also include FCM Procedures where the term "Procedures" is used in the Default Rules. For the avoidance of doubt, a reference to "Procedures" is not intended to refer to procedures provided for or required by any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation

"Product"	has the meaning assigned to it in the FCM Regulations
"Product Specific Contract Terms and Eligibility Criteria Manual"	means the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time
"prompt date"	has, in respect of an exchange contract, the meaning ascribed to it in the Exchange Rules governing such contract
"Proprietary Account"	means an account opened within the Clearing House by a Clearing Member in respect of such Clearing Member's House Clearing Business
"Protest"	has the meaning given to it in Exchange Rules
<u>"Quarter Start Date"</u>	<u>has the meaning assigned to it in Regulation 60A(c)</u>
"Rate X" and Rate "Y"	means, in relation to a SwapClear Transaction or a SwapClear Contract, the outstanding payment obligations of each party to the transaction, such that Rate X comprises the outstanding payment obligations of one party to the other and Rate Y comprises the outstanding payment obligations of the other party to the first party
"Receiving Clearing Member"	means a SwapClear Clearing Member or an FCM Clearing Member nominated by one or more SwapClear Clearing Client(s) to receive the transfer of Relevant SwapClear Contracts and, where applicable, the relevant Associated Collateral Balance(s) held in respect of such SwapClear

	Transaction " is such a contract for the trade of bond/s
"RepoClear Unfunded Contribution"	has the meaning assigned to it in Rule R8 of the RepoClear Default Fund Supplement
"RepoClear Unfunded Contribution Notice"	has the meaning assigned to it in Rule R8 of the RepoClear Default Fund Supplement
"Reported Trade"	means a trade, other than a trade resulting in an LSE Derivatives Markets Orderbook Match, which is reported to LSE for registration with the Clearing House in accordance with Exchange Rules or the terms of any arrangements entered into between LSE and a Co-operating Exchange
"Repo Trade"	means a trading activity in which a RepoClear Participant (" the First Participant ") offers to sell (or buy) RepoClear Eligible Securities, and another RepoClear Participant (" the Second Participant ") offers to buy (or sell, as the case may be) those securities, on condition that, at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) equivalent securities and the First Participant buys (or sells, as the case may be) those equivalent securities, and a trade subsequently ensues
<u>"Reporting Threshold Amount"</u>	<u>has the meaning assigned to it in Regulation 60A(e)</u>
"Required Margin Amount"	means: (i) in respect of any type of margin and any account other than an Omnibus Gross Segregated Account; and (ii) in respect of any type of margin and (a) each individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) comprising an Omnibus Gross Segregated Account; or (b) in respect of Combined Omnibus Gross Segregated Clearing Clients, those Combined Omnibus Gross Segregated Clearing Clients together, the most recent amount of each type of margin which the Clearing House requires in respect of the relevant account or client(s) (as the case may be) as determined by the most recent Collateral balances and valuations shown on the Collateral Management System and notified to the relevant Clearing Member by the Clearing House
"Resignation Effective Date"	means the date on which the termination of a Resigning Member's Clearing Member status in respect of a specific Service becomes effective, as specified in Regulation 5(a)
"Resigning Member"	means at any time any Clearing Member: (i) who has given notice to the Clearing House for the purposes of resigning from a particular Service; or (ii) in respect of whom the

"SwapClear Default Management Process"	has the meaning assigned to it in the SwapClear DMP Annex in the Default Rules
"SwapClear Default Management Process Completion Date"	has the meaning assigned to it in the SwapClear DMP Annex in the Default Rules
"SwapClear Default Period"	has the meaning ascribed to it in Rule S2 of the SwapClear Default Fund Supplement
"SwapClear Determination Date"	has the meaning assigned to it in Rule S2 of the SwapClear Default Fund Supplement
"SwapClear DMG"	has the meaning assigned to it in the SwapClear DMP Annex in the Default Rules
"SwapClear DMP"	has the meaning assigned to it in the Default Rules
"SwapClear Eligibility Criteria"	means the product eligibility criteria in respect of SwapClear Transactions as set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time
<u>"SwapClear End of Day Price"</u>	<u>Has the meaning assigned to it in Regulation 60A(I)</u>
"SwapClear Excess Loss"	means the net sum or aggregate of net sums certified to be payable by a Defaulter by a Rule 19 Certificate in respect of SwapClear Business less (a) the proportion of the Capped Amount applicable to SwapClear Business under Rule 15(c) of the Default Rules and (b) any sums then immediately payable in respect of SwapClear Business Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House
"SwapClear Regulations"	means those Regulations which apply to SwapClear Contracts as specified in Regulation 54
"SwapClear Segregated Fund Amount"	means the amount as determined in accordance with Rule S2(b) of the SwapClear Default Fund Supplement
"SwapClear Service"	the service provided by the Clearing House under the SwapClear Regulations
"SwapClear Tolerance"	has the meaning assigned to it in Section 2C.3.2 of the Procedures
"SwapClear Tolerance"	means, in respect of each SCM, the value of the SwapClear Tolerance utilised by that SCM at any particular time, as

Utilisation"	determined by the Clearing House in its sole discretion
"SwapClear Transaction"	means any transaction the details of which are presented to the Clearing House via an Approved Trade Source System for the purpose of having such transaction registered at the Clearing House as two SwapClear Contracts or one SwapClear Contract and one FCM SwapClear Contract (as the case may be), regardless of whether such transaction (a) is an existing swap transaction, (b) was entered into in anticipation of clearing, or (c) is contingent on clearing
"SwapClear Unfunded Contribution"	has the meaning assigned to it in Rule S8 of the SwapClear Default Fund Supplement
"SwapClear Unfunded Contribution Notice"	has the meaning assigned to it in Rule S8 of the SwapClear Default Fund Supplement
"SwapClear Voluntary Payment"	has the meaning assigned to it in Rule S10 of the SwapClear Default Fund Supplement
"SwapClear Voluntary Payment Notice"	has the meaning assigned to it in Rule S10 of the SwapClear Default Fund Supplement
"SWORD"	means the system used by the Clearing House for, <i>inter alia</i> , facilitating the issue, recording and electronic transfer of London Metal Exchange warrants

"TARGET2" [means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007](#)

"Target Settlement Day" [means any day on which TARGET2 is open for the settlement of payments in euro](#)

"tender" means a notice given by or on behalf of a seller (or buyer where Exchange Rules so require) pursuant to Exchange Rules, these Regulations and the Procedures, of an intention to make (or take) delivery of a commodity

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

- a) at the end of a specified period of time, the Second

REGULATION 60A INFLATION SWAPS

- (a) This Regulation 60A should be read separately for each index identified in the Product Specific Contract Terms and Eligibility Criteria Manual as an acceptable index for vanilla inflation rate swaps (each an “**Index**”) and, in respect of each SwapClear Clearing Member or Inflation Clearing Group (as applicable), with regards to each Index in respect of which the SwapClear Clearing Member clears or intends to clear, or the Group Members of the relevant Inflation Clearing Group clear or intend to clear, an Inflation SwapClear Contract through the Clearing House.
- (b) Each SwapClear Clearing Member represents and warrants that it has the capacity, power and authority under all applicable laws to enter into, to exercise its rights and to perform its obligations in relation to the Inflation SwapClear Contracts registered in its name.
- (c) In respect of each quarter (the start dates of the quarters being 1 January, 1 April, 1 July and 1 October in each year (each a “**Quarter Start Date**”), the Clearing House will determine which Inflation Clearing Groups shall be required to provide Market Data during the relevant quarter, as set out below:
- (i) Each SwapClear Clearing Member clearing Inflation SwapClear Contracts is combined in a group with those of its affiliates (if any) who also clear Inflation SwapClear Contracts (each such group being an “**Inflation Clearing Group**”) and each SwapClear Clearing Member that is a member of an Inflation Clearing Group being a “**Group Member**”). For the avoidance of doubt, an Inflation Clearing Group may consist of one or more Group Members.
- (ii) The Clearing House will calculate, on each Quarter Start Date and for each Inflation Clearing Group, the aggregate of all Inflation SwapClear Contracts referencing each particular Index cleared, over the course of the immediately preceding 12 months, through the Proprietary Accounts of the Group Members of that Inflation Clearing Group (the “**Inflation Clearing Group Aggregate**”).
- (iii) Where the Inflation Clearing Group Aggregate of an Inflation Clearing Group in respect of a particular Index on a particular Quarter Start Date exceeds the Reporting Threshold Amount, each Group Member of that Inflation Clearing Group (each a “**Market Data Provider**”) will be required to provide Market Data in respect of that Index for the duration of the quarter in question in accordance with Regulation 60A(f)(i). An Inflation Clearing Group, acting through one of its Group Members, shall be entitled to request a deferral of such obligation, on a one-off basis on the first occasion that the obligation arises in respect of the relevant Index, until the Quarter Start Date of the quarter immediately following the quarter in question.
- (iv) If for any quarter there are to be less than 8 Inflation Clearing Groups to which Regulation 60A(f)(i) applies in respect of a particular Index (or such lower

number of Inflation Clearing Groups as the Clearing House may from time to time consider sufficient to allow it to produce Derived Data that is fair and representative of the pricing level of the relevant Index), the Clearing House may: (i) require any Inflation Clearing Group to which Regulation 60A(f)(i) applied in the prior quarter and which includes at least one Group Member who continues to enter into a non-trivial number of Inflation SwapClear Contracts referencing the relevant Index (as determined by the Clearing House in its sole discretion) to continue to comply with the obligations set out in Regulation 60A(f)(i) in respect of that Index, notwithstanding that it may otherwise not be required to do so; or (ii) where the course of action outlines in (i) is not possible or would not be sufficient to ensure that an adequate number of Inflation Clearing Groups provide Market Data in relation to the relevant Index in accordance with Regulation 60A(f)(i), require an Inflation Clearing Group requesting a deferral in accordance with Regulation 60A(c)(iii) above to start complying with the relevant obligation to provide Market Data from an earlier date.

(d) If, on a Quarter Start Date or on the date of launch of a new Index, the Clearing House has insufficient data for the purposes of calculating an Inflation Clearing Group Aggregate, it shall make its determinations on the basis of the following:

(i) in respect of Inflation SwapClear Contracts referencing a particular Index which were not eligible for clearing by the Clearing House for some or all of the immediately preceding 12 month period, the Clearing House shall determine the Inflation Clearing Group Aggregate of each relevant Inflation Clearing Group by estimating what it would have been, had the relevant Inflation SwapClear Contracts been eligible for clearing for all of such period; and

(ii) when the Clearing House wishes to launch a new Index, it shall reasonably determine the Inflation Clearing Group Aggregate of each Inflation Clearing Group with at least one Group Member who has informed the Clearing House that it intends to transact in Inflation SwapClear Contracts referencing the relevant new Index.

Any determination made by the Clearing House as to the Inflation Clearing Group Aggregate of an Inflation Clearing Group for which the Clearing House does not have the requisite data shall be made by the Clearing House applying, in its opinion, the most suitable methodology, which will, wherever possible, be based on the relevant Group Members' volume of business and trading patterns in relation to the relevant Index (where available) and, otherwise, any other Index that the Clearing House deems to be relevant. Any determination made by the Clearing House pursuant to Regulation 60A shall be final and binding.

(e) For the purposes of this Regulation 60A, the reporting threshold in respect of an Index (the "**Reporting Threshold Amount**") shall be 250 of such lower number as the Clearing House may from time to time apply in order to ensure that the number of Inflation Clearing Groups providing Market Data in accordance with Regulation

60A(f)(i) in relation to that Index will be at least 8 (or such lower number that the Clearing House considers sufficient, as described in Regulation 60A(c)(iv) above).

(f) Each relevant Inflation Clearing Group required to provide Market Data to the Clearing House shall do so in accordance with the following procedures:

(i) The relevant Inflation Clearing Group (acting through one of its Group Members) shall provide to the Clearing House such inflation market data as is specified in the Inflation Swaps Market Data Operational Specifications in respect of the relevant Index (the “**Market Data**”) and in the manner set out in the Inflation Swaps Market Data Operational Specification at the end of each Inflation Swaps Business Day and at such other times specified in the Inflation Swaps Operational Specifications where “**Inflation Swap Business Day**” means: (i) in the case of any GBP denominated Index, each day that is a London business day; (ii) in the case of any EUR-denominated Index a Target Settlement Day; or (iii) in the case of any USD-denominated Index, a New York business day. Where an Inflation Clearing Group contains two or more Group Members, the obligation to provide Market Data in accordance with this Regulation 60A(f)(i) shall apply individually with respect to each Group Member, as required by 60A(c)(iii), but may be discharged by any one of such Group Members providing Market Data on behalf of the Inflation Clearing Group.

(ii) Where it is a Market Data Provider, the SwapClear Clearing Member represents and warrants that it has the capacity, power and authority under all applicable laws to provide Market Data to the Clearing House.

(iii) Notwithstanding any provision of this Regulation 60A to the contrary, no SwapClear Clearing Member will be under any obligation to provide Market Data to the extent that it is prohibited from doing so by law or regulation applicable to it or by any contract that was in place prior to this Regulation 60A coming into force and no Inflation Clearing Group will be under any obligation to provide Market Data in circumstances where this Regulation 60A(f) applies to each of its Group Members.

(iv) Subject to these Regulations, the Market Data Provider will retain all ownership rights, Intellectual Property Rights and all other rights in respect of the Market Data provided by it.

(g) The Clearing House may only use and/or disclose Market Data in accordance with the following:

(i) the Clearing House may use market-standard data aggregation tools in order to combine the Market Data received from different Inflation Clearing Groups in respect of a particular Index and/or combine Market Data with relevant data from other data sources (any such combined data or further data derived there from (the “**Derived Data**”)), provided that the Clearing House shall be entitled, in its sole discretion, to disregard one or more sets of relevant Market Data for these purposes. In producing the Derived Data, the Market Data will be anonymised and aggregated with other Market Data and/or equivalent market data received from other data sources so that it is not possible to

analyse or reverse engineer the Derived Data in such a way as to attribute particular Market Data to a particular Inflation Clearing Group;

(ii) the Clearing House may use and/or disclose Market Data where required by law or by a regulatory authority and use (but not disclose) Market Data where required in accordance with the exercise of a discretion by the Clearing House Risk Committee; and

(iii) other than as permitted by Regulation 60A(g)(ii) or as agreed in writing with a relevant Group Member, the Clearing House shall not use and/or share Market Data received from an Inflation Clearing Group with third parties (whether for fees or otherwise). In all cases, the Clearing House will apply standards of confidentiality to the Market Data at least equivalent to those it applies to its own confidential information. This obligation of confidentiality covers, but is not limited to, information about which SwapClear Clearing Member has provided what Market Data.

(h) The Clearing House may only use and/or disclose Derived Data (as applicable) in accordance with the following:

(i) Use of the Derived Data for risk management and settlement purposes (including, for the avoidance of doubt, valuation, margining, reporting and account management purposes);

(ii) use of the Derived Data as a data source for other Services;

(iii) use of the Derived Data for the purpose of answering ad hoc queries from Clearing Members (including FCM Clearing Members) and industry bodies (but not systematic, regular distribution) relating to Inflation SwapClear Contracts or Inflation FCM SwapClear Contracts;

(iv) use of the Derived Data for the purpose of responding to surveys conducted by relevant international not for profit organisations (such as BIS or IOSCO) relating to Inflation SwapClear Contracts;

(v) use of the Derived Data where otherwise required to do so by a direction of the Clearing House Risk Committee;

(vi) use or disclosure of the Derived Data where required or requested to do so by law or by a regulatory authority or for the purposes of commencing, or defending, any arbitration or court proceedings;

(vii) making some or all of the Derived Data available, directly or indirectly, to SwapClear Clearing Members (including FCM Clearing Members), SwapClear Clearing Clients and/or FCM Clients, clearing or intending to clear Inflation SwapClear Contracts or Inflation FCM SwapClear Contracts through the Clearing House, and their respective service providers; and/or

(viii) making some or all of the Derived Data available to one or more of the Clearing House's affiliates, auditors or professional advisers, provided that each such affiliate, auditor or professional adviser shall be subject to

restrictions on the use of such Derived Data which are no less onerous than those applicable to the Clearing House; and/or

(ix) other than as permitted by this Regulation 60A(h), the Clearing House shall not use and/or share the Derived Data with third parties (whether for fees or otherwise), save with the prior written consent of 75% in aggregate total of the Group Members of the Inflation Clearing Groups that were subject to a reporting requirement pursuant to Regulation 60A(f)(i) on the most recent Quarter Start Date preceding the date on which the consent is to take effect.

Notwithstanding anything to the contrary in Regulation 60A(h) above, in fulfilling its obligations hereunder, the Clearing House shall not be required to use and/or disclose Derived Data, and otherwise act, in contravention of applicable laws or its continuing regulatory obligations;

(i) SwapClear Clearing Members (including FCM Clearing Member) and/or the service providers of such Clearing Members may use the Derived Data solely for the purposes of such Clearing Members' internal risk management and settlement activities, in relation to Inflation SwapClear Contracts referencing the relevant Index and may only share the Derived Data with:

(i) SwapClear Clearing Clients or FCM Clients (as applicable) and/or the service providers of such SwapClear Clearing Clients or FCM Clients, and shall procure that the Derived Data may only be used solely for the purposes of SwapClear Clearing Clients' internal risk management and settlement activities in respect of the positions associated with the relevant Inflation SwapClear Contracts referencing the relevant Index and FCM Clients' internal risk management and settlement activities in respect of the relevant Inflation SwapClear Contracts and may not further disclose the Derived Data to any other person or use the Derived Data for any other purpose; and

(ii) where required or requested to do so by law or by a regulatory authority or for the purposes of commencing, or defending, and arbitration or court proceeding.

Derived Data may not be disclosed by SwapClear Clearing Members (including FCM Clearing Members) and/or their service providers to any other person or used by such parties for any other purpose.

(j) For the purposes of this Regulation 60A, “**Intellectual Property Rights**” means any right, title and interest in patents, trademarks, copyright, typography rights, database rights (including rights of extraction), registered designs and unregistered design rights, trade secrets and the right to keep information confidential, and all rights or forms of protection of a similar nature or having equivalent or similar effect to any of them which may subsist anywhere in the world, whether or not any of them are registered and including applications for registration of any of them.

(k) On a given Quarter Start Date, each Inflation Clearing Group that consists of more than one Group Member and which is required to provide Market Data to the Clearing House in respect of the relevant quarter must:

(i) designate a Group Member (the “**Designated Group Member**”) who shall be responsible for entering into Crossing Transactions on its behalf during that quarter (if any). Where an Inflation Clearing Group does not designate a Group Member, the Clearing House shall (where applicable) treat the previously designated Group Member as the Designated Group Member.

(ii) nominate a Group Member (the “**Nominated Group Member**”) to which the Clearing House will send Non-Performance Notices and Market Deviation Notices (if any). Where an Inflation Clearing Group does not designate a Group Member, the Clearing House shall (where applicable) treat the previously nominated Group Member as the Nominated Group Member.

Where an Inflation Clearing Group consists of only one Group Member, that Group Member shall be treated as the Designated Group Member and Nominated Group Member for the purposes of this Regulation 60A and the Procedures.

(l) At the end of each Inflation Swap Business in respect of an Index, the Clearing House will generate a market price for that Index (the “**SwapClear End of Day Price**”) and will compare the price of the Market Data most recently received from each Market Data Provider prior to the time when the SwapClear End of Day Price was calculated in the Key Tenors set out in the Inflation Swaps Operational Specifications (the “**Key Tenor Market Data**”) against the SwapClear End of Day Price. The Clearing House will deliver a “**Market Deviation Notice**” to the Market Data Provider in respect of:
(i) provision by that Market Data Provider of Key Tenor Market Data that deviates from the SwapClear End of Day Price by an amount which is equal to or greater than the threshold specified for market deviation purposes in the Inflation Swaps Operational Specifications ; or (ii) provision of Corrupted Data, as described in the Procedures. An Inflation Clearing Group where group members in aggregate receive four or more Market Deviation Notices in a calendar month will be required, upon written notice from the Clearing House, to enter into a transaction (a “**Crossing Transaction**”) through its Designated Group Member in accordance with the terms set out in the Procedures.

(m) Other than in the event of Inflation Force Majeure Event, the Clearing House will deliver a “**Non-performance Notice**” on an Inflation Clearing Group through a notice to the Nominated Group Member in respect of any failure by each Group Member of that Inflation Clearing Group to deliver Market Data on an Inflation Swap Business Day. An Inflation Clearing Group where Group Members in aggregate receive two or more Non-performance Notices in a calendar month will be required, upon written notice from the Clearing House, to enter into a Crossing Transaction through its Designated Group Member in accordance with the terms set out in the Procedures.

(n) In the event that a Inflation Clearing Group where Group Members in aggregate receive a total of ten or more Market Deviation Notices or Non-performance Notices in any given quarter the Clearing House may require a written report from such Inflation Clearing Group (acting through one of its Group Members) which sets out:

(i) the reasons behind its provision of off-market Market Data and/or failure to provide Market Data (ass applicable); and

(ii) the steps being taken to ensure that the provision of timely and accurate Market Data in accordance with the obligations set out in Regulation 60A(f)(i) will be fulfilled in the future.

Each report provided in accordance with this Regulation 60A(o) will be prepared by the compliance department(s) of the relevant Group Member(s) or by other divisions within such Group Member that are charged with exercising appropriate internal control functions.

(o) The Clearing House shall not serve a Default Notice on any Group Member solely because each of the Group Members of its Inflation Clearing Group has failed to comply with their obligations under Regulation 60A. However, where the Clearing House considers that one or more Group Members of an Inflation Clearing Group are in material, persistent or recurring breach of its obligations under this Regulation 60A, the Clearing House may, following discussion with the relevant Group Member(s) of the affected Inflation Clearing Group, decline to register additional Inflation SwapClear Contracts in the name of any of the Group Members of such Inflation Clearing Group or make the registration of additional Inflation SwapClear Contracts in their names, subject to such conditions as the Clearing House may consider appropriate in its sole discretion (such as requiring that the registration of the additional Inflation SwapClear Contrats would reduce the overall risk associated with the relevant Group Member's portfolio of Inflation SwapClear Contracts); provided that the Clearing House shall not take any steps pursuant to this Regulation 60A(o) where the failure of one or more Group Members to comply with this Regulation 60A results from an Inflation Force Majeure Event.

For the purposes of this Regulation 60A and with respect to a Group Member, an “**Inflation Force Majeure Event**” shall occur where (i) the failure of the relevant Group Member to comply with its obligations pursuant to this Regulation 60A results from: (A) a force majeure event falling within the scope of Regulation 38(a); or (B) a significant and widespread market disruption preventing the relevant Group Member from complying with its obligations; (ii) the relevant Group Member has notified the Clearing House of the occurrence of the force majeure event or market disruption immediately upon becoming aware thereof; and (iii) the relevant Group Member is using all commercially reasonable efforts to bring about a situation where it and the other Group Members of the relevant Inflation Clearing Group can continue to comply with their respective obligations pursuant to this Regulation 60A.

(p) The clearing House shall, except where a change needs to be implemented more quickly in order to comply with a legal or regulatory requirement or to protect the solvency or integrity of the Clearing House, give SwapClear Clearing Members reasonable prior notice of any proposed material changes to the Inflation Swaps Operational Specifications.

Appendix II
Procedures Section 2C (SwapClear)



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2C

SWAPCLEAR CLEARING SERVICE

SwapClear Clearing Members may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative interest Rate Method.

1.8.13 Calculation of Inflation Indices

(a) The Index level used for calculating the Floating Rate is determined according to the 2008 ISDA Inflation Definitions. The descriptions of the relevant Indices for the purposes of these calculations are as follows:

(i) “EUR – Excluding Tobacco-Non-revised Consumer Price Index” means the “Non-revised Index of Consumer Prices excluding Tobacco”, or relevant Successor Index, measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

(ii) “FRC – Excluding Tobacco-Non-Revised Consumer Price Index” means the “Non-revised Index of Consumer Prices excluding Tobacco”, or relevant Successor Index, measuring the rate of inflation in France excluding tobacco expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

(iii) “GBP – Non-revised Retail Price Index (UKRPI)” means the “Non-revised Retail Price Index All Items in the United Kingdom”, or relevant Successor Index, measuring the all items rate of inflation in the United Kingdom expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

(iv) “USA – Non-revised Consumer Price Index – Urban (CPI-U)” means the “Non-revised index of Consumer Prices for All Urban Consumers (CPI-U) before seasonal adjustment”, or relevant Successor Index, measuring the rate of inflation in the United States expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for such Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

1.8.14 Index Final

The Clearing House will calculate the Index Final by taking the relevant Index level for the applicable Reference Month. In the event of no Index being available the Clearing House will, at its sole discretion, determine a value for the Index level.

1.9 Initial Margin

The Clearing House will require SCMs to transfer Collateral in respect of their initial margin obligations. This amount will be determined by the prevailing market conditions and the expected time to close out the portfolio. The Portfolio Approach to Interest Rate Scenarios (PAIRS) will be used to calculate initial margin requirements for SwapClear Contracts.

Separate initial margin calculations are performed for an SCM's Proprietary Accounts and for each Individual Segregated Client Account and Omnibus Segregated Account (other than an Affiliated Client Omnibus Gross Segregated Account). In respect of each Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) separate initial margin calculations are performed in respect of the SwapClear Contracts entered into by the relevant SCM on behalf of such Omnibus Gross Segregated Clearing Client. In respect of a group of Combined Omnibus Gross Segregated Clearing Clients a single initial margin calculation is performed in respect of SwapClear Contracts entered into by the relevant SCM on behalf of such Combined Omnibus Gross Segregated Clearing Clients.

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.

1.9.1 *Margin Parameters*

The Clearing House Risk Management Department uses appropriate yield curve scenarios, both in terms of shape and magnitude of movement, to capture potential losses based on an observed history - the primary component of the initial margin calculation. These scenarios will be continually monitored and reviewed periodically or on an ad hoc basis according to market conditions. However, in accordance with the Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for a specific SCM's Proprietary Account and/or Client Accounts.

1.9.2 *Counterparty Risk Multiplier*

Where a risk multiplier is applied to an SCM that has SwapClear Clearing Clients, that multiplier will be applied only to SwapClear Clearing Clients that have no Backup Clearing Member.

The Clearing House reserves the right to require additional amounts of Collateral from a specific SCM or from all SCMs in accordance with Regulation 20 (*Margin and Collateral*).

SwapClear Clearing Members who wish to obtain further information about, or to participate in, IMMES should contact SwapClear Risk by emailing OTCIRDRisk@lchclearnet.com. To be eligible to participate in IMMES, a SwapClear Clearing Member must enter into an IMMES agreement with the Clearing House (the “**IMMES Agreement**”).

Step-by-step details

- (i) The Clearing House usually conducts the IMMES monthly.
- (ii) A reminder that there is an IMMES run taking place is sent out the week before to each SwapClear Clearing Member which is a party to an IMMES Agreement with LCH and each such SwapClear Clearing Member is asked to confirm its participation.
- (iii) On the day of the scheduled IMMES run, the Clearing House analyses each participating SwapClear Clearing Member’s portfolio profile to find SwapClear Contracts with equivalent and opposite delta values to compile a list of offsetting trades that are Block IRS Trades and that may be mutually beneficial in terms of initial margin reduction (the “**IMMES Trades**”).
- (iv) The Clearing House then analyses each participating SwapClear Clearing Member’s portfolio (assuming that the IMMES Trades have been entered into) and determines the change in, initial margin and zero yield sensitivity from the IMMES Trades.
- (v) The SwapClear Clearing Members on either side of the trades (which may include an FCM SwapClear Clearing Member (as defined in the FCM Rulebook)) are advised of the economic details of the IMMES Trades, and their respective identities and contact details.
- (vi) The SwapClear Clearing Members may but are not required to enter into the IMMES Trades. Any IMMES Trades entered into must be submitted to the Clearing House for registration.

1.10 **Tenor Basis Risk Margin Add-on**

An add-on margin requirement will be applied in respect of tenor basis risk.

1.11 **Intra-Day Margin Call: Collateral Management**

The methods for covering intra-day margin calls are set out in Section 1.11 of Procedure 4 (*Margin and Collateral*).

1.12 **Price Alignment Interest (PAI) Rate**

To minimise the impact of daily cash variation margin payments on the pricing of interest rate swaps and inflation swaps, the Clearing House will charge interest on

Clearing House, the forms required pursuant to item (ii) above include an Internal Revenue Service Form W-8BEN. Additionally, the Clearing House will take such further actions as necessary to ensure that payments made to it can be made without deduction or withholding for or on account of any Tax.

1.27 Provision of Market Data

1.27.1 Provision of Market Data

The provisions of this Section 1.27 should be read separately in respect of each Index.

Inflation Clearing Groups who exceed the Reporting Threshold Amount applicable to an Index are required to submit Market Data to the Clearing House in accordance with Regulation 60A and the provisions of this Section 1.27.

At intervals during each Inflation Swap Business Day in respect of an Index, the Clearing House will take snaps of Market Data that it receives from Inflation Clearing Groups in respect of that Index. An Inflation Clearing Group may update its Market Data outside of an Inflation Swap Business Day for a particular Index. The timings for the close of business data snaps shall be published in the Inflation Swaps Operational Specifications.

If either the Clearing House or an Inflation Clearing Group believes that, for whatever reason, the data provided by the Inflation Clearing Group on a particular date is not representative of market prices for reasons such as technical issues, software failure or other data corruption issues (any such data being “Corrupted Data”), that party shall notify the other party as soon as reasonably practicable. Following a notification pursuant to this paragraph, the relevant Inflation Clearing Group shall promptly take such action as the Clearing House may reasonably require (after consulting with the Group Member of that Inflation Clearing Group who provided the relevant Market Data) to remedy the relevant data corruption issue(s). In no circumstances will Corrupted Data constitute Market Data for the purposes of Regulation 60A(f)(i). In the event that the provision of Corrupted Data is caused by the Inflation Clearing Group and the Inflation Clearing Group fails to resubmit corrected Market Data before the Clearing House calculates the SwapClear End of Day Price, the provision of Corrupted Data will be treated as a failure to submit Market Data in respect of the relevant day for the purposes of Section 1.27.2 below and will result in the delivery by the Clearing House of a Market Deviation Notice.

If the Clearing House receives data from an Inflation Clearing Group that it considers does not constitute a reasonable estimate of the current market price for the relevant tenor and Index (whether such data is treated as Market Data or Corrupted Data), it shall be entitled to ignore the submission of that data in making its calculation of the Derived Data.

The Clearing House may use the Market Data that it receives as provided for in Regulation 60A(h).

1.27.2 If at any time at which it is due to calculate the Derived Data, the Clearing House considers that it has failed to receive good data (as defined below) in respect of an particular Index from such number of Inflation Clearing Groups as the Clearing House may consider sufficient to allow it to produce Derived Data that is fair and representative of the pricing level of the relevant Index, the Clearing House may as an alternative (a) use a set of previously produced Derived Data that the Clearing House considers to be the most suitable substitute, and/or (b) obtain substitute market data from one or more alternative sources, including but not limited to, brokers and third party data vendors (any data derived from a source described in (a) or (b) of this paragraph being "Alternative Data"), provided, however, that Clearing House must use Alternative Data if it considers that it has failed to receive good data in respect of an Index from at least 4 Inflation Clearing Groups. The Clearing House will not impose any obligation for an Inflation Clearing Group to enter into a Crossing Transaction where less than 4 Inflation Clearing Groups have provided good data. For the purpose of this paragraph, "good data" means Market Data received from an Inflation Clearing Group which in the Clearing House's view, constitutes a reasonable estimate of the current market price for the relevant tenor and Index.

1.27.3 For each day on which the Clearing House produces Derived Data, it will provide to at least one Group Member of each Inflation Clearing Group that submitted Market Data, a report showing the Market Data that the relevant Inflation Clearing Group provided, together with any curves produced from the relevant Derived Data. The Clearing House will provide such reports on the Inflation Swap Business Day following the date when the relevant Derived Data was prepared. In addition, the Clearing House shall make available Derived Data to at least one Group Member of each Inflation Clearing Group that submitted Market Data on a same-day basis, including by way of end-of-day reporting. A Group Member that receives Derived Data is entitled to share the Derived Data within its Inflation Clearing Group, provided that the recipients of the Derived Data within the Inflation Clearing Group use the Derived Data in accordance with the terms of the Rulebook.

1.27.4 Inflation Swap Crossing

In order to ensure the quality of the Market Data it receives, Regulations 60A(1) and 60A(m) enables the Clearing House to impose a mandatory Crossing Transaction upon Inflation Clearing Groups in certain circumstances.

The Market Data required to be submitted by the relevant Inflation Clearing Groups comprises a mid-price quote for each relevant Index and tenor combination. A list of eligible Indices and tenors is published in the Inflation Swaps Operational Specifications. At the close of each Inflation Swap Business Day in respect of an Index, the Clearing House will use all relevant Market Data (and/or Alternative Data as the case may be) to produce the SwapClear End of Day Price in respect of an Index.

Where the Group Members of an Inflation Clearing Group receive in aggregate more than 4 Market Deviation Notices in a calendar month the

Clearing House will require its Designated Group Member (the "Off-Market Provider"), by delivering of a notice to that Designated Group Member (the "Crossing Transaction Notice"), to enter into a Crossing Transaction at the price of the Key Tenor Market Data in the relevant Index in respect of which the fourth Market Deviation Notice was delivered, and on the terms set out below.

Where the Group Members of an Inflation Clearing Group receive in aggregate more than 2 Non-performance Notices in a calendar month the Clearing House will require its Designated Group Member (the "Non-Performer"), to enter into a Crossing Transaction in the relevant Index in respect of which the second Non-performance Notice was delivered on the terms set out below.

An Inflation Clearing Group will be notified of the obligation to enter into a Crossing Transaction (through its Designated Group Member) within one hour of the close of business data snap on the relevant Inflation Swap Business Day, based on the denomination of the relevant Index to which the Crossing Transaction relates.

The Clearing House shall deliver to the Nominated Group Member, on behalf of an the Inflation Clearing Group any Market Deviation Notice or Non-performance Notice within one hour of the close of business data snap on the relevant Inflation Swap Business Day, based on the denomination of the relevant Index to which relevant notice relates.

The counterparty to the Crossing Transaction will be the Designated Group Member of an Inflation Clearing Group in respect of whose Market Data Provider submitted the Key Tenor Market Data in the relevant Index on the relevant Inflation Swap Business Day which most closely reflected the SwapClear End of Day Price.

Where more than one Inflation Clearing Group is obliged to enter into a Crossing Transaction on a particular day the parties to the Crossing Transaction shall be determined in accordance with the following:

- (i) the affected Inflation Clearing Groups will be ranked in order of the degree of deviation of their Market Data Provider's relevant Key Tenor Market Data from the SwapClear End of Day Price (with a failure to actually submit any Market Data being ascribed a value for these purposes, in accordance with the Inflation Swaps Operational Specifications);
- (ii) all Inflation Clearing Groups who have not received a Market Deviation Notice in respect of that Index on that Inflation Swaps Business Day and who will be able to act as counterparty to the relevant Crossing Transaction shall be ranked in terms of degree to which their Market Data Provider's relevant Key Tenor Market Data submitted most closely reflects the SwapClear End of Day Price; and

(iii) the Designated Group Member of the affected Inflation Clearing Group will be paired with the equivalently ranked Inflation Clearing Group who is to act as counterparty, such that the Designated Group Member of the Inflation Clearing Group that submitted the Key Tenor Market Data with the largest deviation above or below the (as the case may be) SwapClear End of Day Price will face the Designated Group Member from the Inflation Clearing Group whose Market Data Provider submitted the Market Data with an average price that most closely reflected the SwapClear End of Day Price.

In the event that two Inflation Clearing Groups have submitted Key Tenor Market Data with identical values, the Clearing House will base the ranking as between those two Inflation Clearing Group on the accuracy of data submitted on the previous Inflation Swap Business Day, with the Inflation Clearing Group that produced the data that most closely reflected the SwapClear End of Day Price, on the basis of its end of day snap receiving the more favourable ranking for the purposes of this section.

In the event that there are more Inflation Clearing Groups required to enter into Crossing Transactions than there are available Inflation Clearing Groups which have not been served a Market Deviation Notice or a Non-performance Notice, an Inflation Clearing Group may be required to enter into multiple Crossing Transactions (again ranked as described in (ii) and (iii) of this paragraph above, if necessary) until each Inflation Clearing Group subject to a Crossing Transaction Notice has a counterparty to its Crossing Transaction.

The relevant Crossing Transaction(s) (referencing the relevant Index and tenor) must then be entered into by the relevant Designated Clearing Members, on the terms as to price and notional set out in the Inflation Swaps Operational Specifications, before the close of business on the next following Inflation Swap Business Day following the receipt of the Crossing Transaction notice. Any Designated Clearing Member entering into a Crossing Transaction that is not cleared through the Clearing House must provide the Clearing House with documentary evidence that it has entered into the required Crossing Transaction.

The fixed coupon in respect of a Crossing Transaction will be determined as the mid-point between the Key Tenor Market Data submitted by the Inflation Clearing Group that is required to enter into the Crossing Transaction and the SwapClear End of Day Price in respect of the relevant tenor and Index on the relevant Inflation Swap Business Day, with a cap of 15bps from the SwapClear End of Day Price being the maximum distance between the price of the Crossing Transaction and the SwapClear End of Day Price. The notional amount of the Crossing Transaction will be denominated in the same currency as the relevant Index and, for Indices denominated in USD, GBP or EUR, will be a number of currency units equal to the number given for the relevant tenor published in the Inflation Swaps Operational Specifications. Where the Inflation Clearing Group that is required to enter into a Crossing Transaction submitted Key Tenor Market Data that is lower than the

SwapClear End of Day Price, its Designated Clearing Member will be required to receive a fixed price under the Crossing Transaction whilst an Inflation Clearing Group that submits Key Tenor Market Data that is higher than the SwapClear End of Day Price will be required to pay a fixed price as determined by the formula published in the Inflation Swaps Operational Specifications.

In the case of a Designated Clearing Member engaging in a Crossing Transaction as a result of its Inflation Clearing Group receiving 2 Non-performance Notices or a Market Deviation Notice as a result of providing corrupted data, the price in respect of its Crossing Transaction will be the mid-point between the value ascribed to the Designated Clearing Member for the purposes of a Non-performance Notice Crossing Transaction (in accordance with the Inflation Swaps Operational Specifications) and the SwapClear End of Day Price.

Appendix III
Default Rules



LCH.CLEARNET LIMITED
DEFAULT RULES

SCHEDULE 2 SWAPCLEAR DMP ANNEX

1. Scope and Interpretation

- 1.1 The Clearing House has established a SwapClear DMP which will apply to SwapClear Contracts following the issue of a Default Notice relating to a SwapClear Clearing Member and in respect of which, for the avoidance of doubt, the Clearing House will have no recourse to the process of invoicing-back. The fundamental principles of the SwapClear DMP are elaborated to the fullest extent possible in this Annex. Where exhaustive detail cannot be laid out in the provisions of this Annex, the SwapClear DMP will be undertaken on the basis of the principles contained herein.
- 1.2 The Clearing House has an obligation to ensure the on-going integrity of the SwapClear service and SwapClear Contracts in the interests of the Non-Defaulting SCMs. When a SwapClear Clearing Member defaults, Non-Defaulting SCMs are required to supply impartial expertise through the SwapClear DMG and to bid for the Auction Portfolios of a Defaulting SCM, as laid out in this Annex. In addition, most SCMs or their parent companies or subsidiaries or fellow subsidiaries, have direct interests in that integrity, notably as contributors to the various default funds of the Clearing House. Each SCM shall take all steps and execute all documents necessary or required by the Clearing House to comply with its obligations as a SCM arising out of this Annex.
- 1.3 The initial margining process in respect of SwapClear Contracts will be such so as to ensure that the acceptance of bids for the Auction Portfolios of a Defaulting SCM will recognise risk premiums, and that equivalent premiums will be paid by the Clearing House in closing-out large positions in other Contracts traded on exchange or ATS-organised markets.

1.4 In this Annex:

"AIP" has the meaning given in Rule 2.4 of this Annex;

"Auction" means the process of bidding by SwapClear Clearing Members for an Auction Portfolio prescribed by the Clearing House following consultation with the SwapClear DMG from time to time in accordance with Rule 2.3 of this Annex;

~~"Auction Currency" means in relation to an Auction, the currency of an Auction Portfolio which is the subject of that Auction;~~

"Auction Losses" has the meaning given in Rule 2.5(b) of this Annex;

"Auction Portfolio" means (i) a Portfolio; or (ii) a group of SwapClear Contracts resulting from the splitting of a Portfolio pursuant to Rule 2.1 of this Annex including any connected hedging trades concluded by the Clearing House through Risk Neutralisation;

"Auction Portfolio Category" means in relation to an Auction Portfolio, the SwapClear Contract Category to which the SwapClear Contracts in the Auction Portfolio belong, provided that in the case of an Auction Portfolio containing both

IRS SwapClear Contracts and Inflation SwapClear Contracts, the relevant Auction Portfolio Category shall be deemed to be the Inflation SwapClear Contract Category;

"Auction Portfolio Currency" means in relation to an Auction Portfolio, the SwapClear currency in which the SwapClear Contracts in the Auction Portfolio are denominated;

"Bankruptcy Code" means the U.S. Bankruptcy Code, as amended;

"CEA" means the U.S. Commodity Exchange Act, as amended;

"CFTC" means the U.S. Commodity Futures Trading Commission;

~~"Currency Participant" means, in respect of a specific SwapClear currency, a Non-Defaulting SCM who at the time the Clearing House declares a Default has SwapClear Contracts for that SwapClear currency registered in its name;~~

"Derivatives Clearing Organization" means an organisation designated and registered as such by way of United States Code Title 7, Chapter 1, paragraph 7a-1;

"Equal Bid" has the meaning given in Rule 2.3(e) of this Annex;

"Expected Auction Participant" means, in respect of an Auction Portfolio, any Non-Defaulting SCM who, at the time the Clearing House declares a Default, has at least one Resembling Contract registered in its name;

"FCM SwapClear Client Business" means the provision of FCM SwapClear Client Clearing Services by an FCM Clearing Member to its FCM Clients;

"FCM SwapClear House Business" means the FCM SwapClear Contracts entered into by an FCM Clearing Member for its own account or for the account of an affiliate;

"Guidance" means guidance, in the form of one or more written notices, issued from time to time pursuant to Rule 1.2 of this Annex by or on behalf of the Clearing House to SwapClear Clearing Members, supplementing the detail or conduct of any aspect of the SwapClear DMP;

"Higher Bid" and "Higher Bidder" have the meanings given in Rule 2.5(c) of this Annex;

"Inflation SwapClear Contract Category" means the category of SwapClear Contracts which comprises Inflation SwapClear Contracts registered with the Clearing House;

"Initial Resources" has the meaning given in Rule 2.5(b) of this Annex;

"IRS SwapClear Contract Category" means the category of SwapClear Contracts which comprises IRS SwapClear Contracts registered with the Clearing House;

"Losing ~~Currency~~ AP Type" has the meaning given in Rule 2.5(d) of this Annex;

"~~Lossing-Currency~~ **Original SCM**" has the meaning given in Rule 2.5(d) of this Annex;

"~~Lossing-Currency~~ **Unfunded SCM**" has the meaning given in Rule 2.5(g) of this Annex;

"**Margin Cover**" has the meaning given in Rule 15(a) of the Default Rules;

"**Non-Defaulters' Contributions**" means the SwapClear Contributions made by Non-Defaulting SCMs to the SwapClear Default Fund;

"**Original Contributions**" has the meaning given in Rule 2.5(c) of this Annex;

"**Portfolio**" means, in respect of each SwapClear currency, the SwapClear Contracts in such currency registered in the name of a Defaulting SCM in respect of House Clearing Business or the SwapClear Contracts in such currency registered in the name of a Defaulting SCM in respect of Client Clearing Business and, in both such cases includes, where relevant, any hedging trades connected to the relevant SwapClear Contracts concluded by the Clearing House through Risk Neutralisation. For the avoidance of doubt, a Portfolio containing SwapClear Contracts relating to the Client Clearing Business of a Defaulting SCM will only contain SwapClear Contracts relating to Client Clearing Business. The Clearing House shall not be entitled to combine client and house positions in a single Portfolio;

"**Potential Unfunded Contributions**" has the meaning given in Rule 2.4(b) of this Annex;

"**Recognised Clearing House**" mean an organisation which is declared to be a recognised clearing house by a recognition order (that is for the time being in force) made under section 290(1)(b) of the Financial Services and Markets Act 2000;

"**Relevant Original Contributions**" has the meaning given to it in Rule 2.5(c) of this Annex;

"**Relevant Unfunded Contributions**" has the meaning given to it in Rule 2.5(f) of this Annex;

"**Remaining Original Short Bidder**" has the meaning given in Rule 2.5(c) of this Annex;

"**Remaining Unfunded Short Bidder**" has the meaning given to it in Rule 2.5(f) of this Annex;

"**Resembling Contract**" means, in respect of the SwapClear Contracts in a specific Auction Portfolio, a SwapClear Contract registered in the name of a Non-Defaulting SCM that (i) is denominated in the same Portfolio Currency as such SwapClear Contracts and (ii) belongs to the SwapClear Contract Category which corresponds to the Auction Portfolio Category of such Auction Portfolio;

"**Risk Neutralisation**" means the process of reducing the market risk associated with a Defaulting SCM's obligations to the Clearing House under SwapClear Contracts by

hedging the exposure prior to the auction process as described in Rule 2.2 of this Annex;

"**Short Bidder**" has the meaning given in Rule 2.5(c) of this Annex;

"SwapClear Contract Category" means a category of SwapClear Contracts, being either the Inflation SwapClear Contract Category or the IRS SwapClear Contract Category;

"SwapClear Default Management Process Completion Date" means the date when the SwapClear Default Management Process Completion Date" means the date when the SwapClear Default Management Process in relation to a Default has been completed as determined by the Clearing House in consultation with the SwapClear DMG and notified to all SCMs;

"**SwapClear DMG**" means the advisory Default Management Group established by the Clearing House pursuant to the terms of this Annex;

"**SwapClear DMP or SwapClear Default Management Process**" means the processes of the Clearing House outlined in this Annex, as the same may be supplemented and/or amended from time to time in accordance with this Annex; and

"**Worst Case Loss**" means, in respect of ~~an Auction Portfolio or all of (i)~~ the SwapClear Contracts of an Auction Portfolio or (ii) the Resembling Contracts of a particular Non-Defaulting SCM ~~denominated in a particular currency~~, the largest loss which could be incurred by the Clearing House in respect of the relevant group of SwapClear Contracts, as determined by the Clearing House using the SwapClear PAIRS margining algorithm based on 2,500 historical scenarios (10 years history) and a holding period of 5 days.

Terms used in this Annex which are not defined herein shall have the meanings given to them in the Regulations and in the FCM Regulations.

2. **SwapClear Clearing House Business and FCM SwapClear House Business**

The SwapClear Default Management Process in respect of SwapClear Clearing House Business and FCM SwapClear House Business shall involve the stages described in this Rule 2.

2.1 ***Portfolio Splitting***

The Clearing House, in consultation with and with the assistance of the SwapClear DMG, shall determine the composition of each Auction Portfolio and shall have the discretion to divide a Portfolio into two or more individual Auction Portfolios with the aim of facilitating the efficiency of, and reducing the risk associated with, the auction process provided for in Rule 2.3 of this Annex. The overriding principle behind the portfolio splitting process is that the Clearing House will structure Auction Portfolios with the intention of ensuring a SwapClear DMP which best protects the resources of the Clearing House, subject to compliance with applicable provisions of the CEA and the CFTC Regulations regarding segregation of client assets. Therefore, nothing in this Rule 2.1 shall be deemed to imply: (a) that the Clearing House is under any obligation to split a particular Portfolio of a Defaulting SCM (regardless of

the number of SwapClear Contracts that such Portfolio contains); or (b) any particular requirements as to the composition of an individual Auction Portfolio, (including in terms of combining or separating (i) SwapClear Contracts belonging to different SwapClear Contract Categories or (ii) Inflation SwapClear Contracts having different underlying indices), except that, subject to overriding risk procedures, it is broadly anticipated that: (a) the parameters of any Auction Portfolio shall not be materially different to those set out in the Clearing House's fire drill and (b) an Auction Portfolio containing Inflation SwapClear Contracts will often also contain SwapClear Contracts which are not Inflation SwapClear Contracts for the purposes of interest rate risk neutralisation only.

2.2 ***Risk Neutralisation***

The Clearing House will, in consultation with and with the assistance of the SwapClear DMG, reduce the market risk associated with a Defaulting SCM's obligations to the Clearing House so far as is reasonably practicable by hedging the Clearing House's exposure in open SwapClear Contracts to which the Defaulting SCM is party. All such hedging shall be undertaken by the Clearing House with SCMs, on the basis of separate agreements between the Clearing House and each such SCM. The aim of Risk Neutralisation is to reduce market exposure to within defined tolerance limits expressed as deltas or other measures of market risk and as established from time to time by the Clearing House in consultation with the SwapClear DMG or as may reasonably be determined by the Clearing House in consultation with the SwapClear DMG once a Default has been declared under the Default Rules. For the avoidance of doubt, Risk Neutralisation may happen prior to, concurrently with and/or subsequently to the splitting of a Portfolio pursuant to Rule 2.1 above.

2.3 ***Auction***

- (a) Following the completion of Risk Neutralisation, the Clearing House shall auction each Auction Portfolio to Non-Defaulting SCMs in order to seek to re-establish the positions it had with the Defaulting SCM under the SwapClear Contracts in each Auction Portfolio with Non-Defaulting SCMs and to seek to determine the net value of those SwapClear Contracts for the purposes of determining the extent of any losses to the Clearing House which are to be reduced or borne in the manner provided by Rule 15 (*Reduction of Losses on Default*) of the Default Rules or, as the case may be, the extent of any gains to the Clearing House which the Clearing House must pay to the Defaulting SCM. The Clearing House, in consultation with the SwapClear DMG, shall prescribe such procedures (in addition to those set out herein) for the conduct of the auction process as it considers reasonably appropriate from time to time.
- (b) The Clearing House shall notify each SCM of all details that may be reasonably required in relation to an Auction Portfolio prior to the relevant Auction.
- (c) The auction process may take place over a number of days and Auctions of different Auction Portfolios may take place at different times.

- (d) SCMs will submit bids to the Clearing House representatives on the SwapClear DMG, who will ensure that the identities of the bidders are not revealed to the SCM representatives on the SwapClear DMG. For the avoidance of doubt, an SCM shall be entitled to submit a bid on behalf of one or more affiliated SCMs. The SwapClear DMG will oversee the bidding process in a manner which it considers best protects the resources of the Clearing House and ensures an orderly process.
- (e) The Clearing House in consultation with the SwapClear DMG will have full discretion in deciding whether or not to accept a particular bid in an Auction and, in so deciding, will take into account the relevant factors that determine risk premiums, as well as the range of bids received relative to the amount of Collateral held in respect of initial margin and, subject to their availability, the Clearing House resources as set out in Rule 15 of the Default Rules. In the event that more than one SCM submits a bid of the same value (each an "Equal Bid"), the Clearing House will, subject to its discretion to reject all such Equal Bids, select the bid which was received first in time.
- (f) In the case of an Auction in which no bid is accepted or received (as the case may be), one or more further Auctions will be held in relation to the relevant Auction Portfolio. As soon as practicable following an Auction:
 - (i) in the event that a bid was accepted, the Clearing House will notify ~~those Currency Participants in~~ the ~~relevant~~Expected Auction ~~Currency~~Participants together with any other SCMs who participated in the Auction that a bid was accepted and shall notify the SCM who submitted the accepted bid that its bid was accepted;
 - (ii) in the event that no bid was accepted, the Clearing House will notify all SCMs of the details of any further Auction.
- (g) The SCM agrees to use all reasonable efforts to make a bid in an Auction for an Auction Portfolio in respect of which such SCM is ~~a Currency~~an Expected Auction Participant.

2.4 *Auction Incentive Pools*

- (a) Before commencing the auction process, the Clearing House will calculate an auction incentive pool (each an "AIP") for each individual Auction Portfolio for the purposes of providing an initial allocation of the resources potentially available to it to satisfy any loss incurred in the Auction of each such Auction Portfolio. Notwithstanding such initial allocation, any resources utilised by the Clearing House will be allocated in accordance with Rule 2.5 below.
- (b) For each AIP, the resources shall be allocated as follows:
 - (i) the resources of the Defaulting SCM (in the form of: (i) that part of the Margin Cover for the SwapClear Contracts of the Defaulting SCM pursuant to Rule 15(a) of the Default Rules and (ii) the SwapClear Contribution made by the Defaulting SCM to the SwapClear Default Fund) available pursuant to Rule 15(b) of the Default Rules at the time

of the auction process will be allocated to the AIPs based on the proportion that (a) the risk of the relevant Auction Portfolio bears to (b) the aggregate of the risks (on an absolute basis) for all Auction Portfolios; the portion of the Capped Amount applied to the SwapClear Business of the Defaulting SCM pursuant to Rule 15(c) of the Default Rules will be allocated to the AIPs based on the proportion that (a) the risk of the relevant Auction Portfolio bears to (b) the aggregate of the risks (on an absolute basis) for all Auction Portfolios; and

- (ii) the Non-Defaulters' Contribution of each SCM and the total value of the SwapClear Unfunded Contributions which would be callable but have not been called by the Clearing House from the relevant SCM in respect of the relevant Default in accordance with Rule S8 of the Default Rules (the "**Potential Unfunded Contributions**") will, ~~subject to Schedule 22.4(e) below,~~ be allocated between ~~the~~each AIPs relating to ~~the~~an Auction ~~Portfolios~~Portfolio in respect of which the relevant SCM ~~is a Currency Participant~~has Resembling Contracts based on the proportion that: (a) the risk of the ~~SwapClear Contracts of such SCM denominated in the relevant currency~~Resembling Contracts of such SCM related to the relevant Auction Portfolio bears to (b) the aggregate of the amounts calculated in (a) for all of the Resembling Contracts of such SCM; provided that where there is more than one Auction Portfolio that corresponds to the same Resembling Contracts, the Non-Defaulter's Contributions and Potential Unfunded Contributions allocated to the AIP related to those Resembling Contracts will be further divided for the purposes of allocation into AIPs relating to the relevant Auction Portfolios based on the proportion that (a) the risk of the SwapClear Contracts in each such Auction Portfolio bears to (b) the aggregate of the amounts calculated in (a) in respect of each currency in whichfor each of the Auction Portfolios corresponding to the relevant ~~SCM; is a Currency Participant~~Resembling Contracts.
- (c) Where a Portfolio for a particular SwapClear currency has been split into two or more Auction Portfolios, the Non-Defaulters' Contributions and Potential Unfunded Contributions allocated to the AIP related to the relevant Portfolio will be further divided for the purposes of allocation into AIPs relating to the relevant Auction Portfolios based on the proportion that (a) the risk of the SwapClear Contracts in each such Auction Portfolio bears to (b) the aggregate of the amounts calculated in (a) for each of the Auction Portfolios in the relevant currency.

2.5 **Loss Attribution**

- (a) Following the completion of all Auctions of all Auction Portfolios of the Defaulting SCM, the Clearing House will determine whether losses incurred by it as a result of such Auctions are such that the Non-Defaulters' Contributions must be utilised. Where applicable, such losses will be allocated to Non-Defaulters' Contributions in accordance with the loss attribution process described in Rule 2.5(b) to 2.5(h) of this Annex.

- (b) For each Auction Portfolio, losses to the Clearing House will be met using the resources as set out in Rule 15. In applying those resources, the Clearing House will allocate the losses in respect of each Auction Portfolio (the "**Auction Losses**") by reference to the resources allocated to the AIPs related to such Auction Portfolios in accordance with Rule 2.4 of this Annex. Where there are no Auction Losses in respect of an Auction Portfolio or the Auction Losses in respect of an Auction Portfolio do not require the full amount of the resources referred to in sub-paragraphs (i) and (ii) of Rule 2.4(b) of this Annex allocated to the AIP related to the relevant Auction Portfolio (the "**Initial Resources**") to be fully utilised, the relevant surplus Initial Resources will be allocated *pro rata* between those AIPs relating to Auction Portfolios in respect of which there are Auction Losses requiring the utilisation of resources beyond the Initial Resources available in the relevant AIP in accordance with Rules 15(a), 15(b) and 15(c) until such time as all Initial Resources have been fully utilised.
- (c) In the case of each Auction for which there are Auction Losses in respect of which the Non-Defaulters' Contributions must be utilised, those Non-Defaulter's Contributions, not including, for these purposes, any part of such Non-Defaulters' Contributions that reflect any SwapClear Unfunded Contribution deposited with the Clearing House pursuant to the Default in respect of which the relevant Auction was held (the "**Original Contributions**") and which have been allocated to the AIP relating to the relevant Auction Portfolio (the "**Relevant Original Contributions**") will be used first in the following order:
- (i) the Auction Losses will be attributed to the Relevant Original Contributions of those SCMs who are ~~Currency~~Expected Auction Participants in respect of the relevant Auction ~~Currency~~Portfolio and who did not bid in the relevant Auction. Auction Losses will be attributed to the Relevant Original Contribution of an individual SCM pursuant to this sub-paragraph (i) based upon the proportion that: (a) the value of the Relevant Original Contribution of such SCM bears to (b) the total value of the Relevant Original Contributions of all SCMs who are ~~Currency~~Expected Auction Participants in respect of the relevant Auction ~~Currency~~Portfolio and who did not bid in the relevant Auction;
- (ii) if and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph (i) above, those Auction Losses will be attributed to the Relevant Original Contributions of the Short Bidders. For the purposes of this sub-paragraph (ii) and sub-paragraph (ii)(f) of Rule 2.5(f) of this Annex the term "**Short Bidder**" means any SCM who is ~~a Currency~~an Expected Auction Participant ~~in the Auction~~ ~~Currency~~ and who submitted an unsuccessful bid in the relevant Auction save for any SCM who submitted a higher bid in an Auction than the bid accepted by the Clearing House in accordance with Rule 2.3(d) of this Annex (each such SCM, a "**Higher Bidder**" and each such bid, a "**Higher Bid**").

Auction Losses will be attributed to an individual Short Bidder pursuant to this sub-paragraph (ii) based upon the proportion that (a) the variance of the bid of such Short Bidder from the winning bid (denominated in units of the relevant Auction Portfolio Currency) bears to (b) the sum of the variances of the bids of all Short Bidders from the winning bid (denominated in units of the relevant Auction Portfolio Currency).

Where the value of the Auction Losses attributed to an individual Short Bidder pursuant to this sub-paragraph (ii) is greater than the value of the Relevant Original Contribution of such Short Bidder, the relevant excess Auction Losses will be attributed to each Short Bidder whose Relevant Original Contribution exceeds the value of the Auction Losses which have been attributed to it pursuant to this sub-paragraph (ii) (each a "**Remaining Original Short Bidder**") by (a) calculating the amount which is the bid of the relevant Remaining Original Short Bidder divided by the sum of the bids of all Remaining Original Short Bidders; and (b) multiplying such amount by the value of the relevant excess Auction Losses.

The Clearing House will repeat the loss attribution process described in this sub-paragraph (ii) until the first to occur of (a) the Auction Losses being fully met; and (b) the Relevant Original Contributions of all Short Bidders being fully attributed; ~~and~~

(iii) if and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph (ii) above, those Auction Losses will be attributed to the Relevant Original Contribution of the SCM who submitted the winning bid, together with, where applicable, the Relevant Original Contribution of any SCM who submitted a bid which ~~is~~was an Equal Bid or a Higher Bid in relation to that winning bid. The outstanding Auction Losses will be attributed to the Relevant Original Contribution of an individual SCM pursuant to this sub-paragraph (iii) based upon the proportion that: (a) the value of the Relevant Original Contribution of such SCM bears to (b) the total value of the Relevant Original Contributions of (i) the SCM who submitted the winning bid; (ii) any SCMs who submitted an Equal Bid to such winning bid; and (iii) any SCMs who were Higher Bidders, in the relevant Auction.

(iv) ~~If~~if, for an Auction Portfolio, there remain Auction Losses outstanding after the attribution process referenced to in sub-paragraph (iii) above, and there are AIPs relating to other Auction Portfolios containing SwapClear Contracts denominated in the same Auction CurrencyPortfolio Currency and belonging to the same Auction Portfolio Category as the relevant Auction Portfolio in which the Relevant Original Contributions have not been fully utilised, the Clearing House shall attribute the remaining Auctions Losses amongst such Remaining Original Contributions through the attribution process set out in sub-paragraphs (i) to (iii) above.

- (d) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5(c) above, those Auction Losses will be attributed to the Original Contributions of those SCMs ~~who are Currency Participants in any other~~ (each a "Losing Original SCM") who have Resembling Contracts in respect of any of the Auction ~~Currency~~ Portfolios in relation to which Auction Losses have arisen ~~to the extent that Non-Defaulters' Contributions must be utilised~~ (each a "Losing ~~Currency~~ AP Type") and whose Original Contributions have not yet been fully utilised ~~(each a "Losing Currency Original SCM")~~. Such remaining Auction Losses will be attributed to any remaining Original Contribution of each such SCM pursuant to this Rule 2.5(d) based upon the proportion that: (a) the risk of all of the ~~SwapClear~~ Resembling Contracts of such SCM ~~denominated in each~~ respect of the all such Losing ~~Currencies~~ AP Types bears to (b) the aggregate of the amounts calculated in (a) for all Losing ~~Currency~~ Original SCMs. The Clearing House will repeat the loss attribution process described in this Rule 2.5(d) until the first to occur of (a) the Auction Losses being fully met; and (b) the Original Contributions of all Losing Original SCMs being fully attributed.
- (e) ~~(e)~~ — If and to the extent that there are Auction Losses outstanding following the attribution process referred to in 2.5(d) above, those remaining Auction Losses will be allocated to the Original Contributions of each SCM who is not a ~~Currency Participant in~~ Losing Original SCM in respect of any of the Losing ~~Currencies~~ AP Types based upon the proportion that (a) the value of each such Original Contribution bears to (b) the aggregate of the amounts calculated in (a) for each of such SCMs.
- (f) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5(d) above, the SwapClear Unfunded Contributions which have been allocated to the AIP relating to the relevant Auction Portfolio (the "**Relevant Unfunded Contributions**") will be used first in the following order:
- (i) the Auction Losses will be attributed to the Relevant Unfunded Contributions of those SCMs who are ~~Currency~~ Expected Auction Participants in respect of the relevant Auction ~~Currency~~ Portfolio and who did not bid in the relevant Auction. Auction Losses will be attributed to the Relevant Unfunded Contribution of an individual SCM pursuant to this sub-paragraph (i) based upon the proportion that: (a) the value of the Relevant Unfunded Contribution of such SCM bears to (b) the total value of the Relevant Unfunded Contributions of all SCMs who are ~~Currency~~ Expected Auction Participants in respect of the relevant Auction ~~Currency~~ Portfolio and who did not bid in the relevant Auction;
- (ii) if and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph (i) above, those Auction Losses will be attributed to the Relevant Unfunded Contributions of the Short Bidders in the relevant Auction. Auction Losses will be attributed to an individual Short Bidder pursuant to this sub-paragraph (ii) based upon the proportion that (a) the variance of the bid of such Short Bidder from the winning bid (denominated in

units of the relevant Auction Portfolio Currency) bears to (b) the sum of the variances of the bids of all Short Bidders from the winning bid (denominated in units of the relevant Auction Portfolio Currency).

Where the value of the Auction Losses attributed to an individual Short Bidder pursuant to this sub-paragraph (ii) is greater than the value of the Relevant Unfunded Contribution of such Short Bidder, the relevant excess Auction Losses will be attributed to each Short Bidder whose Relevant Unfunded Contribution exceeds the value of the Auction Losses which have been attributed to it pursuant to this sub-paragraph (ii) (each a "**Remaining Unfunded Short Bidder**") by (a) calculating the amount which is the bid of the relevant Remaining Unfunded Short Bidder divided by the sum of the bids of all Remaining Unfunded Short Bidders; and (b) multiplying such amount by the value of the relevant excess Auction Losses.

The Clearing House will repeat the loss attribution process described in this sub-paragraph (ii) until the first to occur of (a) the Auction Losses being fully met; and (b) the Relevant Unfunded Contributions of all Short Bidders being fully attributed; and

- (iii) if and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph (ii) above, those Auction Losses will be attributed to the Relevant Unfunded Contribution of the SCM who submitted the winning bid, together with, where applicable, the Relevant Unfunded Contribution of any SCM who submitted a bid which ~~is~~was an Equal Bid or a Higher Bid in relation to that winning bid. The outstanding Auction Losses will be attributed to the Relevant Unfunded Contribution of an individual SCM pursuant to this sub-paragraph (iii) based upon the proportion that: (a) the value of the Relevant Unfunded Contribution of such SCM bears to (b) the total value of the Relevant Unfunded Contributions of (i) the SCM who submitted the winning bid; (ii) any SCMs who submitted an Equal Bid to such winning bid; and (iii) any SCMs who were Higher Bidders, in the relevant Auction; and
- (iv) ~~If~~, for an Auction Portfolio, there remain Auction Losses outstanding after the attribution process referenced to in sub-paragraph (iii) above, and there are AIPs relating to other Auction Portfolios containing SwapClear Contracts denominated in the same Auction Currency Portfolio Currency and belonging to the same Auction Portfolio Category as the relevant Auction Portfolio in which the Relevant Unfunded Contributions have not been fully utilised, the Clearing House shall attribute the remaining Auctions Losses amongst such Remaining Unfunded Contributions through the attribution process set out in sub-paragraphs (i) to (iii) above.
- (g) ~~(g)~~—If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5(f) above, those Auction Losses will be attributed to the SwapClear Unfunded Contributions of those SCMs ~~who are Currency Participants in any other~~(each a "Losing Unfunded SCM")

who have Resembling Contracts in respect of any of the Losing Currency AP Types and whose SwapClear Unfunded Contributions have not yet been fully utilised ~~(each a "Losing Currency Unfunded SCM")~~. Such remaining Auction Losses will be attributed to any remaining SwapClear Unfunded Contributions of each such SCM pursuant to this Rule 2.5(g) based upon the proportion that: (a) the risk of all of the SwapClear Resembling Contracts of such SCM denominated in each respect of the all such Losing Currencies AP Types bears to (b) the aggregate of the amounts calculated in (a) for all Losing Currency Unfunded SCMs. The Clearing House will repeat the loss attribution process described in this Rule 2.5(g) until the first to occur of (a) the Auction Losses being fully met; and (b) the SwapClear Unfunded Contributions of all Losing Currency Unfunded SCMs being fully attributed.

(h) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5(g) above, those remaining Auction Losses will be allocated to the SwapClear Unfunded Contributions of each SCM who is not a Currency Participant in Losing Unfunded SCM in respect of any of the Losing Currencies AP Types based upon the proportion that (a) the value of each such SwapClear Unfunded Contribution bears to (b) the aggregate of the amounts calculated in (a) for each of such SCMs.

2.6 For the purposes of Rules 2.4 and 2.5 above, all references to the risk associated with ~~an Auction Portfolio or with all of (i)~~ the SwapClear Contracts in an Auction Portfolio or (ii) the Resembling Contracts of a Non-Defaulting SCM ~~denominated in a particular currency,~~ shall be references to such risk as determined by the Clearing House in its sole discretion on the basis of Worst Case Loss.

3. **Default Management in respect of SwapClear Client Clearing Business and FCM SwapClear Client Business**

3.1 The SwapClear DMP in respect of any contract which is a SwapClear Contract in respect of SwapClear Client Clearing Business shall involve the stages described in the Client Clearing Annex (which such stages, for the avoidance of doubt, will result in a SwapClear Contract in respect of SwapClear Client Clearing Business being dealt with in accordance with Rule 2 above in the event that it cannot be ported by the Clearing House).

3.2 The SwapClear DMP in respect of any contract which is an FCM SwapClear Contract in respect of FCM SwapClear Client Business shall be conducted in accordance with FCM Regulation 13(e) (*Transfer*). The provisions of Default Rule 10 shall also apply.

4. **Transfer of Cash Flows and Registration of Positions**

4.1 Following the disposal of an Auction Portfolio by way of Auction (and notwithstanding that other Auction Portfolios of the Defaulting SCM may not yet have been auctioned) the Clearing House, will, with the co-operation of the SCMs, transfer to the SCM whose bid won that Auction Portfolio the rights and obligations, from the Defaulting SCM, arising out of the positions which that SCM has successfully bid for under the SwapClear Default Management Process. Such transfer may take place by way of registration of new positions with the Clearing House in the



Appendix IV
Product Specific Contract Terms and Eligibility Criteria Manual

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

SCHEDULE 2 SWAPCLEAR

PART A SWAPCLEAR CONTRACT TERMS

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

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

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

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

1. Interpretation

- 1.1 "ISDA 2000 Definitions" means the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), and the same are incorporated by reference herein; "ISDA 2006 Definitions" means the 2006 ISDA Definitions as published by ISDA, and the same are incorporated by reference herein; and "ISDA 2008 Inflation Definitions" means the 2008 ISDA Inflation Derivatives Definitions as published by ISDA, and the same are incorporated by reference herein.
- 1.2 Words and expressions used in these SwapClear Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the "ISDA 2000 Definitions" ~~or~~ the "ISDA 2006 Definitions" or the "ISDA 2008 Inflation Definitions" shall have the same meaning herein as in the ISDA 2000 Definitions, the ISDA 2006 Definitions or the ISDA ~~2006~~2008 Inflation Definitions as the case may be, unless expressly provided otherwise. For the avoidance of doubt where the SwapClear Contract identifies the ISDA 2000 Definitions as being applicable to that SwapClear Contract then those definitions will apply ~~and~~, where the SwapClear Contract identifies the ISDA 2006 Definitions as being applicable to that SwapClear Contract then those definitions will apply and where the SwapClear Contract identifies the ISDA 2008 Inflation Definitions as being applicable to that SwapClear Contract then those definitions will apply.
- 1.3 In the event of an inconsistency between the Regulations and the Procedures and any of the ISDA 2000 Definitions, the ISDA 2006 Definitions or the ISDA ~~2006~~2008 Inflation Definitions, the Regulations and Procedures will prevail. In the event of an inconsistency between either the ISDA 2000 Definitions or the ISDA 2006 Definitions and the ISDA 2008 Inflation Definitions, the ISDA 2008 Inflation Definitions will (where they are applicable) prevail.

- 1.4 References in the ISDA 2000 Definitions and the ISDA 2006 Definitions to a "**Swap Transaction**" [and references in the ISDA 2008 Inflation Definitions to an "Index Transaction"](#) shall be deemed to be references to a "**SwapClear Transaction**" for the purposes of SwapClear.
- 1.5 Except where expressly stated otherwise, all reference to "**Articles**" means Articles in the ISDA 2000 Definitions, [the ISDA 2006 Definitions](#) or the ISDA ~~2006~~[2008 Inflation](#) Definitions as the case may be as published by ISDA.
- 1.6 In relation to any amendments to either the ISDA 2000 Definitions, [the ISDA 2006 Definitions](#) or the ISDA ~~2006~~[2008 Inflation](#) Definitions, the Clearing House may from time to time, by notice delivered to the SwapClear Clearing Members and the SwapClear Dealers, give directions as to whether such amendment shall apply to SwapClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine. Any such notice may provide that the amendment to the ISDA 2000 Definitions, [the ISDA 2006 Definitions](#) or the ISDA ~~2006~~[2008 Inflation](#) Definitions may take effect so as to apply to SwapClear Contracts registered in a SwapClear Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines and the accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by, any SwapClear Clearing Member or SwapClear Dealer shall not invalidate the amendment with which the notice is concerned.

2. Economic Terms

- 2.1 The Economic Terms of a SwapClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding SwapClear Transaction in respect of the terms designated as Economic Terms in this Schedule.
- 2.2 It is part of the eligibility criteria for registration as a SwapClear Contract that the particulars of a SwapClear Transaction presented to the Clearing House must include matched information in respect of such designated Economic Terms, except that information in respect of (i) (viii) OR (ix) (not both) of 2.3 below for vanilla interest rate swaps with constant notional principal and variable notional swaps and (n) or (o) (not both) of 2.4 below in relation to forward rate agreements must be provided.
- 2.3 The Economic Terms for vanilla interest rate swaps with constant notional principal and variable notional swaps comprise:
 - (a) Notional Amount (see Article 4.7) of the ISDA 2000 Definitions and Article 4.7 of the ISDA 2006 Definitions for definition) (for variable notional swaps, the Notional Amount can be set out in a Notional Amount Schedule)¹

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

- (ii) Floating Rate Payer 2 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):
 - (a) Floating Rate Payer Payment Dates;
 - (b) Floating Rate Payer compounding dates (if applicable);
 - (c) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition)

(**Note:** The details of each such option are as provided in the Procedures)
 - (d) Designated Maturity (see Article 7.3(b) of the "Annex to the 2000 ISDA Definitions (June 2000 version)" and Article 7.3(b) of the ISDA 2006 Definitions for definition);
 - (e) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2(e) of the ISDA 2006 Definitions for definition);⁵
 - (f) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2(b) of the ISDA 2006 Definitions for definition);
 - (g) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2(f) of the ISDA 2006 Definitions for definition).

[SwapClear Contracts registered by the Clearing House in respect of such vanilla interest rate swaps with constant notional principal or in respect of such variable notional swaps constitute "IRS SwapClear Contracts".](#)

- 2.4 The Economic Terms for Forward Rate Agreements (using only the ISDA 2006 Definitions) comprise:
- (a) Notional Amount (see Article 4.7 for definition);
 - (b) Currency (see Article 1.7 for definition);
 - (c) Trade Date (see Article 3.7 for definition);
 - (d) Effective Date (see Article 3.2 for definition);
 - (e) Termination Date (see Article 3.3 for definition);

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

- (f) Additional Payments/Fees:
 - (i) the Payer of the Additional Payments/Fees (if any);
 - (ii) the amount of the Additional Payments/Fees (specify zero if none).
- (g) Business Days (see Article 1.4 for definition);
- (h) Business Day Convention (see Article 4.12 for definition);
- (i) Fixed Rate Payer (see Article 2.1 for definition);
- (j) Fixed Rate Payer Payment Dates;
- (k) Fixed Rate
- (l) Floating Rate Payer (see Article 2.2 for definition);
- (m) Floating Rate Payer Payment Dates;
- (n) Floating Rate Option (see Article 6.2(i) for definition);
- (o) Designated Maturity (see Article 7.3(b) for definition);
- (p) Spread (see Article 6.2(f) for definition);
- (q) Reset Dates (see Article 6.2(b) for definition);
- (r) Floating Rate Day Count Fraction (see Article 6.2(g) for definition).
- (s) FRA Discounting (see Article 8.4(b) for definition):
- (t) Discount Rate (see Article 8.4(c) for definition):
- (u) Discount Rate Day Count Fraction (see Article 8.4(d) for definition):
- (v) FRA Yield Discounting (see Article 8.4(e) for definition):

In respect of forward rate agreements either (s) or (v) but not both should be selected.

[SwapClear Contracts registered by the Clearing House in respect of such forward rate agreements constitute "IRS SwapClear Contracts".](#)

2.5 The Economic Terms for vanilla inflation swaps with constant notional principal comprise:

- [\(a\) Notional Amount \(see Article 4.7 of the ISDA 2000 Definitions and Article 4.7 of the ISDA 2006 Definitions for definition\);](#)
- [\(b\) Currency \(see Article 1.7 of the ISDA 2000 Definitions and Article 1.7 of the ISDA 2006 Definitions for definition\);](#)

- (c) Trade Date (see Article 3.7 of the ISDA 2000 Definitions and Article 3.7 of the ISDA 2006 Definitions for definition);
- (d) Effective Date (see Article 3.2 of the ISDA 2000 Definitions and Article 3.2 of the ISDA 2006 Definitions for definition);
- (e) Termination Date (see Article 3.3 of the ISDA 2000 Definitions and Article 3.3 of the ISDA 2006 Definitions for definition);
- (f) Additional Payments/Fees:
 - (i) the Payer of the Additional Payments/Fees (if any);
 - (ii) the amount of the Additional Payments/Fees (specify zero if none).
- (g) Business Days (see Article 1.4 of the ISDA 2000 Definitions and Article 1.4 of the ISDA 2006 Definitions for definition);
- (h) Business Day Convention (see Article 4.12 of the ISDA 2000 Definitions and Article 4.12 of the ISDA 2006 Definitions for definition);
- (i) Where Fixed Rate - Floating Rate Swap:
 - (i) Fixed Rate Payer (see Article 2.1 of the ISDA 2000 Definitions and Article 2.1 of the ISDA 2006 Definitions for definition);
 - (a) Fixed Rate Payer Payment Date;
 - (b) Fixed Amount (see Article 4.4 of the ISDA 2006 Definitions for definition) [or Fixed Rate and Fixed Rate Day Count Fraction][or Fixed Rate Payer Schedule]
 - (ii) Floating Rate Payer (see Article 2.2 of the ISDA 2006 Definitions for definition);
 - (a) Floating Rate Payer Payment Date;
 - (b) Index (see Article 1, Section 1.4 of the ISDA 2008 Inflation Definitions for definition);
(Note: The details of each Index are as provided in the Procedures).
 - (c) Index Initial (being the Index level for the specified Reference Month (see Article 1, Section 1.7 of the ISDA 2008 Inflation Definitions for definition) or the specified Index level);
 - (d) Index Final (being the Index level for the specified Reference Month (see Article 1, Section 1.7 of the ISDA 2008 Inflation Definitions for definition));
 - (e) Information source (if applicable); and

(f) Interpolation (if applicable).

Provided, however, that, as set out more particularly in Regulation 16, where the SwapClear Transaction specifies a SwapClear Dealer as the party paying Rate X (the "First SwapClear Dealer"), with the other SwapClear Dealer as the party paying Rate Y (the "Second SwapClear Dealer"), the Clearing House, in respect of each SwapClear Contract it is party to pursuant to the corresponding SwapClear Transaction, shall be (i) the party paying Rate Y to the First SwapClear Dealer, or its SwapClear Clearing Member, as applicable, under the SwapClear Contract; and (ii) the party paying Rate X to the Second SwapClear Dealer, or its SwapClear Clearing Member, as applicable, under the SwapClear Contract.

SwapClear Contracts registered by the Clearing House in respect of such vanilla inflation swaps with constant notional principal constitute "Inflation SwapClear Contracts".

2.6 ~~2.5~~ **Financial Centres**

Detail of the relevant financial centre/s must be provided using the appropriate Markitwire/FpML code as set out below:

Financial Centre	Markitwire/FpML
Sydney	AUSY
Brussels	BEBR
Montreal	CAMO
Toronto	CATO
Geneva	CHGE
Zurich	CHZU
Prague	CZPR
Frankfurt	DEFR
Copenhagen	DKCO
Madrid	ESMA
Helsinki	FIHE
Paris	FRPA
London	GBLO
Hong Kong	HKHK
Budapest	HUBU
Milan	ITMI
Rome	ITRO
Tokyo	JPTO
Luxemburg	LULU

PART B PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A SWAPCLEAR CONTRACT

1. SwapClear Transaction

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

- (a) the transaction meets the eligibility criteria, set out in paragraphs 1.2(a), (b) or (c) and 1.3, below for a SwapClear Transaction; and
- (b) each party to the transaction is either a SwapClear Dealer or a SwapClear Clearing Member (including an SCM Branch),

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

1.2 SwapClear Product Eligibility Criteria for a SwapClear Transaction

- (a) Vanilla interest rate swaps with constant notional principal having the characteristics set out in the table below:

Instrument	Acceptable Currencies	Acceptable Indices ⁶	Types		Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
Vanilla interest rate swaps with constant notional principal	Sterling (GBP)	GBP-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-99,999,999,999.99
		See Article 7.1w(vii) for definition	Floating vs. Floating			
		GBP-WMBA-SONIA-COMPOUND	Fixed vs. Floating	Single Currency	10,970 days	
	See Article 7.1w(vii) for definition	Floating vs. Floating ⁷				
US Dollar (USD)	USD-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-99,999,999,999.99	
	See Article 7.1(ab)(xxii) for definition	Floating vs. Floating				
		USD-Federal Funds H.15-OIS-COMPOUND	Fixed vs. Floating	Single currency	10,970 days	

⁶ References in this column are to the 2006 ISDA Definitions

⁷ If Floating vs Floating where one leg Index is the GBP-WMBA-SONIA-COMPOUND, the Index on the other leg must be GBP-LIBOR-BBA

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)		Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
ent			NIBR					10m, 11m, 1y	375
Forward Rate Agreement	PLN	PLN – WIBOR_	WIBO	Fixed v floating	Single currency	740 days		1w, 2w 1m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	SEK	SEK-STIBOR-	SIDE	Fixed v floating	Single currency	740 days		1w, 1m, 2m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	USD	USD-LIBOR-	BBA	Fixed v floating	Single currency	1105 days		1w, 1m, 2m, 3m, 6m, 1y	Min 3 Max 375

(d) Vanilla inflation rate swaps with constant notional principal having the characteristics set out in the table below:

<u>Instrument</u>	<u>Acceptable Currencies</u>	<u>Acceptable Indices⁹</u>	<u>Types</u>	<u>Maximum Residual Term</u>	<u>Notional Amount (Min - Max of the relevant currency unit)</u>
<u>Vanilla inflation rate swaps with constant notional principal</u>	<u>GBP</u>	<u>GBP – Non-revised Retail Price Index (UKRPI)</u> <u>See Annex A (oo)(i) for definition</u>	<u>Fixed vs. Floating</u>	<u>Single currency</u>	<u>18,275 Days</u> <u>0.01-99,999,999,999.99</u>
<u>Vanilla inflation rate swaps with constant notional principal</u>	<u>USD</u>	<u>USD Non-revised Consumer Price Index – Urban (CPI-U)</u> <u>See Annex A (pp)(i) for definition</u>	<u>Fixed vs. Floating</u>	<u>Single currency</u>	<u>10,970 Days</u> <u>0.01-99,999,999,999.99</u>
<u>Vanilla inflation rate</u>	<u>EUR</u>	<u>FRC – Excluding</u>	<u>Fixed vs.</u>	<u>Single</u>	<u>10,970 Days</u> <u>0.01-</u>

⁹ References in this column are to the 2008 ISDA Inflation Derivatives Definitions

<u>Instrument</u>	<u>Acceptable Currencies</u>	<u>Acceptable Indices⁹</u>	<u>Types</u>	<u>Maximum Residual Term</u>	<u>Notional Amount (Min - Max of the relevant currency unit)</u>
<u>swaps with constant notional principal</u>		<u>Tobacco-Non-Revised Consumer Price Index</u> <u>See Annex A (l)(i) for definition</u>	<u>Floating</u>	<u>currency</u>	<u>99,999,999,999.99</u>
<u>Vanilla inflation rate swaps with constant notional principal</u>	<u>EUR</u>	<u>EUR – Excluding Tobacco-Non-revised Consumer Price Index</u> <u>See Annex A (j)(i) for definition</u>	<u>Fixed vs. Floating</u>	<u>Single currency</u>	<u>10,970 Days</u> <u>0.01-99,999,999,999.99</u>

Day Count Fraction	MarkitWire/ FpML Code	Currency
		SEK, CZK, HUF
Fraction		SWIFT Code
Actual/365, Actual/Actual (See Article 4.16(b) for definition)		ACT/365
Actual/365 (Fixed) (See Article 4.16(c) for definition)		AFI/365
Actual/360 (See Article 4.16(d) for definition)		ACT/360
30/360,360/360, Bond Basis (See Article 4.16(e) for definition)		360/360
30E/360 (See Article 4.16(f) for definition)		30E/360

2.1.2 Business Day Conventions

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

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

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

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

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

fixed period end dates and the termination date

float period end dates and the termination date

2.1.3 Minimum and Maximum Residual Term of the Trade (Termination date – Today)

Trades in respect of vanilla interest rate swaps with constant notional principal and variable notional swaps are subject to a minimum and maximum Residual Term on the day they are received by SwapClear.

Minimum Residual Term of trade:

Termination date - Today \geq 1 + currency settlement lag

where currency settlement lag is:

1 day for EUR, USD, GBP and CAD denominated trades

2 days for JPY, CHF, AUD, DKK, HKD, NZD, SEK, NOK, PLN, ZAR, SAD, HUF & CZK denominated trades

Maximum Residual Term of trade:

Termination date - Today <= 3,670 days for DKK, HKD, NOK, PLN, ZAR, SGD, HUF & CZK (10 years)

Termination date - Today <= 5,495 days for NZD

Termination date - Today <= 10,970 days for AUD, CAD, CHF & SEK (30 years)

Termination date – Today <= 14,620 days for JPY (40 years)

Termination date – Today <= 18,275 days for GBP, EUR & USD (50 years)

Maximum Residual Term to Maturity for Forward Rate Agreements

The maximum residual term to maturity for forward rate agreements is as follows:

Currency	Maximum Residual Term to Maturity
EUR, JPY, USD, GBP	1105 days (3 years)
CHF, DKK, NOK, PLN, SEK, CZK, HUF	740 days (2 years)

[The Clearing House will accept inflation swaps for registration: \(a\) in the case of uninterpolated indices, up to the end of the month prior to the final Reference Month; and \(b\) in the case of interpolated indices, up to the end of the final Reference Month.](#)

2.1.4 *Designated Maturity*

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

2.1.5 *Calculation Periods*

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

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

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

Appendix V
FCM Regulations

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

	respect of such FCM Clearing Member.
“FDICIA”	means the Federal Deposit Insurance Corporation Improvement Act of 1991, as amended.
“First EnClear Clearing Member”	has the meaning assigned to it in FCM Regulation 53(a).
“First Nodal Clearing Member”	has the meaning assigned to it in FCM Regulation 56(a).
“ForexClear Clearing Member”	means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
“ForexClear Contribution”	means, in relation to the Default Rules, the meaning assigned to it in rule 16 of the Default Rules.
“ForexClear DMP”	has the meaning assigned to it in the ForexClear DMP Annex of the Default Rules.
“Futures Account Class”	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.
“Futures/Options Contract”	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.
“Futures Product”	means a Product which constitutes a Futures/Options Contract. Such Products are: FCM Nodal Contracts.
“Hedged Account”	has the meaning assigned to it in the FCM Procedures.
“Ineligible FCM ForexClear Contract”	has the meaning assigned to it in FCM Regulation 49(e)(ii).
“Ineligible FCM ForexClear Transaction”	has the meaning assigned to it in FCM Regulation 49(e)(i).
“Ineligible FCM SwapClear Contract”	has the meaning assigned to it in FCM Regulation 46(f).
“Ineligible FCM SwapClear Transaction”	has the meaning assigned to it in FCM Regulation 46(f).
<u>“Inflation FCM SwapClear</u>	<u>means an FCM SwapClear Contract identified as being an</u>

Contract

[Inflation FCM SwapClear Contract in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.](#)

“Initial Margin”

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.

IRS FCM SwapClear Contract

[means an FCM SwapClear Contract identified as being an IRS FCM SwapClear Contract in the FCM Product Specific Contract Terms and Eligibility Criteria Manual](#)

“LCH.Clearnet Group”

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 “**member**” of LCH.Clearnet Group Limited within these FCM Regulations is to be construed accordingly).

“LCH Approved Outsourcing Agent”

means a person, designated as such by the Clearing House, as may be provided for in the FCM Procedures.

“LCH EnClear OTC Clearing Member”

means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.

“LCH Futures Client Segregated Depository Account”

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.

“LCH Swaps Client Segregated Depository Account”

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

Appendix VI
FCM Procedures



**FCM PROCEDURES OF
THE CLEARING HOUSE**

LCH.CLEARNET LIMITED

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 ~~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)).

(e) Inflation Swap Data

Pursuant to, and subject to the terms and conditions of, Regulation 60A of the U.K. General Regulations, certain SwapClear Clearing Members provide Market Data (as such term is defined in the U.K. General Regulations) to the Clearing House and the Clearing House is expressly authorized to use such Market Data to create Derived Data (as such term is defined in the U.K. General Regulations). Pursuant to, and subject to the terms and conditions of, Regulation 60A of the U.K. General Regulations, the Clearing House may disclose or furnish Derived Data to third parties on terms to be determined by the Clearing House in its sole discretion. In the event that the Clearing House provides Derived Data to an FCM Clearing Member, upon such provision, it grants such FCM Clearing Member, and such FCM Clearing Member agrees to be bound by the terms of, a limited, worldwide, non-exclusive, non-transferable, non-sublicensable, revocable license (the “License”) permitting the FCM Clearing Member to use the Derived Data solely for the purposes of such FCM Clearing Members’ internal settlement and risk management activities in relation to Inflation SwapClear Contracts referencing the relevant Index and may only share the Derived Data with:

- (i) an FCM Client for whom the FCM Clearing Member conducts FCM SwapClear Clearing Services in respect of Inflation FCM SwapClear Contracts referencing the relevant Index and/or their third party service providers, provided that the FCM Clearing Member shall procure that such FCM Client and/or its service providers (as applicable) shall only use the Derived Data for the purposes of the FCM Client’s internal risk management and settlement activities in respect of Inflation FCM SwapClear Contracts which the FCM Clearing Member clears or intends to clear on the FCM Client’s behalf in respect of the relevant Index and may not further disclose the Derived Data to any other person or use the Derived Data for any other purpose;
- (ii) third parties providing the FCM Clearing Member with risk management or settlement services, provided that the FCM Clearing Member shall procure that such third parties shall only use the Derived Data for the purposes of the FCM Clearing Member’s internal risk management and settlement activities in relation to FCM Inflation SwapClear Contracts that reference the relevant Index and that the third party may not further disclose the Derived Data to any other person or use the Derived Data for any other purpose; and
- (iii) competent regulatory authorities when required to do so by applicable law or regulation;

effective federal funds rate determined by the Federal Reserve as the weighted average of the rates on brokered trades).

- (xxx) “**EUR-EONIA-OIS-COMPOUND**” means that the rate for a Reset Date, calculated in accordance with the formula set forth in Section 2.1.8(d), will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Euro-zone interbank euro money market).

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

(m) *Applying Reset Rate*

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

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

(n) *Negative Interest Rate Method*

FCM Clearing Member should note the provisions of Section 3.2 of Part A of Schedule 1 to the FCM Product Specific Contract Terms And Eligibility Criteria Manual regarding the applicability of the Negative Interest Rate Method, to an FCM SwapClear Contract. FCM Clearing Members may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative interest Rate Method.

(o) *Calculation of Inflation Indices*

The Index level used for calculating the Floating Rate is determined according to the 2006 ISDA Definitions. The descriptions of the relevant Indices for the purposes of these calculations are as follows:

- (i) “**EUR – Excluding Tobacco-Non-revised Consumer Price Index**” means the “Non-revised Index of Consumer Prices excluding Tobacco”, or relevant Successor Index, measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (ii) “**FRC – Excluding Tobacco-Non-Revised Consumer Price Index**” means the “Non-revised Index of Consumer Prices excluding Tobacco”, or relevant Successor Index, measuring the rate of inflation in France excluding tobacco expressed as

an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

(iii) “GBP – Non-revised Retail Price Index (UKRPI)” means the “Non-revised Retail Price Index All Items in the United Kingdom”, or relevant Successor Index, measuring the all items rate of inflation in the United Kingdom expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

(iv) “USD – Non-revised Consumer Price Index – Urban (CPI-U)” means the “Non-revised index of Consumer Prices for All Urban Consumers (CPI-U) before seasonal adjustment”, or relevant Successor Index, measuring the rate of inflation in the United States expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for such Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

(p) *Index Final*

The Clearing House shall calculate the Index Final by taking the relevant Index level for the applicable Reference Month. In the event of no Index level being available the Clearing House shall, in its sole discretion, determine a value for the Index level.

2.1.9 ***Initial Margin***

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

Separate Initial Margin calculations are performed for an FCM Clearing Member's house “H” and client “C” accounts and, within a “C” account, separately in respect of each FCM Client Sub-Account therein. No offset between the “C” and “H” accounts is permitted.

The Clearing House reserves the right to require additional amounts of Margin from a specific FCM Clearing Member or from all FCM Clearing Members in accordance with FCM Regulation 14 (*Margin and Collateral*).

The Clearing House reserves the right to alter the basis of calculating each above listed interest rates. Any alteration will be effective on the date notified.

3.5.2 *Price Alignment Interest (PAI) Rate*

To minimize the impact of daily cash Variation Margin payments on the pricing of interest rate swaps and inflation swaps, the Clearing House will charge interest on cumulative Variation Margin received by the FCM Clearing Member and pay interest on cumulative Variation Margin paid in by the FCM Clearing Member in respect of these instruments. This interest element is known as price alignment interest (“PAI”).

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

The amount of NPV in such currency from the previous Business Day's close of business multiplied by:

- (a) The relevant interest rate in effect for that day; divided by
- (b) 360; or in the case of AUD, CAD, GBP, HKD, JPY, NZD, PLN, SGD and ZAR, 365.

In the case of the currencies marked below with an asterisk, the Clearing House, as provided in FCM Regulation 36(b) (*Alteration of FCM Regulations and the FCM Procedures*), specifies that it will not change the PAI rate without the consent of all SwapClear Clearing Members and applicable FCM Clearing Members holding open contracts in such currencies.

Currency	PAI Rate
USD*	The rate used shall be the Effective Federal Funds rate, the rate published by the Board of Governors of the Federal Reserve System as such rate appears on Reuters page “FEDFUNDS1” or Telerate 120 or on any successor page(s) thereto.
EUR*	The rate used shall be the EONIA rate, the rate published by the European Banking Federation and ACI – The Financial Market Association as such rate appears on Reuters page “EONIA” or Telerate 247 or on any successor page(s) thereto.
GBP*	The rate used shall be the SONIA rate, the rate published by the Wholesale Markets Broker Association as such rate appears on Reuters page “SONIA” or on any successor page(s) thereto.
JPY*	The rate used shall be the Mutan call rate, the rate published by the Bank of Japan as such rate appears on Reuters page “TONAR” or on any successor page(s) thereto.

Appendix VII
FCM Product Specific Contract Terms and Eligibility Criteria Manual

FCM PRODUCT SPECIFIC CONTRACT TERMS AND
ELIGIBILITY CRITERIA MANUAL

**SCHEDULE 1
FCM SWAPCLEAR**

**PART A
FCM SWAPCLEAR CONTRACT TERMS**

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

Interpretation; and

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

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

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

1. Interpretation

- 1.1 **"ISDA 2000 Definitions"** means the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"), and the same are incorporated by reference herein ~~and~~; "**ISDA 2006 Definitions**" means the 2006 ISDA Definitions as published by ISDA, and the same are incorporated by reference herein; and "**ISDA 2008 Inflation Definitions**" means the 2008 ISDA Inflation Derivatives Definitions as published by ISDA, and the same are incorporated by reference herein.
- 1.2 Words and expressions used in these FCM SwapClear Contract Terms which are not defined in the FCM Regulations and the FCM Procedures but which are defined in the "**ISDA 2000 Definitions**" ~~or~~, the "**ISDA 2006 Definitions**" or the "ISDA 2008 Inflation Definitions" shall have the same meaning herein as in the ISDA 2000 Definitions ~~or~~, the ISDA 2006 Definitions or the ISDA 2008 Inflation Definitions, as the case may be, unless expressly provided otherwise. For the avoidance of doubt where the FCM SwapClear Contract identifies the ISDA 2000 Definitions as being applicable to that FCM SwapClear Contract then those definitions will apply ~~and~~, where the FCM SwapClear Contract identifies the ISDA 2006 Definitions as being applicable to that FCM SwapClear Contract then those definitions will apply and where the FCM SwapClear Contract identifies the ISDA 2008 Inflation Definitions being applicable to that FCM SwapClear Contract then those definitions will apply.
- 1.3 In the event of an inconsistency between the FCM Regulations and the FCM Procedures and ~~either~~ any of the ISDA 2000 Definitions, the ISDA 2006 Definitions or the ISDA 2008 Inflation Definitions, the FCM Regulations and FCM Procedures will prevail. In the event of an inconsistency between (i) either (A) the ISDA 2000 Definitions or (B) the ISDA 2006 Definitions, ~~the FCM Regulations and FCM~~

~~Procedures will~~ and (ii) the ISDA 2008 Inflation Definitions, the ISDA 2008 Inflation Definitions will (where applicable) prevail.

- 1.4 References in the ISDA 2000 Definitions and the ISDA 2006 Definitions to a "**Swap Transaction**" and references in the ISDA 2008 Inflation Definitions to an "Index Transaction" shall be deemed to be references to an "**FCM SwapClear Transaction**" for the purposes of SwapClear.
- 1.5 Except where expressly stated otherwise, all reference to "**Articles**" means Articles in the ISDA 2000 Definitions, the ISDA 2006 Definitions or the ISDA ~~2006~~2008 Inflation Definitions as the case may be as published by ISDA:
- (a) in relation to any amendments to ~~either any of~~ the ISDA 2000 Definitions ~~and~~, the ISDA 2006 Definitions or the ISDA 2008 Inflation Definitions, the Clearing House may from time to time, by notice delivered to the FCM Clearing Members and the SwapClear Clearing Members, give directions as to whether such amendment shall apply to FCM SwapClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine;
 - (b) any such notice may provide that the amendment to the ISDA 2000 Definitions ~~and~~, the ISDA 2006 Definitions or ISDA 2008 Inflation Definitions, as the case may be, may take effect so as to apply to FCM SwapClear Contracts registered in an FCM Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines; and
 - (c) the accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by, an FCM Clearing Member or a SwapClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

2. **Economic Terms**

- 2.1 The Economic Terms of an FCM SwapClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM SwapClear Transaction in respect of the terms designated as Economic Terms in this Schedule.
- 2.2 It is part of the eligibility criteria for registration as an FCM SwapClear Contract that the particulars of an FCM SwapClear Transaction presented to the Clearing House must include matched information in respect of such designated Economic Terms, except that in respect of vanilla interest rate swaps with constant notional principal and variable notional swaps, the information described in either 2.3(i)(viii) or 2.3(i)(ix) below (but not both) must be provided.

- (iv) Floating Rate Payer (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition);
 - (v) Floating Rate Payer Payment Dates;
 - (vi) Floating Rate Payer compounding dates (if applicable);
 - (vii) Floating Amount (see Article 4.5 of the ISDA 2000 Definitions and Article 4.5 of the ISDA 2006 Definitions for definition);
 - (viii) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);

(Note: The details of each such option are as provided in the [FCM Procedures](#)).
 - (ix) Designated Maturity (see Article 7.3(b) and Article 7.3 (b) of the ISDA 2006 Definitions of the "Annex to the 2000 ISDA Definitions (June 2000 Version)" for definition);
 - (x) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)³;
 - (xi) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);
 - (xii) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition).
- (j) Where Floating Rate – Floating Rate Swap ("basis" swap):
- (i) Floating Rate Payer 1 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):
 - A. ~~(a)~~—Floating Rate Payer Payment Dates;
 - B. ~~(b)~~—Floating Rate Payer compounding dates (if applicable);
 - C. ~~(c)~~—Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);

(Note: the details of each such option are as provided in the [FCM Procedures](#))

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

D. ~~(ii)~~ Designated Maturity (see Article 7.3(b) of the "Annex to the 2000 ISDA Definitions (June 2000 version)" and Article 7.3 (b) of the ISDA 2006 Definitions for definition);

E. ~~(iii)~~ Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)⁴;

~~(iv) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);~~

~~(v) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition);~~

~~(vi) Floating Rate Payer 2 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition);~~

~~(a) Floating Rate Payer Payment Dates;~~

~~(b) Floating Rate Payer compounding dates (if applicable);~~

~~(c) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);~~

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

~~(vii) Designated Maturity (see Article 7.3(b) of the "Annex to the 2000 ISDA Definitions (June 2000 version)" and Article 7.3 (b) of the ISDA 2006 Definitions for definition);~~

~~(viii) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)⁵;~~

F. ~~(ix)~~ Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition); and

G. ~~(x)~~ Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition).

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

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

Any FCM SwapClear Contract registered with respect to an FCM SwapClear Transaction which is one of the vanilla interest rate swaps with constant notional principal or the variable notional swaps described in this Section 2.3 shall constitute an “IRS FCM SwapClear Contract”.

2.4 The Economic Terms for Forward Rate Agreements (using only the ISDA 2006 Definitions) comprise:

- (a) Notional Amount (see Article 4.7 for definition);
- (b) Currency (see Article 1.7 for definition);
- (c) Trade Date (see Article 3.7 for definition);
- (d) Effective Date (see Article 3.2 for definition);
- (e) Termination Date (see Article 3.3 for definition);
- (f) Additional Payments/Fees:
 - (i) the Payer of the Additional Payments/Fees (if any);
 - (ii) the amount of the Additional Payments/Fees (specify zero if none);
- (g) Business Days (see Article 1.4 for definition);
- (h) Business Day Convention (see Article 4.12 for definition);
- (i) Fixed Rate Payer (see Article 2.1 for definition);
- (j) Fixed Rate Payer Payment Dates;
- (k) Fixed Rate;
- (l) Floating Rate Payer (see Article 2.2 for definition);
- (m) Floating Rate Payer Payment Dates;
- (n) Floating Rate Option (see Article 6.2(i) for definition);
- (o) Designated Maturity (see Article 7.3(b) for definition);
- (p) Spread (see Article 6.2(f) for definition);
- (q) Reset Dates (see Article 6.2(b) for definition);
- (r) Floating Rate Day Count Fraction (see Article 6.2(g) for definition);
- (s) FRA Discounting (see Article 8.4 (b) for definition);
- (t) Discount Rate (see Article 8.4. (c) for definition);
- (u) Discount Rate Day Count Fraction (see Article 8.4. (d) for definition); and

- (v) FRY Yield Discounting (see Article 8.4(e) for definition).

In respect of forward rate agreements either (s) or (v) but not both should be selected.

Any FCM SwapClear Contract registered with respect to an FCM SwapClear Transaction that is one of the forward rate agreements described in this Section 2.4 shall constitute an “IRS FCM SwapClear Contract”.

2.5 The Economic Terms for vanilla inflation swaps with constant notional principal comprise:

- (a) Notional Amount (see Article 4.7 of the ISDA 2000 Definitions and Article 4.7 of the ISDA 2006 Definitions for definition);
- (b) Currency (see Article 1.7 of the ISDA 2000 Definitions and Article 1.7 of the ISDA 2006 Definitions for definition);
- (c) Trade Date (see Article 3.7 of the ISDA 2000 Definitions and Article 3.7 of the ISDA 2006 Definitions for definition);
- (d) Effective Date (see Article 3.2 of the ISDA 2000 Definitions and Article 3.2 of the ISDA 2006 Definitions for definition);
- (e) Termination Date (see Article 3.3 of the ISDA 2000 Definitions and Article 3.3 of the ISDA 2006 Definitions for definition);
- (f) Additional Payments/Fees:
- (i) the Payer of the Additional Payments/Fees (if any);
- (ii) the amount of the Additional Payments/Fees (specify zero if none).
- (g) Business Days (see Article 1.4 of the ISDA 2000 Definitions and Article 1.4 of the ISDA 2006 Definitions for definition);
- (h) Business Day Convention (see Article 4.12 of the ISDA 2000 Definitions and Article 4.12 of the ISDA 2006 Definitions for definition);
- (i) Where Fixed Rate - Floating Rate Swap:
- (i) Fixed Rate Payer (see Article 2.1 of the ISDA 2000 Definitions and Article 2.1 of the ISDA 2006 Definitions for definition);
- (A) Fixed Rate Payer Payment Date;
- (B) Fixed Amount (see Article 4.4 of the ISDA 2006 Definitions for definition) [or Fixed Rate and Fixed Rate Day Count Fraction][or Fixed Rate Payer Schedule]
- (ii) Floating Rate Payer (see Article 2.2 of the ISDA 2006 Definitions for definition);
- (A) Floating Rate Payer Payment Date;

(B) Index (see Article 1, Section 1.4 of the ISDA 2008 Inflation Definitions for definition);

(Note: The details of each Index are as provided in the FCM Procedures).

(C) Index Initial (being the Index level for the specified Reference Month (see Article 1, Section 1.7 of the ISDA 2008 Inflation Definitions for definition) or the specified Index level);

(D) Index Final (being the Index level for the specified Reference Month (see Article 1, Section 1.7 of the ISDA 2008 Inflation Definitions for definition));

(E) Information source (if applicable); and

(F) Interpolation (if applicable).

Any FCM SwapClear Contract registered with respect to an FCM SwapClear Transaction that is one of the vanilla inflation swaps described in this Section 2.5 shall constitute an “Inflation FCM SwapClear Contract”.

2.6 ~~2.5~~ *Financial Centers*

Detail of the relevant financial center/s must be provided using the appropriate Markitwire/FpML code as set out below:

<u>Financial Center</u>	<u>Markitwire/FpML</u>
Sydney	AUSY
Brussels	BEBR
Montreal	CAMO
Toronto	CATO
Geneva	CHGE
Zurich	CHZU
Prague	CZPR
Frankfurt	DEFR
Copenhagen	DKCO
Madrid	ESMA
Helsinki	FIHE
Paris	FRPA
London	GBLO
Hong Kong	HKHK
Budapest	HUBU
Milan	ITMI
Rome	ITRO
Tokyo	JPTO
Luxemburg	LULU
Amsterdam	NLAM
Oslo	NOOS
Auckland	NZAU
Wellington	NZWE

PART B
PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF AN FCM
SWAPCLEAR CONTRACT

1. FCM SwapClear Transaction

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

- (a) the transaction meets the FCM SwapClear Product Eligibility Criteria for registration as an FCM SwapClear Transaction; and
- (b) each party to the transaction is an Executing Party;

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

1.1 FCM SwapClear Product Eligibility Criteria for an FCM SwapClear Transaction

- (a) Vanilla interest rate swaps with constant notional principal having the characteristics set out in the table below;

Instrument	Acceptable Currencies	Acceptable Indices⁶⁵	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
Vanilla interest rate swaps with constant notional principal	Sterling (GBP)	GBP-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-99,999,999,999.99
		See Article 7.1w(i) for definition	Floating vs. Floating			
		GBP-WMBA-SONIA-COMPOUND	Fixed vs. Floating	Single currency	10,970 days	
		See Article 7.1w(vii) for definition	Floating vs. Floating ⁷⁶		10,970 days	

⁶⁵ References in this column are to the 2006 ISDA Definitions.

⁷⁶ If Floating vs Floating where one leg Index is the GBP-WMBA-SONIA-COMPOUND, the Index on the other leg must be GBP-LIBOR-BBA

Instrument	Acceptable Currencies	Acceptable Indices⁶²	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		D				
		See Article 7.1(y) (iv) for definition	Floating vs. Floating			
	Polish Zloty(PLN)	PLN	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		WIBOR-WIBO				
		See Article 7.1r (i) for definition	FLOAT vs. FLOAT			
	South African Rand (ZAR)	ZAR	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		JIBAR-SAFEX				
		See Article 7.1v (i) for definition	FLOAT vs. FLOAT			

- (b) Variable notional [interest rate](#) swaps having the characteristics set out in the table below;

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
Variable Notional	USD	USD-LIBOR-BBA	Interest Rate	Single currency	18,275 Days	

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

- (c) Forward [interest](#) rate agreements having the characteristics set out in the table below;

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
Forward Rate Agreement	AUD	AUD-BBR-BBSW	Fixed v floating	Single currency	740 days		1m, 2m, 3m, 4m, 5m, 6m	Min 25 Max 190
Forward Rate Agreement	AUD	AUD-LIBOR-BBA	Fixed v floating	Single currency	740 days		1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 25 Max 375
Forward Rate Agreement	CAD	CAD-BA-CDOR	Fixed v floating	Single currency	740 days		1m, 2m, 3m, 6m, 1y	Min 25 Max 375
Forward Rate Agreement	CAD	CAD-LIBOR-BBA	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	CHF	CHF-LIBOR-BBA	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m,	Min 3 Max 375

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
Forward Rate Agreement	NOK	NOK-NIBOR-NIBR	Fixed v floating	Single currency	740 days		1w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	NZD	NZD-BBR-FRA	Fixed v floating	Single currency	740 days		1m, 2m, 3m, 4m, 5m, 6m,	Min 25 Max 190
Forward Rate Agreement	PLN	PLN – WIBOR_WIBO	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	SEK	SEK-STIBOR-SIDE	Fixed v floating	Single currency	740 days		1w, 1m, 2m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	USD	USD-LIBOR-BBA	Fixed v floating	Single currency	1105 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	ZAR	ZAR-JIBAR-SAFEX	Fixed v floating	Single currency	740 days		1m, 3m, 6m, 9m, 1y	Min 3 Max 375

(d) [Vanilla inflation rate swaps with constant notional principal having the characteristics set out in the table below;](#)

Instrument	Acceptable Currencies	Acceptable Indices⁸	Types		Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
Vanilla inflation rate swaps with constant notional	GBP	GBP – Non-revised Retail Price Index (UKRPI) See Annex A	Fixed vs. Floating		18,275 Days	0.01-99,999,999,999.99

⁸ [References in this column are to the 2008 ISDA Inflation Derivatives Definitions.](#)

<u>Instrument</u>	<u>Acceptable Currencies</u>	<u>Acceptable Indices⁸</u>	<u>Types</u>		<u>Maximum Residual Term</u>	<u>Notional Amount (Min - Max of the relevant currency unit)</u>
<u>principal</u>		<u>(oo)(i) for definition</u>				
<u>Vanilla inflation rate swaps with constant notional principal</u>	<u>USD</u>	<u>USD Non-revised Consumer Price Index – Urban (CPI-U)</u> <u>See Annex A (pp)(i) for definition</u>	<u>Fixed vs. Floating</u>	<u>Single currency</u>	<u>10,970 Days</u>	<u>0.01-99,999,999,999.99</u>
<u>Vanilla inflation rate swaps with constant notional principal</u>	<u>EUR</u>	<u>FRC – Excluding Tobacco-Non-Revised Consumer Price Index</u> <u>See Annex A (l)(i) for definition</u>	<u>Fixed vs. Floating</u>	<u>Single currency</u>	<u>10,970 Days</u>	<u>0.01-99,999,999,999.99</u>
<u>Vanilla inflation rate swaps with constant notional principal</u>	<u>EUR</u>	<u>EUR – Excluding Tobacco-Non-revised Consumer Price Index</u> <u>See Annex A (i)(i) for definition</u>	<u>Fixed vs. Floating</u>	<u>Single currency</u>	<u>10,970 Days</u>	<u>0.01-99,999,999,999.99</u>

2. Additional FCM SwapClear Product Eligibility Criteria

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

(a) ***Day Count Fractions***

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

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

(b) ***Business Day Conventions***

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

- Following (see Article 4.12 (i) of the ISDA 2000 Definitions and Article 4.12 (i) of the ISDA 2006 Definitions for definition)
- Modified Following (see Article 4.12 (ii) of the ISDA 2000 Definitions and Article 4.12(ii) of the ISDA 2006 Definitions for definition)
- Preceding (see Article 4.12 (iii) of the ISDA 2000 Definitions and Article 4.12 (iii) of the ISDA 2006 Definitions for definition)

For inflation swaps and vanilla interest rate swaps with constant notional principal SwapClear does not support trades where a different business day convention is used for:

- (i) fixed period end dates and the termination date
- (ii) float period end dates and the termination date

(c) ***Minimum and Maximum Residual Term of the Trade (Termination date – Today)***

Trades in respect of vanilla interest rate swaps with constant notional principal and variable notional swaps are subject to a minimum and maximum Residual Term on the day they are received by SwapClear.

(i) Minimum Residual Term of trade:

Termination date - Today ≥ 1 + currency settlement lag

where currency settlement lag is:

- 1 day for EUR, USD, GBP and CAD denominated trades
- 2 days for JPY, CHF, AUD, DKK, HKD, NZD, SEK, NOK, PLN, ZAR, SAD, HUF & CZK denominated trades

(ii) Maximum Residual Term of trade:

Termination date - Today $\leq 3,670$ days for DKK, HKD, NZD, NOK, PLN, ZAR, SAD, HUF & CZK (10 years)

Termination date - Today $\leq 10,970$ days for AUD, CAD, CHF & SEK (30 years)

Termination date – Today $\leq 14,620$ days for JPY (40 years)

Termination date – Today $\leq 18,275$ days for GBP, EUR & USD (50 years)

(iii) Maximum Residual Term to Maturity for Forward Rate Agreements

The maximum residual term to maturity for forward rate agreements is as follows:

Currency	Maximum Residual Term to Maturity
EUR, JPY, USD, GBP	1105 days (3 years)
AUD, CAD, CHF, DKK, NOK, NZD, PLN, SEK, ZAR, CZK, HUF	740 days (2 years)

The Clearing House will accept FCM SwapClear Transactions that are inflation swaps for registration: (a) in the case of uninterpolated indices, up to the end of the month prior to the final Reference Month; and (b) in the case of interpolated indices, up to the end of the final Reference Month.

(d) ***Designated Maturity***

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

(e) ***Calculation Periods***

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

The Clearing House will only accept non-standard Calculation Periods ("**stub periods**") at the start and/or the end of a contract.

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

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

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

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

(f) ***Up-Front Fees – Eligibility of FCM SwapClear Transactions***

Appendix VIII
Fees

LCH.Clearnet Website Change

<http://www.lchclearnet.com/asset-classes/otc-interest-rate-derivatives/fees>

Member Fees Tab

SwapClear Self-Clearing Fees

A single tariff is applied to a Member in relation to all interest rate contracts cleared by that Member and any Member of or Affiliated Firm of its Member Group, either for their own account or on behalf of a SwapClear Dealer ~~or an Affiliate~~, within a calendar year. A new Member should notify LCH.Clearnet of its preferred tariff when joining the SwapClear service.

Tariff B: Introductory Tariff

1. The Introductory Tariff ("B") is applied to a Member Group that is not subject to the Standard Tariff or Ultimate Tariff.
2. Under the Introductory Tariff a Member Group is charged £500,000 in equal monthly installments of £41,667, plus £75 per contract booking fee and a £6 per existing contract maintenance fee per month.
3. Where a Member Group's total fees incurred by that Member Group reach £1,500,000 in any calendar year then no further fees are payable for the remainder of that year unless more than 20,000 contracts are cleared in which case Tariff A2 will apply.
4. A Tariff B Member Group that does not reach the Tariff B fee cap of £1,500,000 within the calendar year will begin the following year on Tariff B.
5. A Tariff B Member Group which reaches the £1,500,000 fee cap within the calendar year will automatically begin the following year on Tariff A2 or Tariff A1 depending on the cleared volume.
6. A Tariff B Member Group can at any time elect to move to a alternative tariff to commence the following year.

New SwapClear Members joining after 1st March 2015 on the Introductory tariff will qualify for the waiver of the booking fee for the first 1500 backload trades registered for clearing, valid for up to 12 months from go-live.

Tariff A2: Standard Tariff

1. The Standard Tariff ("A2") of £1,500,000 per year is designed for a Member Group which is expected to clear less than 30,000 contracts per year.
2. No booking fee or maintenance fee is applied to the first 20,000 contracts cleared in a calendar year for a Member Group under Tariff A2.

3. Cleared contracts in excess of 20,000 in one calendar year incur a booking fee of £75 per contract but no maintenance fee.
4. Fees are collected in equal installments of £125,000 plus any booking fees (where applicable) monthly in arrears and an invoice is posted to the relevant Member's account.
5. Member Groups using the Standard Tariff will have a fee cap of £2,250,000 in any calendar year, equating to 30,000 cleared contracts annually. Where the fees payable in relation to a Member Group reach £2,250,000 in any calendar year then no further fees are payable that year and the Member Group will automatically be invoiced at Tariff A1 for the following year.
6. A Standard Tariff Member Group can at any time elect to move to the Ultimate Tariff to commence the following year.

Tariff A1: Ultimate Tariff

1. The Ultimate Tariff ("A1") of £2,250,000 per year is designed for a Member Group that is expected to clear 30,000 contracts per year or more.
2. Member Groups are charged a flat monthly fee of £187,500 payable in arrears. No booking or maintenance fees are payable. An invoice is posted to the relevant Member's account.

Inflation Swaps

Direct clearing fees for the clearing of inflation swap contracts will be subject to a fee-waiver for six months from the date that the Clearing House commences clearing inflation swap contracts. Following the expiry of this six-month period the fees below (and associated trade count) will be pro-rated on a monthly basis for the remainder of the calendar year. The fees below will apply from the start of the following year.

1. A Member Group may clear up to 200 inflation swap contracts each calendar year for a fee of £30,000. Cleared contracts in excess of 200 in one calendar year incur a booking fee of £120 per trade.
2. Inflation swaps incur a maintenance fee of £12 per trade per month.
3. The £30,000 fee is due in February each year and is payable by all SwapClear Clearing Members that clear inflation swaps or have cleared inflation swaps in the preceding 12 months. All other clearing fees for inflation swaps are payable monthly in arrears.
4. Where a Member Group's total clearing fees incurred by that Member Group for the clearing of inflation swaps reaches £300,000 in any calendar year then no further fees are payable for the clearing of inflation swaps for the remainder of that year and that Member Group will automatically be invoiced £300,000 for the following year

5. A Member Group that commences clearing inflation swaps during a calendar year will have its fees pro-rated for that calendar year.

In addition there is a one-off on boarding fee of £50,000 for each new SwapClear Clearing Member, FCM Clearing Member or SwapClear Dealer ~~or Affiliate~~ which is a member of, or an Affiliated Firm of, a Member Group.

A "Member Group" means a SwapClear Clearing Member or an FCM Clearing Member, its direct and indirect subsidiaries and its direct and indirect holding companies and every direct and indirect subsidiary of each such holding company, from time to time. For the purposes of this definition: (i) 'subsidiary' means a company in which an entity holds more than 50% of the voting rights; and (ii) 'holding company' means a company that holds more than 50% of the voting rights in another entity.

An "Affiliated Firm" in relation to a Member Group means a firm that satisfies both of the following tests:

1. a SwapClear Clearing Member or a FCM Clearing Member (or any other member of its Member Group) holds 50% or more of the voting rights in the firm; and
2. one or more SwapClear Clearing Members or FCM Clearing Members (or any other member of their Member Group) together hold more than 50% of the voting rights in the firm.

"Voting rights" means the rights conferred on shareholders in respect of their shares or, in the case of a company not having a share capital, on members, to vote at general meetings of the company on all, or substantially all, matters."

Changes in a entity's corporate ownership may lead to changes in the tariff that applies to it.

Terms used herein are as defined in the rulebook of LCH.Clearnet.

All clearing fees are payable in GBP.

If you would like to discuss LCH tariffs please contact your relationship manager for further details.

Client Clearing Fees Tab

Clearing fees under the SwapClear Client Clearing service are charged to the clearing member under a choice of two pricing plans.

Standard Pricing Plan

The Standard Pricing Plan has an up-front ~~booking~~**Booking** fee and an ongoing ~~maintenance~~**Maintenance** fee.

Booking fee:

- New trades are charged on a per-million notional basis in the currency of the trade – ~~sees set out in the~~ table below.
- Incurred at ~~the~~ time ~~of~~**that the** trade **is cleared** and collected monthly in arrears.

<u>Transaction Maturity</u>	<u>Interest Rate Swaps</u>	<u>Inflation Swaps</u>
<u>0 - 1 year</u>	<u>0.9</u>	<u>1.4</u>
<u>1 year+ to 3 year</u>	<u>2.25</u>	<u>3.4</u>
<u>3 year+ to 5 year</u>	<u>4.05</u>	<u>6.1</u>
<u>5 year+ to 7 year</u>	<u>5.4</u>	<u>8.1</u>
<u>7 year+ to 10 year</u>	<u>7.2</u>	<u>10.8</u>
<u>10 year+ to 12 year</u>	<u>8.1</u>	<u>12.2</u>
<u>12 year+ to 15 year</u>	<u>9</u>	<u>13.5</u>
<u>15 year+ to 20 year</u>	<u>13.5</u>	<u>20.3</u>
<u>20 year+ to 25 year</u>	<u>16.2</u>	<u>24.3</u>
<u>25 year + to 50 year</u>	<u>18</u>	<u>27</u>

Maintenance fee:

- ~~Assessed~~**Incurred** annually on the anniversary date of **the registration of** each trade **and collected monthly in arrears.** ~~Not payable for trades terminated before their anniversary date.~~
- Charged on a ~~three~~-per-million notional basis in the currency of the trade **as follows:**
- ~~Not applied to trades terminated before their anniversary date.~~

<u>Transaction Maturity</u>	<u>Standard Plan</u>
<u>0 - 1 year</u>	<u>0.9</u>
<u>1 year+ to 3 year</u>	<u>2.25</u>

3-year+ to 5-year	4.05
5-year+ to 7-year	5.4
7-year+ to 10-year	7.2
10-year+ to 12-year	8.1
12-year+ to 15-year	9
15-year+ to 20-year	13.5
20-year+ to 25-year	16.2
25-year+ to 50-year	18

- Interest rate swaps: 3 per-million of notional (e.g. \$30 for \$10 million notional)
- Inflation swaps: 12 per-million of notional (e.g. €60 for €5 million of notional)

The Maintenance fee is reduced to 4.5 in perpetuity for all inflation swaps cleared or backloaded within one year of service go-live.

High Turnover Plan

The High Turnover Plan ~~has~~ incurs an up-front booking fee and an on-going "risk consumption" maintenance fee.

Booking fee:

The Booking fee is incurred upon trade registration and payable monthly in arrears as follows:

- Interest Rate Swaps: USD 25 ~~per ticket booking fee~~ for ~~new~~ each newly registered and backloaded ~~trades (charged upfront)~~ trade.
- Inflation Swaps: USD 37.5 for each newly registered and backloaded trade

Maintenance fee:

- The ongoing risk consumption fee is calculated at 10 basis points annualized on the client's Initial Margin requirement (regardless of type of collateral used to cover IM)
- Calculated daily, paid monthly in arrears – equivalent to \$1,000 per \$1 million (annualized) of IM

Example: an average IM of \$50 million equals an annual risk consumption fee of \$50,000.

EMIR Account Structures

For more information on account structure fees under EMIR please click [here](#).

Blended Rate Compression Fee Schedule for SwapClear Clients

(Effective from August 18th 2014)

For each trade terminated from blended rate compression, the charge will be:

- Per trade terminated = (a) Registration replacement fee + (b) Processing fee

- Registration replacement fee is the registration fee as per client's current plan (eg \$25 for High Turnover plan and the published schedule for Standard Pricing Plan)
- Processing fee will be discounted based on monthly activity cleared and trades compressed using blended rate compression
 1. \$25 for activity greater or equal to 750
 2. \$50 for activity greater or equal to 250 but less than 750
 3. \$75 for all other activity
 4. LCH.Clearnet will review the client activity (across all their clearing relationship) on a quarterly basis and will adjust their processing fee level accordingly
- Replacement swaps (i.e. those that are the result of the blending activity) are not charged any blended rate fee

SwapClear charges all fees to clearing members; members individually make pricing arrangements with clients and confidentially notify SwapClear of the pricing plan for each client. Clients can switch pricing plans quarterly, and must give SwapClear, LCH.Clearnet reasonable advance notice to make the operational changes necessary to effectuate such a change ,i.e. not less than fifteen (15) days prior to a calendar quarter that the firm elects to receive the alternative fee schedule. The SwapClear Global Service and the SwapClear US-Domiciled Service are services of LCH.Clearnet Limited and LCH.Clearnet LLC respectively.