



VIA CFTC PORTAL

21 January 2016

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 to include a definition of the term 'Applicable Law' and a requirement for Clearing Members with clearing clients incorporated in Singapore to provide a disclosure notice to those clients.

Part I: Explanation and Analysis

LCH.Clearnet is proposing rule changes requiring that Clearing Members give effect to the LCH.Clearnet Rulebook in accordance with applicable law. As a result, a definition of the term 'Applicable Law' is added, enhancing the clarity and enforceability of the Rulebook. Please note that the proposed changes apply to all LCH.Clearnet clearing services.

At the same time, an amendment will be made to the LCH.Clearnet Procedures Section 1 and FCM Procedures requiring Clearing Members with clearing clients incorporated in Singapore to provide a disclosure notice to those clients. This change is being made in advance of LCH.Clearnet's upcoming recognition as a clearing house in Singapore.

The changes will go live on, or after, February 5, 2016.

Part II: Description of Rule Changes

The definition of the term 'Applicable Law' is added to the General Regulations and used throughout the Rulebook. According to this definition the term means 'any applicable statute, law, ordinance, regulation, rule and other instruments in force from time to time, including the rules, codes or practice of a Governmental Authority or Regulatory Body.'

For completeness, noted below are the areas of the rulebook(s) where the term 'Applicable Law', now defined, has replaced the previous non-defined term:

General Regulations (**Appendix I**)
Default Rules (**Appendix II**)

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Procedures

- Section 2C (SwapClear clearing service) (**Appendix III**)
- Section 2E (EnClear clearing service) (**Appendix IV**)
- Section 2I (ForexClear clearing service) (**Appendix V**)
- Section 1 (Clearing Member, non-Clearing Member market participant and dealer status) (**Appendix VI**)
- Section 3 (Financial Transactions) (**Appendix VII**)
- Section 4 (Margin and Collateral) (**Appendix VIII**)
- Section 5 (Disciplinary Proceedings) (**Appendix IX**)
- Section 8 (Complaints) (**Appendix X**)

Product Specific Contract Terms and Eligibility Criteria Manual (**Appendix XI**)

FCM Rulebook

- FCM Procedures (**Appendix XII**)
- FCM Regulations (**Appendix XIII**)

The amendments requiring specific disclosures to Singapore incorporated clearing clients is included at section 1.21.1 of the Procedures Section 1 (**Appendix VI**) and section 1.9.1 of the FCM Procedures (**Appendix XII**).

The texts of the changes are attached hereto as appendices as noted above.

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,



Julian Oliver
Chief Compliance Officer
LCH.Clearnet Limited



Appendix I
GENERAL REGULATIONS OF LCH.CLEARNET LIMITED



**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

"Applicable Law"

means any applicable statute, law, ordinance, regulation, rule and other instruments in force from time to time, including the rules, codes or practice of a Governmental Authority or Regulatory Body.

"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 Services Provider (ACSP)"	means an entity other than the Clearing House which is approved by the Clearing House for the facilitation of Multilateral Compression in relation to eligible SwapClear Contracts in accordance with Regulation 56 and relevant Compression Documentation.
"Approved EquityClear Settlement Provider ("ASP")"	means the operator of the securities depository and/or securities settlement system prescribed by the Clearing House from time to time for the provision of settlement services in respect of specified EquityClear Contracts
"Approved EquityClear Trading Platform ("ATP")"	means any trading platform approved as such from time to time by the Clearing House in respect of the EquityClear service
"Approved Trade Source System"	means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market, trade or affirmation system or other similar venue or system, approved by the Clearing House for submitting SwapClear Transactions to the Clearing House (and excludes, for the avoidance of doubt, the ClearLink API)
"Approved LSE Derivatives Markets Settlement Provider"	means the securities depository or securities settlement system (or an operator thereof) approved by the Clearing House from time to time for the provision of settlement services in connection with the LSE Derivatives Markets Service
"Associated Clearing House"	means the clearing house appointed from time to time by a Co-operating Exchange to act as the central counterparty to some or all transactions made on, or under the rules of the Co-operating Exchange
"Associated Collateral Balance"	means the Account Balance or Account Balances (as applicable) to be transferred to a Receiving Clearing Member in respect of (i) an Individual Segregated Clearing Client; (ii) an individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client); (iii) each of the Omnibus Gross Segregated Clearing Clients comprising a group of Combined Omnibus Gross Segregated Clearing Clients; or (iv) each of the Identified Omnibus Net Segregated Clearing Clients or Affiliated Omnibus Net Segregated Clearing Clients within a particular Omnibus Segregated Account
"ATP Market Rules"	means the rules, regulations, administrative procedures, Memorandum and Articles of Association or by-laws

provided by a triparty agent, as the case may be, as contemplated by the RepoClear Procedures applicable to RepoClear €GC Contracts,

and a trade subsequently ensues

"Excess Loss"

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

"Exchange"

means an organisation (whether an exchange, association, company or otherwise) responsible for administering a futures, options, stock or other market, to which the Clearing House provides clearing services

"exchange contract"

means a class of contract (1) on the terms published from time to time by an Exchange and permitted to be made by a member of such Exchange on the market administered by that Exchange or otherwise in accordance with Exchange Rules, or (2) eligible for submission to the Clearing House for registration pursuant to the Exchange Rules. For the purposes of these Regulations **"exchange contract"** shall not include any class of contract capable of being made on the London Stock Exchange, or on any ATP

"Exchange Product Specific Eligibility Criteria"

means, as applicable, the relevant the relevant Nodal Contract Terms or the relevant NLX Contract Terms

"Exchange Rules"

means the rules, regulations, administrative procedures, Memorandum and Articles of Association or by-laws which regulate an Exchange and the market administered by it as notified from time to time to the Clearing House and, without prejudice to the generality of the foregoing, any regulations or directions made by the Board and any procedures, practices and administrative requirements of the Exchange. The term **"Exchange Rules"** shall include the LSE Derivatives Markets Rules, as the case may be, save where the context otherwise requires

"Exchange Transaction"	means an LSE Derivatives Markets Transaction, a Nodal Transaction or a NLX Transaction (as applicable)
"Executing Party"	means each person described as a party to a SwapClear Transaction or a FCM SwapClear Transaction (as applicable) in the details submitted to the Clearing House via the relevant Approved Trade Source System or FCM Approved Trade Source System (as applicable)
"Execution Terms"	means the terms (if any) that apply to a SwapClear Transaction relating to the registration or non-registration of such SwapClear Transaction
"Exempt Client Clearing Member"	means a Clearing Member to which, in the sole determination of the Clearing House, an Exempting Client Clearing Rule would apply upon such Clearing Member becoming a defaulter
"Exempting Client Clearing Rule"	means, in relation to a Clearing Member, any law, regulation or statutory provision (having the force of law) of a G overnmental A uthority the effect of which, in the determination of the Clearing House in its absolute discretion, is to protect the operation of the Client Clearing Annex of the Default Rules from challenge under the insolvency laws applicable to that Clearing Member
"expiry date or month"	means a date or month prescribed by Exchange Rules in respect of an option contract
"FCM Approved Trade Source System"	has the meaning assigned to it in the FCM Regulations
"FCM Buffer"	has the meaning assigned to it in the FCM Regulations
"FCM Clearing Member"	has the meaning assigned to it in the FCM Regulations
"FCM Clearing Membership Agreement"	has the meaning assigned to it in the FCM Regulations
"FCM Client"	has the meaning assigned to it in the FCM Regulations
"FCM Client Segregated Sub-Account"	has the meaning assigned to it in the FCM Regulations
"FCM Contract"	has the meaning assigned to it in the FCM Regulations
"FCM Default Fund Agreement"	has the meaning assigned to it in the FCM Regulations
"FCM EnClear Contract"	has the meaning assigned to it in the FCM Regulations

"ForexClear Matcher"	means a party which has been notified in writing by the Clearing House to ForexClear Participants from time to time as being a matching provider for the ForexClear Service
"ForexClear Participants (FXPs)"	means ForexClear Clearing Members, ForexClear Dealers and ForexClear Clearing Clients and "ForexClear Participant" means any of them
"ForexClear Regulations"	means those Regulations which apply to ForexClear Contracts as specified in Regulation 90
"ForexClear Service"	means the service provided by the Clearing House under the ForexClear Regulations
"ForexClear Transaction"	means a contract, meeting the ForexClear Eligibility Criteria for registration as a ForexClear Contract, entered into between two ForexClear Participants, of which particulars are presented to the Clearing House for registration in the name of ForexClear Clearing Members in accordance with the Regulations. In addition, a ForexClear Transaction shall include an FCM ForexClear Transaction where the relevant ForexClear Clearing Member is an executing party
"ForexClear Unfunded Contribution"	has the meaning assigned to it in Rule F8 of the ForexClear Default Fund Supplement
"ForexClear Unfunded Contribution Notice"	has the meaning assigned to it in Rule F8 of the ForexClear Default Fund Supplement
"ForexClear Voluntary Payment"	has the meaning assigned to it in Rule F10 of the 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>"Governmental Authority"</u>	<u>means any:</u> <u>(a) governmental, inter-governmental, parliamentary or</u>

supranational body, entity, agency or department; or

(b) regulatory, self-regulatory or other authority,

in each case, which has jurisdiction over the Clearing House and/or, in respect of a Clearing Member, the relevant Clearing Member.

"Group Member"	has the meaning assigned to it in Chapter XIV(t)(i)
"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

- (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~~ Governmental Authority

"Product"

has the meaning assigned to it in the FCM Regulations

"Product Specific Contract Terms and Eligibility Criteria Manual"

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

"prompt date"

has, in respect of 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 and/or for the purpose of holding Client Buffer

"Protest"

has the meaning given to it in Exchange Rules

"Quarter Start Date"

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

"Rate X" and Rate "Y"

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

"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

shall have the meaning given in the Procedures; and

- (iii) in respect of RepoClear Contracts, RepoClear SGC Contracts, RepoClear Term £GC Contracts, EquityClear Contracts, LCH EnClear Contracts, LSE Derivatives Markets Cleared Exchange Contracts and ForexClear Contracts, shall have the meaning given in the Procedures,

in each case subject to Regulation 16(e)

"Regulations"

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

"Regulatory Body"

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

"Related Contract"

means: (i) in relation to the SwapClear Service, a Related SwapClear Contract (as such term is defined in the Procedures); (ii) in relation to the RepoClear Service, a Related RepoClear Contract (as such term is defined in the Procedures); (iii) in relation to the ForexClear Service, a Related ForexClear Contract (as such term is defined in the Procedures); ; (iv) in relation to the EquityClear Service, a Related EquityClear Contract (as such term is defined in the Procedures); (v) in relation to the LCH EnClear Service, a Related LCH EnClear Contract (as such term is defined in the Procedures); (vi) in relation to the LSE Derivatives Markets Service, a Related LSE Derivatives

- (o) Without prejudice to paragraph (n) above, a Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any information which the Clearing House may reasonably require in relation to each Relevant Client Clearing Business of that Clearing Member.
- (p) In addition to and without prejudice to any other provision in the Rulebook, in circumstances where an investment manager or similar third party agent acts on behalf of a client on behalf of whom a Clearing Member is providing Client Clearing Services, the Clearing House shall be entitled to treat instructions received from the investment manager or similar third party as if they were instructions received from the relevant underlying client.
- (q) Where any formalities or registration requirements apply in respect of the Security Deed (and any other document which the Clearing House may from time to time determine), a Clearing Member is required to comply with such obligations or to procure by agreement that such requirements are to be complied with. The Clearing House agrees to exercise its default powers in a manner consistent with the provisions of the Security Deed and related documentation, including by accepting instructions from the relevant Clearing Clients of a Clearing Member following the occurrence of a Default in respect of such Clearing Member.
- (r) Any reference in a deed of assignment between a SwapClear Clearing Member and the Clearing House to the "**Default Management Process Agreement Amendment Agreement**" or to the "**SwapClear Default Management Process Agreement**" shall be construed as a reference to the Client Clearing Annex.
- (s) A Clearing Member (other than an FCM Clearing Member) may choose to make Client Buffer available in order to support (as further described in Procedure 2C) the registration of, or to meet any other intraday margin requirements in connection with, SwapClear Contracts in Client Accounts opened in connection with its SwapClear Client Clearing Business. By requesting the opening of a Client Buffer Account, the Clearing Member represents and warrants to the Clearing House that its participation in the Client Buffer arrangements will not give rise to a breach of ~~any applicable law~~Applicable Law, regulation or any contract.

- (iii) any cash Collateral balance held by the Clearing House and/or the Member in respect of the other party's initial margin and/or variation margin obligations shall (to the extent not already due and payable) be accelerated so as to become immediately due and payable to the party who provided such cash Collateral, and the Member shall (on, or as soon as reasonably practicable after, the Termination Date) determine the Base Currency Equivalent of such amount(s). For the purposes of this Regulation 45, the "**Base Currency Equivalent**" means, in respect of any amount denominated in the Base Currency, such Base Currency amount and, in respect of any amount denominated in a currency other than the Base Currency (the "**Other Currency**"), the amount in the Base Currency determined by the Member as being required to purchase such amount of such Other Currency as at the relevant Termination Date, with the Base Currency; and
- (iv) the Member shall treat each loss to it determined under paragraph (ii) above and the Base Currency Equivalent of any amount of cash Collateral due and payable to it as a positive amount and each gain by it determined under paragraph (ii) above and the Base Currency Equivalent of any amount of cash Collateral due and payable by it as a negative amount and, subject to paragraph (v), shall aggregate all of such amounts to produce a single, net positive or negative amount, denominated in the Base Currency (the "**Termination Amount**").
- (v) Where a Member has a Proprietary Account and one or more Client Accounts:
 - (A) the Member shall determine one or more net amounts under paragraph (iv): a separate net amount in respect of gains and losses arising on Contracts registered in each of its Client Accounts and any corresponding cash Collateral balances held by that Member or the Clearing House; and a further separate net amount in respect of gains and losses arising on all Contracts registered in such Member's Proprietary Account (or Proprietary Accounts as combined) and any corresponding cash Collateral balances held by that Member or the Clearing House; and
 - (B) each of the net amounts determined under paragraph (A) shall constitute Termination Amounts.
- (vi) If a Termination Amount determined pursuant to paragraph (v) above is a positive amount, the Clearing House shall pay it to the Member and if any such Termination Amount is a negative amount, the Member shall pay it to the Clearing House, in either case in accordance with paragraph (vii). The Member shall notify the Clearing House of each such Termination Amount, and by which party it is payable, immediately after the calculation thereof.
- (vii) A Termination Amount shall, subject to Regulation 46, be paid in the Base Currency by the close of business on the business day following notification pursuant to paragraph (vi) above (converted as required by Applicable Law into any other currency, any costs of such conversion to be borne by, and (if applicable) deducted from any payment to, the Clearing House). Any Termination Amount which is not paid on such day shall bear interest, at the

Post-Multilateral Compression Contracts shall also all be SwapClear CTM Contracts; and

- (C) if the Terminating SwapClear Contracts that form part of the Compression Proposal comprise only SwapClear STM Contracts, the Post-Multilateral Compression Contracts shall also all be SwapClear STM Contracts.
- (v) warrants and represents to the Clearing House that the terms of its participation in the proposed Multilateral Compression Cycle are in compliance with ~~all applicable laws and regulation~~ Applicable Law; and
- (vi) agrees and acknowledges that the Multilateral Compression Cycle will operate, and Multilateral Compression shall take place, in accordance with this Regulation 56, the relevant Compression Proposal as accepted by such SwapClear Clearing Member, relevant Compression Documentation and such other processes and procedures as may be notified by the Clearing House from time to time.
- (f) Where the Clearing House intends to run an ACSP Compression Cycle, it shall nominate an ACSP to facilitate that ACSP Compression Cycle and produce the Compression Proposal. Such ACSP shall notify SwapClear Clearing Members meeting the criteria at (e)(i) above of the timing and procedure for such ACSP Compression Cycle and invite such SwapClear Clearing Members to confirm their interest. The Compression Documentation for such Multilateral Compression Cycle shall include any documentation relevant to that ACSP. Additional information on the administrative procedures for any Multilateral Compression Cycle may be included in the Compression Documentation or other procedures published by the Clearing House or a nominated ACSP from time to time or in connection with a particular Multilateral Compression Cycle.
- (g) In any Multilateral Compression Cycle, Multilateral Compression shall only take place in accordance with the terms of a Compression Proposal which has been established and accepted by all participating SwapClear Clearing Members in accordance with this Regulation 56. Notwithstanding the other provisions of this Regulation 56, the Clearing House shall determine (in its sole discretion) whether SwapClear Contracts proposed for inclusion in a Compression Proposal may be so included.
- (h) A Compression Proposal shall:
 - (i) in relation to an ACSP Compression Cycle, be generated by the nominated ACSP in accordance with the relevant Compression Documentation and details submitted to the ACSP by participating SwapClear Clearing Members, and be communicated by the ACSP to each participating SwapClear Clearing Member in the manner contemplated in the relevant Compression Documentation for acceptance;
 - (ii) in relation to a Member Compression Cycle, be constituted by the details submitted to the Clearing House by the requesting SwapClear Clearing Members (subject to the Clearing House's determination that such proposed

discharge such obligation for the purpose of settling the then outstanding exposure under a SwapClear STM Contract.

- (m) A SwapClear Clearing Member (a **Converting SwapClear Clearing Member**) may, from time to time, submit a written request, or in the case of a compression of the type described in Regulation 56(c)(iii) or Regulation 56(e)(iv)(A) a Swap Clear Clearing Member shall be deemed to have submitted a written request (each such request, an **STM Conversion Request**) to the Clearing House requesting that the Clearing House converts one or more of its open SwapClear CTM Contracts to SwapClear STM Contracts. Such request shall identify those SwapClear CTM Contracts (the **STM Conversion Contracts**) which the SwapClear Clearing Member wishes to be converted to SwapClear STM Contracts. No open SwapClear CTM Contract shall be converted into a SwapClear STM Contract except as provided in this Regulation 57A or the Procedures.
- (n) Following its receipt of an STM Conversion Request made (or deemed to have been made) by a Converting SwapClear Clearing Member pursuant to (m) above, the Clearing House may, in its sole and absolute discretion, nominate a Business Day (the **STM Conversion Date**) from, and including which, some or all of the STM Conversion Contracts shall, subject to the satisfaction of the conditions specified in (o) below, cease to be registered as SwapClear CTM Contracts and shall immediately and automatically become registered as SwapClear STM Contracts which are subject to this Regulation [57A] and the SwapClear STM Terms. For the avoidance of doubt, if the Clearing House determines that it shall convert a SwapClear CTM Contract into a SwapClear STM Contract, such conversion shall be effected through the Clearing House and the Converting SwapClear Clearing Member agreeing to a modification of the terms of the relevant STM Conversion Contract, and such conversion shall not be effected through the Clearing House and the Converting SwapClear Clearing Member terminating the relevant STM Conversion Contract and entering into a new SwapClear STM Contract.
- (o) The occurrence of an STM Conversion Date in respect of an STM Conversion Contract shall be subject to the condition precedent that:
- (i) the Converting SwapClear Clearing Member is not a Defaulter;
 - (ii) no relevant SwapClear Clearing Client is insolvent;
 - (iii) the conversion of that STM Conversion Contract to a SwapClear STM Contract would not violate or result in the violation of ~~any applicable law or regulation~~Applicable Law;
 - (iv) the Converting SwapClear Clearing Member has satisfied all of its obligations to meet any margin calls made by the Clearing House in respect of that STM Conversion Contract up to, but excluding, the STM Conversion Date. The Converting Clearing Member shall satisfy such margin calls in accordance with the Procedures and/or applicable Regulations, as would ordinarily be the case;
 - (v) the Converting SwapClear Clearing Member has paid to the Clearing House, or the Clearing House has paid to the Converting SwapClear Clearing Member

REGULATION 60 TRANSFER

- (a) Other than in the event that a SwapClear Clearing Member is a Defaulter, SwapClear Contracts carried by such a SwapClear Clearing Member in respect of SwapClear Client Clearing Business shall not be transferred except as provided in this Regulation 60 or in the Procedures.
- (b) A Receiving Clearing Member may (A) upon the instruction or at the request of an Individual Segregated Account Clearing Client or an individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client), request the Clearing House (as set out in the Procedures) to transfer to the Receiving Clearing Member the relevant SwapClear Clearing Client's portfolio (and not less than an entire portfolio) of SwapClear Contracts registered with the Carrying Clearing Member in a particular Client Account and, if also requested, to transfer the Associated Collateral Balance attributable to such SwapClear Clearing Client in respect of such Client Account from the Carrying Clearing Member to the Receiving Clearing Member; or (B) upon the instruction or at the request of (i) all of the Identified Omnibus Net Segregated Clearing Clients comprising a single Identified Client Omnibus Net Segregated Account held by a Carrying Clearing Member; (ii) all of the Affiliated Omnibus Net Segregated Clearing Clients comprising a single Affiliated Client Omnibus Net Segregated Account held by a Carrying Clearing Member; or (iii) all of the Omnibus Gross Segregated Clearing Clients comprising a particular group of Combined Omnibus Gross Segregated Clearing Clients of a Carrying Clearing Member, request the Clearing House (as set out in the Procedures), to transfer the entire portfolio (and not less than an entire portfolio) of SwapClear Contracts registered with the Carrying Clearing Member in a particular Client Account on behalf of the relevant SwapClear Clearing Clients and, if also requested, to transfer the Associated Collateral Balances attributable to such SwapClear Clearing Clients in respect of such Client Account from the Carrying Clearing Member to the Receiving Clearing Member. It is a condition precedent to a transfer described in this paragraph that:
- (i) no relevant SwapClear Clearing Client has become insolvent (each such SwapClear Clearing Client will be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House);
 - (ii) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulter;
 - (iii) such transfer would not violate or result in the violation of ~~any applicable law or regulation~~ Applicable Law;
 - (iv) the relevant SwapClear Clearing Client(s), the Receiving Clearing Member and the Carrying Clearing Member have each executed all documents necessary or required by the Clearing House in order to effect such transfer (including, where applicable, a Security Deed, Deed of Charge, Clearing Membership Agreement and/or a Clearing Agreement);

Clearing Member. It is a condition precedent to a transfer described in this paragraph that:

- (i) no relevant SwapClear Clearing Client has become insolvent (each such SwapClear Clearing Client will be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House);
- (ii) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulter;
- (iii) such transfer would not violate or result in the violation of ~~any applicable law or regulation~~ Applicable Law;
- (iv) the relevant SwapClear Clearing Client(s), the Receiving Clearing Member and the Carrying Clearing Member have each executed all documents necessary or required by the Clearing House in order to effect such transfer (including, where applicable, a Security Deed, Deed of Charge, Clearing Membership Agreement and/or a Clearing Agreement);
- (v) the Receiving Clearing Member has consented to the transfer of the Relevant SwapClear Contracts;
- (vi) the Receiving Clearing Member has transferred sufficient Collateral to the Clearing House in respect of its current SwapClear Contracts and the Relevant SwapClear Contracts;
- (vii) the Carrying Clearing Member has not rejected such transfer (it being presumed by the Clearing House that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House); and
- (viii) in the event that the transfer will lead to a requirement for the Carrying Clearing Member to transfer additional Collateral to the Clearing House, the Carrying Clearing Member transfers sufficient Collateral to the Clearing House.

By requesting a transfer of the Relevant SwapClear Contracts of a SwapClear Clearing Client pursuant to this paragraph (c), the Receiving Clearing Member shall be deemed to have represented to the Clearing House that all of the conditions to such transfer set forth herein and in the Procedures have been satisfied.

For the avoidance of doubt, in no circumstances may any part of the Clearing Member Current Collateral Balance held in the Client Account in which the Relevant SwapClear Contracts are registered be transferred under this paragraph (c).

For purposes of (vii) above, the Carrying Clearing Member may be entitled to reject a particular transfer only if (a) a relevant SwapClear Clearing Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and/or its Affiliates, including any requirement for additional Collateral that may

result from the proposed transfer, where, with respect to obligations owed to Affiliates of the Carrying Clearing Member by a SwapClear Clearing Client, "**obligations**" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the Relevant SwapClear Contracts of that SwapClear Clearing Client that are being transferred or that SwapClear Clearing Client's related collateral, (b) the transfer of the Relevant SwapClear Contracts of that SwapClear Clearing Client would result in the SwapClear Clearing Client breaching exposure limits with, and/or other risk parameters set by, the Carrying Clearing Member and/or its Affiliates, or (c) such rejection is in accordance with terms agreed as between the Carrying Clearing Member and the relevant SwapClear Clearing Client.

- (d) For the purposes of a transfer pursuant to paragraph (b) above that includes the transfer of the corresponding Associated Collateral Balance(s), the Carrying Clearing Member shall notify the Clearing House of the specific collateral which should comprise such Associated Collateral Balance(s). In the event that the Carrying Clearing Member fails to notify the Clearing House of the specific collateral which should comprise the Associated Collateral Balance(s), the Clearing House shall identify and select (in the manner set out in the Procedures) the Collateral it deems appropriate to comprise the Associated Collateral Balance(s) attributable to the Relevant SwapClear Contracts entered into by the Carrying Clearing Member on behalf of the relevant SwapClear Clearing Client(s) in its sole discretion and, along with the Receiving Clearing Member, shall take such actions and provide such information in connection with the transfer as may be required under the Procedures. Once the Associated Collateral Balance(s) which are the subject of the relevant transfer have been notified by the Clearing House to the Receiving Clearing Member, the Receiving Clearing Member may elect to reject the transfer of some or all of such Associated Collateral Balance(s). Any such election will not, of itself, prevent the transfer of the Relevant SwapClear Contracts of the relevant SwapClear Clearing Client(s) and any Associated Collateral Balance which has been accepted by the Receiving Clearing Member, **provided that** the conditions set out in sub-paragraphs (i) to (viii) of paragraph (b) above are satisfied in relation to such transfer. The Clearing House shall transfer the Associated Collateral Balance that has been identified and consented to by the Receiving Clearing Member. In the event that, for whatever reason, the Clearing House is unable to transfer such Associated Collateral Balance, the Clearing House will not proceed with the transfer of the Relevant SwapClear Contracts.
- (e) Further to the satisfaction of the conditions set out in paragraphs (b) and (c) above, and **provided that** the Clearing House does not determine, in its sole discretion, that (x) the transfer cannot be effected under these Regulations, the Procedures or otherwise under ~~applicable laws or regulations~~ Applicable Law and/or (y) where the transfer is as described in paragraph (ii) of the definition of "Receiving Clearing Member", additional conditions as set out in Regulation 13 of the FCM Regulations need to be and have not been complied with, the Clearing House shall transfer the Relevant SwapClear Contract(s) into the name of the Receiving Clearing Member as follows: (A) in the case of a transfer, where the Receiving Clearing Member is the same entity as the relevant SwapClear Clearing Client, the Relevant SwapClear Contracts (and, if applicable, the Associated Collateral Balance) shall be transferred to the Proprietary Account of the Receiving Clearing Member; (B) in a case of a

Relevant SwapClear Contracts have been identified by the Receiving Clearing Member, and the Clearing House shall have no responsibility or liability therefor.

- (j) The Clearing House shall verify that the Relevant SwapClear Contracts identified to it by a SwapClear Clearing Member as being the subject of such a transfer correspond to SwapClear Contracts which, according to its records, are registered in the name of the Carrying SwapClear Clearing Member on behalf of the relevant SwapClear Clearing Client. In the event that the Clearing House identifies a discrepancy, it will notify the relevant SwapClear Clearing Member(s) and no transfer will occur pursuant to this Regulation 60 until such time as the Relevant SwapClear Contracts identified to the Clearing House by the relevant SwapClear Clearing Member(s) can be verified by the Clearing House.
- (k) The Carrying Clearing Member agrees to indemnify the Clearing House in respect of all liabilities, costs, loss, fees, damages or expenses suffered or incurred by the Clearing House (howsoever arising or occurring) by reason of a proposed transfer being rejected by the Carrying Clearing Member other than in compliance with the grounds set out in the final paragraphs of Regulation 60(b) and Regulation 60(c) above.
- (l) If and to the extent permitted under applicable Law, and if applicable under the rules of an Approved Trade Source System, a SwapClear Clearing Member may transfer positions from one Client Account to another Client Account of that SwapClear Clearing Member, provided that: (i)(a) the transferring SwapClear Contracts will be owned or beneficially owned by the same Clearing Client(s); or (i)(b) an error has been made in the registration of a SwapClear Contract and the error is discovered and the transfer is completed within three Business Days (or any such longer period that the Clearing House may agree to in its sole discretion) after the registration of that SwapClear Contract; or (ii) the Clearing House otherwise approves the transfer in its sole discretion. Any transfers carried out in accordance with this Regulation 60(l) are subject to the provisions of the Procedures.

REGULATION 60A INFLATION SWAPS

- (r) This (r) 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.
- (s) Each SwapClear Clearing Member represents and warrants that it has the capacity, power and authority under all Applicable Haws to enter into, to exercise its rights and to perform its obligations in relation to the Inflation SwapClear Contracts registered in its name.
- (t) 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 (w)(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 (w)(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 (w)(i) applied in the

- (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 (i) shall apply individually with respect to each Group Member, as required by (t)(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~~ Applicable Laws to provide Market Data to the Clearing House.
 - (iii) Notwithstanding any provision of this (r) 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 Applicable Law to it or by any contract that was in place prior to this (r) coming into force and no Inflation Clearing Group will be under any obligation to provide Market Data in circumstances where this (w) 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.
- (x) 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

pursuant to (w)(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 (y) 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 (r), “**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.

Each report provided in accordance with this (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 (r). 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 (r), 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 Contracts 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 (o) where the failure of one or more Group Members to comply with this (r) results from an Inflation Force Majeure Event.

For the purposes of this (r) 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 (r) 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 (r).

- (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~~ Applicable Law 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.

REGULATION 80 SUSPENSION OF THE OPEN OFFER FOR LSE DERIVATIVES MARKETS

The Clearing House may, from time to time, in its absolute discretion suspend the LSE Derivatives Markets Services for such period of time as it may determine in the circumstances referred to in this Regulation 80 or with the agreement of LSE.

The LSE Derivatives Markets Services may be suspended:

- (a) as a result of a malfunction, breakdown or other failure in the electronic communication link between LSE London and the Clearing House (including any linkage via a third party system) or in the Clearing House's computer systems or any other relevant communication link or computer system such that the Clearing House is not able to receive or otherwise access all such particulars as it may require in order to exercise adequate risk management controls over contracts registered under the LSE Derivatives Markets Services;
- (b) as a result of a significant banking crisis or an extended disruption to any relevant bank payment system or any other event the occurrence of which in the Clearing House's reasonable opinion may jeopardise the solvency or the integrity of the Clearing House, and in any such case in the Clearing House's reasonable opinion there is a need to suspend the LSE Derivatives Markets Services in order to protect the solvency or the integrity of the Clearing House;
- (c) where a market emergency affecting LSE London and/or the Clearing House has a material effect on the provision of the LSE Derivatives Markets Services and/or the LSE market;
- (d) in order to comply with any requirements to which it is subject under ~~applicable laws or regulations~~ Applicable Law or with any order or direction given by, or a requirement of, a relevant regulation or pursuant to the rules of any such regulator.

REGULATION 82 REJECTION OF ORDERBOOK MATCHES

- (a) Subject to paragraphs (b) and (c) of this Regulation 82 and to Regulation 77(m), any LSE Derivatives Markets Orderbook Match, which does not meet the requirements set out in Regulation 77(c), or in respect of which the Clearing House declines to register LSE Derivatives Markets Cleared Exchange Contracts under Regulation 16(c), will be rejected by the Clearing House and no LSE Derivatives Markets Cleared Exchange Contracts shall be deemed to have arisen. Without prejudice to the generality of Regulation 52, any other provision of these Regulations, the Procedures, or the Exchange Rules concerning the liability of the Clearing House, the Clearing House shall have no liability whatsoever to any Clearing Member or any other person (including but not limited to any Linked Member)) with regard to the rejection by it of any such LSE Derivatives Markets Orderbook Match or any Reported Trade.
- (b) The Clearing House may, in its absolute discretion, agree to register an LSE Derivatives Markets Cleared Exchange Contract in the account of a Clearing Member in respect of an LSE Derivatives Markets Orderbook Match in accordance with any provisions in this regard set out in the Procedures, notwithstanding that the Clearing Member does not meet the requirements set out in Regulation 77(c) in respect of the LSE Derivatives Markets Orderbook Match or the Clearing House receives invalid or incomplete message data in respect of an LSE Derivatives Markets Orderbook Match.
- (c) The Clearing House shall only exercise its rights to decline to register LSE Derivatives Markets Cleared Exchange Contracts under Regulation 16(c) if:
- (i) the Clearing House is required by an order or direction issued by, or a requirement of, a Regulatory Body pursuant to its rules or otherwise, or in order to comply with ~~any applicable laws, regulations~~ Applicable Law or court order, to cancel, decline to enter into or reject an LSE Derivatives Markets Cleared Exchange Contract or to take other similar measures in relation to an LSE Derivatives Markets Cleared Exchange Contract; or
 - (ii) an LSE Derivatives Markets Orderbook Match exceeds a size specified in the Exchange Rules or the Procedures from time to time.
- (d) If any of the circumstances referred to in paragraph (c)(i) apply in respect of an affected Clearing Member, the Clearing House shall take such action as it may determine in order that the Clearing House does not have (or to minimise the effect of) an unbalanced position. Any such action may, without limit, include entering into contracts with a Clearing Member or a third party in order to balance its position, or to vary or cancel LSE Derivatives Cleared Exchange Contracts entered into with a Co-operating Clearing House, as appropriate and the affected Clearing Member shall indemnify the Clearing House against all losses, costs, taxes or expenses suffered or incurred by the Clearing House in taking such action.

REGULATION 85 IMPOSSIBILITY OF TRANSFER

- (a) Cross-Border Transfers shall not occur on any day under Regulation 83 if it is impossible, for any technological or other reason, for any such transfer to take place. Any affected Cross-Border Transfer shall take place as soon as it is possible for such transfer to be effected.
- (b) Cross Border Transfers shall not occur if it would contravene ~~any applicable law or regulation or requirement of a regulator~~Applicable Law for any such transfer to take place.

Appendix II
DEFAULT RULES



LCH.CLEARNET LIMITED
DEFAULT RULES

- (b) the sums so payable shall be aggregated or set off so as to produce a net sum or as many net sums as required by Rule 11;
- (c) any cash Collateral forming part of the Clearing House Current Collateral Balance in respect of the relevant kind of account shall be set off against any cash Collateral forming part of the Defaulter's Clearing Member Current Collateral Balance in respect of the relevant kind of account, and the resulting amount shall be aggregated with or set off against (as the case may be) any net sum payable under Rule 8(b) above, so as to produce a further net sum;
- (d) where an amount is payable by the Clearing House to the Defaulter in respect of a balance on its Proprietary Account(s), and there are amounts due to the Clearing House in respect of any Client Account with the Clearing House, including any FCM Omnibus Client Account with LCH (and any FCM Client Sub-Accounts therein) operated by it, the balance on the Proprietary Account(s) may be applied to meet the shortfall on the Client Account(s) with the Clearing House, including any FCM Omnibus Client Account with LCH (and any FCM Client Sub-Accounts therein) in any way in which the Clearing House may determine;
- (e) in the case where the Defaulter is an FCM Clearing Member,
 - (i) with respect to an FCM Omnibus Swaps Client Account with LCH, a net sum shall be calculated in respect of each applicable FCM Client Sub-Account, and with regards to any amount due to the Clearing House from the Defaulter in respect of net sums attributable to FCM Client Sub-Accounts where there is inadequate Collateral (on a sub-account by sub-account basis) to fully set off such amount payable, the Clearing House shall have sole discretion with respect to the allocation of any available FCM Buffer or the reallocation of any Encumbered FCM Buffer in setting off any such amounts payable to the Clearing House; and
 - (ii) with respect to an FCM Omnibus Futures Client Account with LCH, a net sum shall be calculated in respect of the FCM Omnibus Futures Client Account with LCH;
- (f) in the event that the Clearing House elects to close out and to liquidate FCM SwapClear Contracts attributable to FCM Clients of the Defaulter (in accordance with the SwapClear DMP Annex), the Clearing House shall allocate any costs associated with such closing out and liquidation process (including hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) among the FCM Clients whose positions were liquidated, by allocation to such FCM Clients' FCM Client Sub-Accounts that are held in the Defaulter's FCM Omnibus SwapClear Client Account with LCH, in the manner set out in Section 2A.15.6 of the FCM Procedures and in accordance with Parts 22 and 190 of the CFTC Regulations and any other Applicable Law;
- (g) in the event that the Clearing House elects to close out and to liquidate FCM ForexClear Contracts attributable to FCM Clients of the Defaulter (in

accordance with the ForexClear DMP Annex), the Clearing House shall allocate any costs associated with such closing out and liquidation process (including hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) among the FCM Clients whose positions were liquidated, by allocation to such FCM Clients' FCM Client Sub-Accounts that are held in the Defaulter's FCM Omnibus ForexClear Client Account with LCH, in the manner set out in Section 2B.23.6 of the FCM Procedures and in accordance with Parts 22 and 190 of the CFTC Regulations and any other Applicable Law; and

- (h) in the event that the Clearing House elects to close out and to liquidate FCM EnClear Contracts attributable to FCM Clients of the Defaulter, the Clearing House shall allocate any costs associated with such closing out and liquidation process (including hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) among the FCM Clients whose positions were liquidated, by allocation to such FCM Clients' FCM Client Sub-Accounts that are held in the Defaulter's FCM Omnibus EnClear Client Account with LCH, in the manner set out in Section 2C.1.20 of the FCM Procedures and in accordance with Parts 22 and 190 of the CFTC Regulations and any other Applicable Law.

For the purposes of Rule 8(a) above the Clearing House may assess the sum payable by or to the Defaulter in respect of any breach of the Regulations or the FCM Regulations (as the case may be) in such reasonable manner as it thinks fit; **provided, that** in the case of breaches of the FCM Regulations, the assessment by the Clearing House shall not be in violation of the CFTC Regulations (including Part 22 thereof).

With respect to any Unallocated Excess maintained in the Unallocated Excess Sub-Account of the Defaulter, the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the Defaulter to the Clearing House (on behalf of the Defaulter's FCM Clients or otherwise) or take any such Unallocated Excess into account for purposes of determining net sums under this Rule 8, except to the extent required or permitted by Applicable Law or directed by the applicable bankruptcy trustee or Regulatory Body in accordance with Applicable Law.

- 9. The sum, or each sum, finally payable by the Defaulter to the Clearing House or by the Clearing House to the Defaulter (including any sums payable to the Defaulter for the benefit of one or more of its FCM Clients), or the fact that no sum is finally payable by either such party to the other, as the case may be upon completion of the process set out in Rule 8, shall be forthwith certified by the Clearing House for the purposes of section 163 of the Companies Act 1989. The certificate of the Clearing House under this Rule shall be conclusive as to the discharge of the Defaulter's rights and liabilities in respect of the Contracts to which it relates. The Clearing House shall, as soon as practicable after issuing a Default Notice in respect of a Clearing Member, appoint a day on which any net sums certified under this Rule to be due to the Defaulter are to be paid by the Clearing House. The day so appointed may fall before or after the effective date of termination of the Defaulter's Clearing Membership Agreement but shall not fall on a day before the process specified in Rule 8 can be completed.

10. Following a Default by an FCM Clearing Member, the Clearing House will to the extent permitted by ~~Applicable Law~~applicable law (including Part 190 of the CFTC Regulations and applicable bankruptcy law), credit Variation Margin on a gross basis to each individual FCM Client Sub-Account.

11.

(a) Where the Defaulter has more than one account with the Clearing House, the Defaulter's accounts shall be combined for the purpose of Rules 8 and 9 as follows:

(i) no account which is an FCM Client Sub-Account of an FCM Client may be combined with any other account, including any FCM Client Sub-Account of another FCM Client, any FCM Omnibus Client Account with LCH or any Proprietary Account; **provided that** in the event that an FCM Client were to have two FCM Client Sub-Accounts with the same Defaulter, and both such accounts cleared the same Product, then such FCM Client Sub-Accounts may be combined;

(ii) no account which is an FCM Omnibus Client Account with LCH of the Defaulter may be combined with any other account, including any other FCM Omnibus Client Account with LCH or any Proprietary Account;

(iii) an account which is a Proprietary Account of the Defaulter may be combined with any other Proprietary Accounts of the Defaulter and (if the Clearing House so elects) Treasury Accounts of the Defaulter (subject to Rule 11(d) of the Default Rules); and

(iv) an account which is a Treasury Account of the Defaulter may only be combined with other Treasury Accounts and (if the Clearing House so elects) Proprietary Accounts of the Defaulter.

Notwithstanding the foregoing, in no circumstances may an account which is an Individual Segregated Account of the Defaulter or an Omnibus Segregated Account of the Defaulter be combined with any other account of the Defaulter.

(b) For the purposes of this Rule 11, each Individual Segregated Account of the Defaulter, each Omnibus Segregated Account of the Defaulter, each FCM Client Sub-Account(s) of a particular FCM Client within a particular FCM Omnibus Swaps Client Account with LCH of the Defaulter, and each FCM Omnibus Futures Client Account with LCH shall constitute a separate "**kind of account**". Where the Defaulter has more than one kind of account with the Clearing House, the process set out in Rule 8 shall be separately completed in respect of each kind of account. In the case of each kind of account of the Defaulter which is an Individual Segregated Account, the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 shall be separately certified under Rule 9. In the case of each kind of account of the Defaulter which is an Omnibus Segregated Account (other than a Non-Identified Client Omnibus Net Segregated Account), the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 will be allocated by the Clearing House (*pro rata* as it sees fit

RepoClear Client Clearing Business until such time as the Clearing House has determined that the Relevant Contract in question will not be ported, from which time such contract shall be a Relevant Auction Contract and included in a Portfolio in accordance with the terms of paragraph 2 of this Client Clearing Annex and the terms of such RepoClear DMP Annex.

13. Determination of the Account Balances, the Client Clearing Entitlements and the Aggregate Omnibus Client Clearing Entitlements will be undertaken by the Clearing House in accordance with its own records based on information provided to it by the Defaulter. The Clearing House shall be under no obligation to verify or to conduct any independent enquiry in respect of any such information and shall be entitled for all purposes to treat it as definitive. However, the Clearing House may, in its absolute discretion, adjust its records to reflect any matter which it believes should be taken into account in determining the Account Balances, the Client Clearing Entitlements and/or the Aggregate Omnibus Client Clearing Entitlements.
14. Nothing in this Client Clearing Annex shall give rise to a requirement for the Clearing House to take any action which would contravene the provisions of ~~any Applicable Law~~applicable laws or of any United Nations, European Union or other sanctions or other similar measures implemented or effective with respect to a Clearing Client which is, or is controlled by or otherwise connected with, a person resident in, incorporated in or constituted under the laws of, or carrying on business in a country to which any such sanctions or other similar measures apply, or is otherwise the target of any such sanctions or other similar measures.
15. Subject to this paragraph and to paragraph 16 below, a person who is not a party to this Client Clearing Annex (the parties to this Client Clearing Annex for these purposes being the Clearing House and the Clearing Members) has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce any term of this Client Clearing Annex.
16. Clearing Clients of a Defaulter may enforce the terms of this Client Clearing Annex subject to and in accordance with Regulation 52 (*Exclusion of Liability*) and the provisions of the Third Parties Act.
17. Notwithstanding paragraph 16 above, the Clearing House will not require the consent of the Clearing Clients to rescind or to vary this Client Clearing Annex at any time.
18. A Clearing Client of a Defaulter may not assign or transfer or purport to assign or to transfer a right to enforce a term of this Client Clearing Annex under the Third Parties Act.



Appendix III
PROCEDURES SECTION 2C SWAPCLEAR CLEARING SERVICE



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2C

SWAPCLEAR CLEARING SERVICE

repository or similar body the details of a SwapClear Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of ~~Applicable Law~~applicable law.

1.2 Operating Times and Calendars

1.2.1 Opening Days

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

1.2.2 Opening Hours

Unless notified otherwise, the SwapClear clearing system will be operational during the following hours:

05:00 London Time to 19:00 New York Time

However, SwapClear Clearing Members should note that Necessary Consents in relation to a Notification submitted during a business day shall be accepted by the Clearing House until 19.01 New York time on the following day. The Clearing House will notify SwapClear Clearing Members in the event that the SwapClear clearing system is scheduled for closure for operational or other reasons (including compression runs).

1.2.3 SwapClear Clearing System Calendars

The SwapClear clearing system uses the *SwapsMonitor Financial Calendar* for its processing. This will require all SwapClear Clearing Members to be licensees of the *SwapsMonitor Financial Calendar*. The calendars, as applicable to the SwapClear clearing system, will be available online for inspection and for file download from the SwapClear Clearing Member reporting system (see Section 1.1.3).

1.3 Registration

1.3.1 Executing Parties and Presentation for Clearing

A SwapClear Transaction may be entered into by and presented for clearing by (or on behalf of), any of the following parties: (1) SwapClear Clearing Members (or the SCM Branch of any such a SwapClear Clearing Member); (2) SwapClear Dealers; (3) SwapClear Clearing Clients; and (4) FCM SwapClear Members.

The Clearing House receives details of a new eligible SwapClear Transaction using agreed format messages via an Approved Trade Source System. The Approved Trade Source System will send details of a SwapClear Transaction to the Clearing House once it has been bi-laterally agreed by two Executing Parties, or otherwise executed by or on behalf of two Executing Parties on a US Trading Venue or other similar venue or facility, and will confirm which SwapClear Clearing Member(s) has been elected to register the SwapClear

all requested information, each transfer shall be subject to the Clearing House's discretion. Transfer requests received before [17:00] hours (London time) will normally be processed by the Clearing House on the day of receipt. Requests received after 17:00 hours will normally be processed on the following Business Day.

In connection with each transfer of one or more SwapClear Contracts that a Clearing Member transfers between two of its Client Accounts, the Clearing Member shall be deemed to make the agreements, acknowledgements and representations set forth in the following paragraph to the Clearing House with respect to each such transfer.

The Clearing Member acknowledges and agrees that:

- (i) other than where the SwapClear Contract in question will (assuming such transfer is properly effected) change from, or to, a SwapClear STM Contract immediately following the requested transfer, the contractual terms of the relevant SwapClear Contracts will not change solely as a result of the Clearing House effecting the requested transfer;
- (ii) the Clearing Member will remain liable to the Clearing House for all obligations under the relevant SwapClear Contracts prior to, during and after the transfer;
- (iii) the Clearing House may require that certain changes be made to the books and records of one or more Approved Trade Source Systems in order to reflect the requested transfer;
- (iv) the Clearing House is acting solely upon the Clearing Member's instructions as detailed to the Clearing House in writing and in reliance on the Clearing Member's agreements and representations (including as set out in this Section [1.20.4(e)]) in connection therewith;
- (v) the requested transfer is permissible under ~~applicable law~~Applicable Law and is not in violation of ~~Applicable Law~~Applicable Law, and the Clearing Member has obtained any and all necessary and appropriate consents, authorisations and approvals, including from Clearing Clients, regulators or otherwise, and has taken any other actions required under ~~Applicable Law~~Applicable Law, in connection with the requested transfer;
- (vi) Collateral will not be transferred and the transfer may be conditional upon Collateral being delivered to the Clearing House;
- (vii) if the Clearing House determines (in its sole discretion) to make the requested transfer, the Clearing House may refuse to carry out the transfer or any requested actions in connection

registered must promptly notify the Clearing House and, in any event, within 30 days of that Clearing Member becoming aware of the situation. Having investigated the circumstances, the Clearing House has an obligation to notify the HM Revenue & Customs of the event and the Clearing House may, in its absolute discretion suspend any SwapClear Dealer submitting such a contract for registration for the Register of SwapClear Dealers. The Clearing House may also, in its absolute discretion take such action in respect of the SwapClear Clearing Member as it deems fit in accordance with the Regulations. The SwapClear Clearing Member shall indemnify the Clearing House against any Corporation Tax or any other tax levied or imposed upon the Clearing House in respect of any such contract, and any other costs and expenses incurred by the Clearing House in connection therewith.

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

1.26 Default Management

1.26.1 Portfolio Splitting

As part of the SwapClear DMP, the Clearing House may divide an Auction Portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing House will, in consultation with the SwapClear DMG, seek to create:

- (a) one or more individual sub-portfolios which have comparatively greater levels of risk associated with them, thereby isolating such sub-portfolios from those which are more risk neutral; and
- (b) one or more individual sub-portfolios which are more risk neutral.

1.26.2 Acceptance of Bids

In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion that accepting the bid may:

- (a) cause the Clearing House to breach ~~any legal or regulatory requirement applicable to it~~ Applicable Law by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;
- (b) cause the Clearing House or its membership any reputational harm;
- (c) cause legal action or proceedings to be taken against the Clearing House; or
- (d) endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same SwapClear Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction.



Appendix IV
PROCEDURES SECTION 2E LCH ENCLEAR CLEARING SERVICES



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2E

LCH ENCLEAR CLEARING SERVICES

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

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

(ii) ECS

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

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

(c) Clearing House System Requirements

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

(d) Clearing House Reporting

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

1.1.9 Submission and Acceptance of Eligible EnClear Trades for Registration in the Freight and Energy Divisions

For registration of Eligible EnClear Trades, LCH EnClear Clearing Members must comply with all the requirements of the Clearing House as set out in the



Appendix V
PROCEDURES SECTION 21 LCH FOREXCLEAR CLEARING SERVICES



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2I

FOREXCLEAR CLEARING SERVICE

of another service. Follow this link to the information available from the LCH.Clearnet website: [Banking Reports](http://www.lchclearnet.com/members-clients/training-education) <http://www.lchclearnet.com/members-clients/training-education>

In respect of the ForexClear Service, on each business day the Clearing House will provide two sets of reports to FXCCMs: (1) Banking Reports; and (2) reports direct from the ForexClear Service (together "**ForexClear Reporting**"). These Procedures reference the ForexClear Service specific reports. Each day's report will remain available for download by FXCCMs from the ForexClear Service Portal for five days.

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

- 1.7.1 *Margin Liability Reports:* Reports detailing Liabilities are provided to FXCCMs following every scheduled Margin Run in accordance with Section 1.6.2 (*Margin Run Process*) and where additional Collateral has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level at 22.00 local London time. If the EOD Margin Run has not completed by 22:00 local London time on a particular business day, the report generated at EOD will reflect that certain Liabilities of FXCCMs are not discharged at the relevant time. A report will also be provided detailing an FXCCM's Collateral utilisation level. If an FXCCM's Liabilities exceed its total available Collateral, ForexClear will alert the FXCCM.
- 1.7.2 *Market Data Reports:* Reports detailing Market Data are provided to FXCCMs following every scheduled Margin Run. They include reports of Market Data and Settlement Rate used in the valuation of ForexClear Contracts and reports of Market Data shifts for each historic scenario used in the initial margin requirement calculations.
- 1.7.3 *Trade Reports:* Reports are provided that enable FXCCMs to monitor their firms' trading events and positions in respect of ForexClear. Reports on open ForexClear Contracts and on cancelled ForexClear Transactions and ForexClear Contracts are generated at EOD and reports on transferred ForexClear Contracts are made on an ad hoc basis.
- 1.7.4 *Trade Fixing and Settlement Reports:* Reports are published on each business day detailing the ForexClear Contracts to which the Settlement Rate has been applied on that business day (the "**NDF Fixings**" report), ForexClear Contracts that have been settled during that current business day (the "**Settlements Today**" report) and ForexClear Contracts that will settle the next business day (the "**NDF's Fixed with Settlement Tomorrow**" report).

1.10.2 *Acceptance of Bids:* In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion that accepting the bid may:

- (a) cause the Clearing House to breach ~~any legal or regulatory requirement applicable to it~~Applicable Law by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;
- (b) cause the Clearing House or its membership any reputational harm;
- (c) cause legal action or proceedings to be taken against the Clearing House; or
- (d) endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same ForexClear Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by a ForexClear Clearing Member for operational, technological or other similar reasons and as a result of which a bid does not reach the Clearing House, the Clearing House will be unable to accept a bid and shall not be liable for any failure to accept such bid.

1.10.3 *Affiliate Bidding:* ForexClear Clearing Members are entitled to bid for an Auction Portfolio on behalf of an affiliated ForexClear Clearing Member. Where a ForexClear Clearing Member makes a bid and that ForexClear Clearing Member has an affiliated ForexClear Clearing Member that does not make a bid, the Clearing House shall not (unless instructed otherwise in accordance with the paragraph below) assume that the bidding ForexClear Clearing Member has made the relevant bid on behalf of a non-bidding, affiliated ForexClear Clearing Member.

A ForexClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated ForexClear Clearing Member. Where it wishes to do so, the ForexClear Clearing Member should contact the Clearing House's Client Services Team (membership@lchclearnet.com; +44 (0)207 426 7949).

1.10.4 *Default Fund: ForexClear Contributions:* ForexClear Contributions will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the ForexClear Contribution under Rule F2(a) of the Default Rules (each a "**ForexClear Reset Day**"). ForexClear Contribution requirements will be notified to ForexClear Clearing Members at least two working days prior to each ForexClear Reset Day on Member Intranet Report 000032.

Excess ForexClear Contribution amounts due to ForexClear Clearing Members following the adjustment to the ForexClear Contribution will be

1.12.2 *Transactions in Respect of ForexClear Clearing Client Default to FXCCM*

- (a) This Section describes certain transactions that, under certain conditions, can be carried out by an FXCCM in respect of one of its ForexClear Clearing Clients that has defaulted in its obligations to the FXCCM.
- (b) A request or instruction from an FXCCM to the Clearing House to carry out a transaction described in Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below shall in every case be deemed a representation by the FXCCM to the Clearing House that (i) the affected ForexClear Clearing Client is in default of its obligations to the FXCCM, (ii) the FXCCM has provided and will provide (as applicable) any required notices to the ForexClear Clearing Client of its default and the FXCCM's transactions effected under Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) and/or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below, and (iii) the FXCCM is permitted by its agreements with the ForexClear Clearing Client and ~~Applicable Law~~[applicable law](#), and has authority to effect the transactions specified in the FXCCM's requests and/or instructions to the Clearing House in respect of such ForexClear Clearing Client. FXCCMs are not permitted to effect or attempt to effect a transaction described in Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below where the preceding representations are not satisfied.
- (c) In any other circumstance not covered by Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) or 1.12.4 (*ForexClear Contracts entered into on behalf of Defaulted Clients*), a FXCCM may only instruct the Clearing House to transfer a ForexClear Contract from its Client Account to its Proprietary Account in circumstances where the Clearing House has received from the FXCCM:
- (i) evidence of the relevant ForexClear Clearing Client's consent to such transfer in a form suitable to the Clearing House; and
 - (ii) an indemnity in a form suitable to the Clearing House.

The Clearing House will usually arrange a transfer of any ForexClear Contracts to be transferred pursuant to this paragraph (c) within 24 hours of receipt (to the extent applicable) of the documents listed in sub-paragraphs (i) and (ii) above, unless such transfer is contested by the relevant ForexClear Clearing Client.



Appendix VI
PROCEDURES SECTION 1 CLEARING MEMBER, NON-MEMBER MARKET PARTICIPANT
AND DEALER STATUS



LCH.CLEARNET LIMITED

PROCEDURES SECTION 1

**CLEARING MEMBER, NON-MEMBER MARKET
PARTICIPANT AND DEALER STATUS**

and execute all necessary documentation (see the [Protected Payments System Section of the LCH.Clearnet website](#) for further information) in order to manage and open its House and Client accounts.

Clearing Members are required to have contingency payment arrangements in place to ensure that they can continue to meet their margin obligations in the event of failure of their nominated PPS bank(s). During the application process, the Clearing House will require the applicant to provide evidence of these arrangements and will test these prior to the applicant becoming a Clearing Member. The Clearing Member will be required to provide evidence of their contingency payment arrangements on an ongoing basis at the Clearing House's request.

The applicant must refrain from contravening the general prohibition contained in Section 19 of the Financial Services and Markets Act 2000.

If the applicant is a bank, it must at all times be appropriately authorised by the banking supervisors of its home country and additionally meet any notification or authorisation requirements set by banking supervisors in the United Kingdom.

The applicant must satisfy a minimum internal credit score which is determined by the Clearing House based on analysis of a range of quantitative and qualitative inputs. These include financial analysis, external market data as well as consideration of any implicit or explicit support available to the applicant. The analysis is performed on a predetermined methodology applicable to all applicants.

The applicant must maintain a back office:

- (a) remote from both the trading floor and/or trading desks;
- (b) with adequate systems (including but not limited to computer and communications systems) and records;
- (c) with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the markets and contracts cleared by the Clearing House and in which the Clearing Member participates; and
- (d) with such equipment (including technology and connectivity) as may be stipulated by the Clearing House or by the exchange(s) or EquityClear Approved Trading Platform ("**ATP**").

Applicants and Clearing Members must at all times respond promptly to enquiries or requests for information made by the Clearing House. Such enquiries may require Applicants and Clearing Members to demonstrate compliance with the applicable membership criteria and/or ~~applicable law or regulation~~ Applicable Law.

Each Clearing Member shall at all times continue to comply with the qualifications and requirements set forth in these Procedures and shall

requirement, the Clearing House will require assurances that the loan(s) will not be repaid without the prior consent of the Clearing House.

Clearing Members who wish to re-structure their Net Capital in a way that subordinated loans become key to their meeting the minimum Net Capital Requirement, should contact the Clearing House's Membership team. Clearing Members will be required to enter into an agreement with the Clearing House in the standard form prescribed by the Clearing House for these purposes.

1.8.4 *Recognition of Irrevocable Letters of Credit*

In cases where the Net Capital Requirement is significantly greater than a Clearing Member's regulatory capital requirement, the Clearing House may, at its discretion, but in any case up to a maximum of 50% of the minimum capital requirement, recognise funds committed to the Clearing House under an Irrevocable Letter of Credit from a third party bank in determining whether the minimum requirement is met.

Clearing Members falling into this category and interested in meeting the requirements in this way will be required to enter into a standard form agreement with the Clearing House. That agreement is available from the Clearing House's Membership team.

1.9 **Reporting**

Clearing Members must provide the information detailed below.

1.9.1 *All Members*

- (a) All Clearing Members must, within six months from the date on which their annual accounts are made up, provide the Clearing House with an English-language copy of their profit and loss account and balance sheet, together with a statement that their auditors have reviewed and approved them, drawn up either in accordance with Companies Act requirements or otherwise in accordance with the requirements of the Clearing House. In addition, the Clearing House may at its discretion require the provision of financial accounts for the ultimate or immediate parent of the Clearing Member.
- (b) All Clearing Members must provide the Clearing House in a prompt and timely manner with:
 - (i) any information concerning any financial or business development that the Clearing Member reasonably considers may materially affect the Clearing Member's ability to comply with the applicable membership criteria or Applicable Law~~applicable laws or regulations~~;
 - (ii) information and documents regarding the Clearing Member's risk management policies and practices as requested by the Clearing House. Such information shall include, without

1.10 Additional Requirements

Notification of Changes of Ownership

Clearing Members (other than Special Clearing Members, who shall be subject to such specific terms as set out in their Clearing Membership Agreement) are required, under the terms of their Clearing Membership Agreement, to notify or pre-notify the Clearing House of changes in controlling holdings (defined as the exercise or control of 20% or more of the voting power of the firm). The Clearing House recognises that, in the case of Clearing Members which are part of large financial groups, changes in controllers may occur with relative frequency, which may only be known after the event and are unlikely to be significant to the Clearing House. However, in cases of changes in ownership, and particularly where those potentially acquiring a dominant stake in a Clearing Member are not known to the Clearing House, Clearing Members are required to pre-notify the Clearing House of their plans. The proposed change of ownership may be subject to an approval process involving the Risk Committee and Board of the Clearing House.

1.11 Other Conditions

The Clearing House may, at any time, impose additional conditions in relation to continued Clearing Member status, and at any time vary or withdraw any such conditions, provided that any such conditions which restrict, or may be considered to have the effect of restricting, access of a Clearing Member to the Clearing House shall be imposed only in circumstances where, and to the extent that, their object is to control the exposure of the Clearing House to risk. Clearing Members are referred to the Clearing House's website at <http://www.lchclearnet.com/risk-collateral-management/risk-management-overview> for further information about the relevant internal risk management policies and procedures of the Clearing House.

The relevant additional conditions imposed on a Clearing Member may include, but are not limited to, a requirement to transfer additional cash or non-cash Collateral to the Clearing House, as determined by the Clearing House.

1.12 Jurisdictional Requirements

1.12.1 Singaporean Clients

Clearing Members are required to provide a copy of the 'Notice to Singapore Clearing Clients' to Clearing Clients incorporated in Singapore. The 'Notice to Singapore Clearing Clients' is available at: <http://www.lchclearnet.com/members-clients/members/fees-ltd/annual-account-structure-fees>.



Appendix VII
PROCEDURES SECTION 3 FINANCIAL TRANSACTIONS



LCH.CLEARNET LIMITED

PROCEDURES SECTION 3

FINANCIAL TRANSACTIONS

Relevant Contributions will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the Relevant Contribution under the applicable Supplement (each a “**Reset Day**”). Relevant Contribution requirements will be notified to Clearing Members at least two working days prior to each Reset Day on the report available on the Member website named “Member Default Fund” (REP000032).

Clearing Members will be repaid via PPS any excess Relevant Contribution amounts on the Reset Day immediately following the determination of the Relevant Contribution.

The Clearing House will, from time to time, notify Clearing Members of the rate of interest that will apply to a Relevant Contribution. Interest on Relevant Contributions will be paid to Clearing Members’ PPS accounts on the first working day after the Reset Day following the end of the relevant “interest accrual period”. Interest is calculated in respect of each “interest accrual period”, which commences on (and includes) a Reset Day and ends on (and includes) the calendar day immediately before the next Reset Day. Notwithstanding the preceding paragraphs, if the rate of interest payable on Relevant Contributions is negative, interest shall be payable by Clearing Members to the Clearing House.

1.9.3 ***Loss Distribution Charges: Commodities, Equities and Listed Interest Rates***

This Section 1.9.3 applies to Loss Distribution Charges called by the Clearing House under the Commodities Default Fund Supplement, the Equities Default Fund Supplement and/or the Listed Interest Rate Default Fund Supplement (each a “**Relevant Supplement**”).

Loss Distribution Charges called under Rule 8 <http://www.lchclearnet.com/about-us/governance/end-user-notices> of the Relevant Supplement shall be called via PPS in the same currency as a Clearing Member’s Relevant Contribution.

1.9.4 ***Default Fund Contributions: RepoClear, SwapClear and ForexClear***

Provisions relating to RepoClear Contributions, SwapClear Contributions and ForexClear Contributions are set out in Section 2B (RepoClear), Section 2C (SwapClear) and Section 2I (ForexClear) of the Procedures, respectively.

1.10 **Clearing House Reporting**

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



Appendix VIII
PROCEDURES SECTION 4 MARGIN AND COLLATERAL



LCH.CLEARNET LIMITED

PROCEDURES SECTION 4

MARGIN AND COLLATERAL

1.1.2 *Excess Collateral*

The Clearing House shall, at least once on each business day, notify each Clearing Member of the Required Margin Amount and the Total Required Margin Amount.

If a Clearing Member's Current Collateral Value exceeds the sum of that Clearing Member's Total Required Margin Amount and any other amounts which the Clearing Member is required to transfer to the Clearing House under ~~applicable law or regulation~~ Applicable Law (such excess being referred to in this Section 1.1.2 as the "**excess collateral value**"), then that Clearing Member may, in accordance with Sections 1.3 and 1.4 of the Procedures, request that some or all of the Collateral comprising its Clearing Member Current Collateral Balance having a value not exceeding the excess collateral value (such Collateral being referred to in this Section 1.1.2 as "**excess collateral**") be returned or repaid by the Clearing House to, or to the order of, that Clearing Member.

In the event that the Clearing House expressly notifies the Clearing Member of a positive excess collateral value and that the Clearing House intends to levy a charge in respect of the excess collateral with effect from a date notified in that notification, and the Clearing Member does not make a request for the return of the excess collateral before the date so notified, the Clearing House may, in its discretion but only from the date so notified, charge the Clearing Member in respect of any such excess collateral at the rate of 1 basis point per day until the excess collateral is eliminated. Payment of this charge shall be collected on a monthly basis through that Clearing Member's PPS sterling account.

If the Clearing House has received a request to return excess collateral, the Clearing House shall promptly take such steps as are necessary in accordance with Section 1.4 of the Procedures to transfer the amount of excess collateral specified in that request to or to the order of the relevant Clearing Member in respect of each account held by the Clearing Member with the Clearing House, provided that (i) the Clearing House shall only be obliged to take such steps with respect to any Collateral pursuant to this Section 1.1.2 to the extent that it constitutes excess collateral and (ii) where the Clearing Member has requested that Collateral of a particular type in respect of an account be transferred, the Clearing House shall transfer such Collateral unless it determines, acting in a commercially reasonable manner, that transferring such Collateral would result in the Clearing House being unable to satisfy its policies on concentration limits in respect of the various types of Collateral held by it from time to time, in which case it shall transfer Collateral of a different type which has the same value as the requested Collateral and which, in the case of non-cash Collateral, has been transferred to the Clearing House by that Clearing Member in respect of that particular account.

Whether or not an excess collateral value exists in respect of an account of a Clearing Member, a Clearing Member may request that any cash amounts that are subject to the charge as prescribed by the Clearing House from time to time and published on the Clearing House's website (such as, for example,

period or vary the minimum Collateral value by written notice to Clearing Members.

1.1.5 *Force Majeure*

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

1.1.6 *Regulatory and Supervisory Information*

In every case, the Clearing House will be entitled to supply a depository or Collateral Agent with all the information it requires for any purposes relating to a Clearing Member, or relating to non-cash Collateral received by the Clearing House from a Clearing Member which is, or may at any time have been held by the depository or Collateral Agent. Non-cash Collateral will be lodged and held with such depository or other systems as the Clearing House may select or allow, subject to the conditions of such systems, to **any Applicable Law** ~~applicable law~~ and subordinate rules relating thereto, as well as to the terms of the Clearing House's Form of Charge and charge documentation and these Procedures.

1.1.7 *Interest Payments (coupons)*

The Clearing House will remit interest amounts, taking into account any withheld tax, to Clearing Members' PPS banks on the appropriate value date, except where such Clearing Member is a Defaulter.

Any payment made under this Section 1.1.7 is processed using "Tender" ledgers designated "I" for Proprietary Accounts or "L" for Client Accounts.

1.1.8 *Other Charges*

The Clearing House will collect any other charges incurred as deemed necessary using PPS. Examples of such charges may include a Collateral Agent's overnight custody charge, transfer charges or any charges relating to the movement of non-cash Collateral. For a list of the Clearing House's Custody services fees, please refer to: <http://www.lchclearnet.com/members-clients/members/fees-ltd/custody-services>



Appendix IX
PROCEDURES SECTION 5 DISCIPLINARY PROCEEDINGS



LCH.CLEARNET LIMITED

PROCEDURES SECTION 5

DISCIPLINARY PROCEEDINGS

1. DISCIPLINARY PROCEEDINGS

1.1 Scope of this Procedure

All Clearing Members are subject to Disciplinary Proceedings pursuant to Section 5 of these Procedures (the "**Disciplinary Proceedings**").

Any alleged breach by a Clearing Member of an obligation set out in the Rulebook (the "**Alleged Breach**") may be dealt with in accordance with the provisions of this Section 5.

The disciplinary procedures contained in this Section 5 are without prejudice to:

- (a) any action and/or measures that may be taken by the Clearing House based on any other procedure set out in the Rulebook including, without limitation, the right of the Clearing House to issue a Default Notice under the Default Rules;
- (b) the Clearing House's right to take no action where it considers that taking action would be disproportionate, or otherwise, in its discretion; and
- (c) any provision of ~~applicable law~~ Applicable Law concerning enforcement by a Regulatory Body.

1.2 Investigation Procedure

Subject to the provisions of Section 1.3 (*Immediate Measure*), the investigation of an Alleged Breach pursuant to these Disciplinary Proceedings shall be handled in accordance with this Section 1.2.

- (a) *Opening of the Investigation Procedure:* When the Clearing House commences proceedings to investigate an Alleged Breach:
 - (i) the Clearing House shall send a written notice to the Clearing Member, setting out the details of the Alleged Breach, including a summary of the facts relied on in sufficient detail for a reasonable person in the Clearing Member's position to be able to properly understand and to respond to the allegations made against it;
 - (ii) the Clearing House shall identify a suitably senior representative of any entity of the LCH.Clearnet Group that shall lead the investigation procedure on behalf of the Clearing House and shall inform the Clearing Member as to who this representative will be in the written notice which is sent in accordance with sub-paragraph (i) above;
 - (iii) Following receipt of the written notice sent in accordance with sub-paragraph (i) above, the Clearing Member shall be permitted to (x) raise objections in writing to the Alleged Breach of which it has been notified and/or (y) raise objections to the identity of the representative that is to lead the investigation procedure, on grounds of conflicts of interest, within 48 hours. Where an objection is raised, either the Chief Executive Officer of the Clearing House or the Chief Compliance

Officer of the Clearing House shall discuss the perceived conflict of interest with the Clearing Member within 24 hours and shall make a decision on whether an alternative representative needs to be identified for the purposes of sub-paragraph (ii) above;

- (iv) the Clearing Member shall be required to provide any information, copies or records and documents that may be reasonably requested, in connection with the examination of the Alleged Breach, to the Clearing House, save that the Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of ~~Applicable Law~~applicable law or regulation, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the Clearing Member shall provide the Clearing House with proof of such prohibition). The Clearing Member is permitted to request that the Clearing House provides to it copies of the documentation it relies on during the investigation, provided that the Clearing House shall not be required to reveal any information which it deems to be confidential;
 - (v) the Clearing House may send a representative (being either the representative identified as leading the investigation procedure on behalf of the Clearing House or another representative) to the Clearing Member's offices at any time during normal business hours, having provided reasonable notice (proportionate to the seriousness of the Alleged Breach) to the Clearing Member as part of the investigation procedure. The Clearing Member shall only be entitled to refuse access to such representative in the event of a substantiated conflict of interest. The Clearing Member shall make available all information, records and documents kept by the Clearing Member that may be reasonably required for the examination of the Alleged Breach, to the Clearing House's representative; and
 - (vi) the Clearing Member shall exercise best endeavours to procure the attendance of any of its directors, officers, employees, agents and representatives, as may be reasonably requested, at a specified time on reasonable notice (at either the offices of the Clearing House or at those of the Clearing Member) in order to answer questions or to provide explanations that may be relevant for the examination of the Alleged Breach.
- (b) *Report:* Following the conclusion of the investigation procedure, the Clearing House shall notify the Clearing Member and produce a written report (the "**Report**") in relation to the Alleged Breach and provide it to the Clearing Member, within no more than 14 days from the notification by the Clearing House of the conclusion of the investigation procedure.

The Report shall contain the findings of the investigation, reference the provision of the Rulebook allegedly breached by the relevant Clearing Member and indicate the Clearing House's intended course of action in relation to the Alleged Breach, being either:

Unless otherwise agreed between the Clearing Member and the Disciplinary Committee, the Meeting will be held at the Clearing House's offices in London, provided that, if appropriate, the Meeting may take place at the Clearing House's offices in New York, within 14 days from the request for a Meeting.

The Disciplinary Committee and the relevant Clearing Member are each entitled to bring to the Meeting any person relevant to the Disciplinary Proceedings which includes but is not limited to the following:

- (i) relevant experts;
- (ii) legal advisors; and
- (iii) accounting advisors.

The Clearing House and/or the Clearing Member shall only be entitled to object to the attendance by any of the above if there is a substantiated conflict of interest.

The Disciplinary Committee shall, in addition, invite the Clearing House representative that led the investigation procedure to attend the Meeting.

The Disciplinary Committee shall, subject to the provisions of these Disciplinary Proceedings, decide upon its own procedure for conducting the Meeting and considering and determining the matters to be discussed in the course of the Meeting, on the basis of the Report, the Clearing Member's response to the Report, and such other information and documentation as the Disciplinary Committee considers appropriate. A secretary will be appointed to keep minutes of the Meeting.

The Disciplinary Committee may reasonably request further or other documentation and information from the Clearing Member, save that the Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of ~~Applicable Law~~applicable law or regulation, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the Clearing Member shall provide the Clearing House with proof of such prohibition).

The matters discussed at the Meeting are confidential. The Disciplinary Committee and the Clearing Member must ensure that any persons attending the Meeting are subject to a confidentiality agreement.

To ensure the efficiency of the Meeting, neither the Disciplinary Committee nor the Clearing Member shall bring more than six representatives, unless otherwise agreed.

- (f) *Determination:* Having considered the Report, the Clearing Member's response to the Report, any other information and documentation provided to the Disciplinary Committee in accordance with paragraph (e) above of this Section 1.2 and having conducted the Meeting, the Disciplinary Committee must determine whether, in its view, the Alleged Breach has been committed.

The Disciplinary Committee shall make its determination, in accordance with this paragraph (f), by a majority of the attendees, provided that no determination shall be made without a quorum of three (3) Disciplinary Committee members being in attendance.

In the event of a tie, the Chairman shall have a casting vote.

For the avoidance of doubt, the Disciplinary Committee shall not be bound to comply with any rule of ~~Applicable Law~~ ~~applicable law~~ or court procedure in respect of the admissibility of evidence and may, in its discretion, accept, any finding of fact by:

- (i) a relevant Regulatory Body;
 - (ii) a ~~G~~governmental ~~A~~authority; or
 - (iii) the courts of England and Wales in connection with a dispute.
- (g) *Recommendation:* Within 7 days of the later of:
- (i) the Clearing Member's response to the Report; and
 - (ii) the date of the Meeting, if applicable,

the Disciplinary Committee shall communicate its determination, made in accordance with paragraph (f) above of this Section 1.2, to the Clearing House (the "**Recommendation**").

The Disciplinary Committee shall set out in its Recommendation the grounds on which the Disciplinary Committee has determined that the Alleged Breach has or has not been committed and its proposal as to the sanctions, if any, that should be imposed by the Clearing House upon the Clearing Member pursuant to Section 1.4 (*Sanctions*) of this Section 5.

This paragraph (g) is without prejudice to the rights of the Disciplinary Committee to recommend that these Disciplinary Proceedings be discontinued and refer the matter to the Chief Executive Officer of the Clearing House to take action in accordance with the provisions of the Rulebook if the Disciplinary Committee has determined that the Alleged Breach has been committed but the sanctions set out in Section 1.4 (*Sanctions*) of this Section 5 are, in the Disciplinary Committee's reasonable opinion, inadequate.

- (h) *Decision Notice:* Following receipt of a Recommendation, pursuant to paragraph (g) above of this Section 1.2, the Clearing House must decide whether or not to sanction the Clearing Member in accordance with Section 1.4 (*Sanctions*) below of this Section 5 or otherwise in accordance with the provisions of the Rulebook.

For the avoidance of doubt, the Clearing House shall not be bound by the terms of the Recommendation of the Disciplinary Committee.

- (f) any combination of the above.

1.5 Disputing a decision

Where a Clearing Member wishes to dispute the Clearing House's decision to impose sanctions listed in Section 1.3 (*Immediate Measure*) or 1.4 (*Sanctions*), a Clearing Member may, within 28 days (or such longer period as the Chief Executive Officer of the Clearing House or the Chief Compliance Officer of the Clearing House may, at their discretion, direct) of receiving the Decision Notice in accordance with paragraph 1.2(h) of Section 1.2 (*Investigation Procedure*) or 1.3 (*Immediate Measure*), file an Appeal in accordance with Section 7 of the Procedures. In the event that the Clearing Member does not lodge an appeal within the relevant timeframe, the decision rendered by the Clearing House in connection with the Alleged Breach shall be final and binding. In the event that the Clearing Member does lodge an appeal, the results of the appeal process shall be final and binding.

1.6 Reporting and publication

The Clearing House shall:

- (a) report on its monitoring procedures in respect of the Rulebook compliance and breaches of the Rulebook to its Regulatory Body pursuant to Applicable Law ~~applicable law~~ and/or on the basis of any arrangements between the Clearing House and any Regulatory Body;
- (b) immediately notify the Regulatory Body of a decision to suspend or terminate a Clearing Member's membership rights or to issue a Default Notice in respect of a Clearing Member (in each case in accordance with the Rulebook);
- (c) prepare and publish a general report on the application of these Disciplinary Proceedings, from time to time but at least once a year, provided however that only the details of those Clearing Members who have defaulted or whose membership rights have been suspended or terminated by the Clearing House shall be disclosed; and
- (d) be entitled to publish (i) breaches by its Clearing Members of the criteria for Clearing Member status pursuant to the Clearing Membership Agreement, as prescribed for in the Rulebook; and (ii) breaches by its Clearing Members for not disclosing the prices and fees of each of the Services separately (including any applicable discounts and rebates and the conditions to benefit from them).

1.7 Infringement of Applicable Law

If the Clearing House finds, in the course of the investigation procedure, or otherwise, serious indications of a possible infringement of Applicable Law ~~applicable law~~, it shall report the matter to the relevant Regulatory Body as soon as possible.



Appendix X
PROCEDURES SECTION 8 COMPLAINTS



LCH.CLEARNET LIMITED

PROCEDURES SECTION 8

COMPLAINTS

1.4 Referral to an independent investigator

- 1.4.1 In the event that the Complainant is dissatisfied with the outcome of the Internal Investigation and Review procedure set out in Section 1.3 above, or in the event that the Complainant does not receive the report of the Investigation Committee within 14 weeks of the submission of a complaint of the kind described in Section 1.1 and Section 1.2 above (and provided that the subject matter of the complaint (or substantially the same matters) shall not have already been referred to an independent investigator as a result of a complaint from that same Complainant) the Complainant may ask for the complaint to be referred to an Independent Investigator nominated in accordance with the procedure set out in Section 1.5 (*Procedure for dealing with the complaint*) below.
- 1.4.2 A request for referral to an Independent Investigator shall be made in writing to the Chief Compliance Officer of the Clearing House and shall be made no later than 2 weeks following notification to the Complainant of the report of the Investigation Committee or 16 weeks from the submission of the original complaint to the Clearing House in accordance with Section 1.2 (*How to make a complaint*).
- 1.4.3 Within 14 days of receipt of a written request, in accordance with Section 1.4.2 above, the Chief Compliance Officer of the Clearing House shall refer the complaint to an Independent Investigator (as described below).
- 1.4.4 An Independent Investigator shall be nominated for this purpose by The Centre for Dispute Resolution ("**CEDR**"), London. Such investigator shall be a person:
- (a) independent of the Clearing House (for these purposes "**independent**" shall mean that such person is not and has not been an officer, director or employee of the Clearing House);
 - (b) with appropriate knowledge of how clearing is carried out by the Clearing House and of the Regulations (including the Procedures), and other relevant documentation, ~~regulation and applicable law~~ and Applicable Law; and
 - (c) with appropriate experience of the market activities in respect of which the complaint relates.
- 1.4.5 The Clearing House shall be responsible for the payment of the fees and expenses of the Independent Investigator although this shall not give rise to any employment or other relationship between the Independent Investigator and the Clearing House, and shall not give rise to any duty between the Independent Investigator and the Clearing House other than that the Independent Investigator shall act as an independent complaints investigator in accordance with the terms of these Procedures.
- 1.4.6 In the event, that for reasons beyond the reasonable control of the Clearing House, referral to an Independent Investigator is not made within the 2 week



Appendix XI
PRODUCT SPECIFIC CONTRACT TERMS AND ELIGIBILITY CRITERIA MANUAL

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

- 3.2.4 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 a SwapClear Dealer shall not invalidate the amendment with which the notice is concerned.
- 3.2.5 Where a SwapClear Contract is in Hong Kong Dollars, the parties agree that it is a fundamental basis and condition of the contract that at the registration of this SwapClear Contract and for the duration of this contract, the Hong Kong dollar rate of exchange against the US Dollar is 7.8 Hong Kong Dollars to one US Dollar. In the event that such exchange rate should vary for any one or more day at any time during the contract, the Clearing House shall have the right, on the giving of written notice, to terminate this contract forthwith.

3.3 *Negative Interest Rates*

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

3.4 *Withholding Tax Provisions*

3.4.1 All payments under the General Regulations, a SwapClear Contract or any SwapClear Transaction will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by ~~any-Applicable Law~~applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If the Clearing House or a Clearing Member is so required to deduct or withhold, then the Clearing House or the Clearing Member ("X") will:

- (i) promptly notify the recipient ("Y") of such requirement;
- (ii) pay to the relevant authorities the full amount required to be deducted or withheld (in the case of a Clearing Member as X, including the full amount required to be deducted or withheld from any amount paid by the Clearing Member to the Clearing House under Section 3.4.1, Section 2.4.2 or Section 3.4.3) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y; and
- (iii) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities.

For the purpose of the General Regulations, SwapClear Contracts and SwapClear Transactions, "Tax" shall mean any present or future tax, levy, impost, duty, charge, assessment, or fee of any nature (including interest, penalties, and additions thereto) that is imposed by any government or other taxing authority.

3.4.2 In the event that any payment made by a Clearing Member to the Clearing House under the General Regulations, any SwapClear Contract or any SwapClear Transaction is subject to deduction or withholding (either at the

and any U.S. or non-U.S. law, regulation or authoritative guidance promulgated thereunder, or any agreements, treaties, or intergovernmental agreements entered into pursuant thereto, (collectively, the "FATCA Rules") provided that such FATCA Withholding Tax would not have been imposed but for the Clearing House's failure to comply with the FATCA Rules.

Notwithstanding the provisions in this section 3.4.2, the Clearing House and SwapClear Members agree to renegotiate these regulations where, for reasons beyond the control of the Clearing House, the provisions of FATCA result in payments beneficially owned by the Clearing House becoming subject to FATCA Withholding Tax.

For the purpose of this Section 3.4.2, "Change in Tax Law" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law or double tax treaty (or in the application or official interpretation of any law or double tax treaty).

- 3.4.3 If: (i) a Clearing Member is required by ~~any-Applicable Law~~ applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from any payment made to the Clearing House under the General Regulations, SwapClear Contracts and or any SwapClear Transaction for or on account of any Tax, in respect of which the Clearing Member would be required to pay an Additional Amount to the Clearing House under Section 3.4.2; (ii) the Clearing Member does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and costs).
- 3.4.4 If: (i) the Clearing House is required by ~~any-Applicable Law~~ applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from any payment made to a Clearing Member under the General Regulations, SwapClear Contracts and or any SwapClear Transaction for or on account of any Tax; (ii) the Clearing House does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and costs).
- 3.4.5 The Clearing House shall provide to each Clearing Member (i) the tax forms and documents specified in Section 3.4.10 below and Section 1.2 of the SwapClear Procedures and (ii) any other form or document reasonably requested in writing by the Clearing Member in order to allow the Clearing Member to make a payment under the General Regulations, SwapClear Contract, or any SwapClear Transaction without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or



Appendix XII
FCM PROCEDURES OF THE CLEARING HOUSE



**FCM PROCEDURES OF
THE CLEARING HOUSE**

LCH.CLEARNET LIMITED

Clearing House), maintain each agreement evidencing each such FCM Transaction continuously as an official record of that FCM Clearing Member.

1.2 Criteria for FCM Clearing Member Status

1.2.1 *General*

The Clearing House imposes certain criteria and requirements in relation to FCM Clearing Member status. The relevant criteria have, in all cases, been established by the Clearing House so as to be non-discriminatory and objective and so as to ensure fair and open access by FCM Clearing Members (whether existing or potential) to the Clearing House.

The relevant criteria are without prejudice to the provisions of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement which must be executed by the applicant, and must equally be met by FCM Clearing Members.

The Clearing House may, in its sole discretion, refuse an application for membership where it considers it appropriate to do so in accordance with its internal risk management policies and procedures as amended from time to time. Where the Clearing House refuses an application it will provide a written justification for such refusal. FCM Clearing Members are referred to the Clearing House's website at ~~+~~⁺<http://www.lchclearnet.com> for further information about the relevant internal risk management policies and procedures.

FCM Clearing Member status may be granted on a conditional basis before any Clearing House requirements have been fully met or before related Exchange or FCM Approved Trade Source System membership requirements are met, but cannot be operational until such requirements are satisfied.

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

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

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

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

⁺ ~~LCH to insert website reference.~~

execute all necessary documentation (see Protected Payments System section of the LCH.Clearnet website for further information) in order to manage and open its House and Client accounts.

FCM Clearing Members are required to have contingency payment arrangements in place to ensure that they can continue to meet their margin obligations in the event of failure of their nominated PPS bank(s). During the application process, the Clearing House will require the applicant to provide evidence of these arrangements and will test these prior to the applicant becoming an FCM Clearing Member. The FCM Clearing Member will be required to provide evidence of their contingency payment arrangements on an ongoing basis at the Clearing House's request.

The applicant must maintain a back office:

- (i) remote from both the trading floor and/or trading desks;
- (ii) with adequate systems (including but not limited to computer and communications systems) and records;
- (iii) with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the markets and contracts cleared by the Clearing House and in which the FCM Clearing Member participates; and
- (iv) with such equipment (including technology and connectivity) as may be stipulated by the Clearing House or by any relevant Exchange(s).

Applicants for FCM Clearing Member status and FCM Clearing Members must at all times respond promptly to enquiries or requests for information made by the Clearing House. Such enquiries may require applicant FCM Clearing Members to demonstrate compliance with the applicable FCM clearing membership criteria and/or ~~applicable laws and regulations~~ Applicable Law.

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

Termination of FCM Clearing Member Status: In the event that an FCM Clearing Member wishes to retire from FCM Clearing Member status, it may do so by giving written notice to the Clearing House not less than three months ahead of the proposed termination date. By the close of business on the proposed termination date, the Retiring Member shall ensure that all FCM Contracts registered in the Retiring Member's name have been closed-out or transferred so as to ensure that there are no open FCM Contracts to which the Retiring Member is a party at the proposed termination date. Once all such FCM Contracts have been closed-out or transferred, such Retiring Member shall be entitled to request that the Clearing House releases and returns to it

capital as reported to the Clearing House in order to ascertain whether, in the Clearing House's opinion, such FCM Clearing Member is sufficiently capitalized to support the level of risk associated with the FCM Contracts to which they are counterparty. In determining whether an FCM Clearing Member is sufficiently capitalized, the Clearing House may also consider:

- (a) the ratio of FCM Contracts entered into on behalf of an FCM Client compared to those entered for its own Proprietary Account;
- (b) the FCM Clearing Member's aggregate exposure to other clearing providers and other entities; and
- (c) the total amount of Margin and Collateral deposited with, transferred to or otherwise delivered to the Clearing House by the FCM Clearing Member.

In the event that the Clearing House considers that the FCM Clearing Member is not sufficiently capitalized to support the level of risk associated with its open FCM Contracts, the Clearing House may perform one or more of the following:

- (a) require that the relevant FCM Clearing Member furnish the Clearing House with additional collateral; or
- (b) prevent or limit the extent to which an FCM Clearing Member may register additional FCM Contracts; or
- (c) require that the FCM Clearing member provide the Clearing House with additional information relating to its exposure to other clearing providers or other entities.

1.5 Calculation Of Net Capital

The net capital of FCM Clearing Members is calculated by the Clearing House in accordance with CFTC Regulation 1.17.

1.6 Reporting

FCM Clearing Members shall provide the information detailed below.

- (a) All FCM Clearing Members must, within six months from the date on which their annual accounts are made up, provide the Clearing House with an English-language copy of their income statement (or profit and loss statement) and balance sheet, together with a statement that their auditors have reviewed and approved them, in accordance with ~~applicable law~~ **Applicable Law** in the relevant jurisdiction, drawn up in accordance with the requirements of CFTC Regulation 1.16 or otherwise in accordance with the requirements of the Clearing House. In addition, the Clearing House may at its discretion require the provision of financial accounts for the ultimate or immediate parent of the FCM Clearing Member.

- (b) All FCM Clearing Members must provide the Clearing House in a prompt and timely manner with:
 - (i) copies of all financial returns/reports made to its regulators, and upon request from the Clearing House, any other notifications made to the CFTC as required under the CFTC Regulations (including CFTC Regulation 1.12);
 - (ii) those financial reports detailed in CFTC Regulation 1.10;
 - (iii) any information concerning any financial or business development that the FCM Clearing Member reasonably considers may materially affect the FCM Clearing Member's ability to comply with the applicable membership criteria or Applicable Law~~applicable laws or regulations~~;
 - (iv) copies of all reports that are required to be filed with the CFTC pursuant to parts 17 and 20 of the CFTC Regulations;
 - (v) information and documents regarding the FCM Clearing Member's risk management policies and practices as requested by the Clearing House. Such information shall include, without limitation, information and documents relating to the liquidity of that FCM Clearing Member's financial resources and settlement procedures;
 - (vi) any other financial information that the Clearing House determines is necessary to assess whether membership criteria are being met on an ongoing basis; and
 - (vii) notice if the FCM Clearing Member becomes the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or any other event to which it is required to notify the Clearing House under the FCM Clearing Membership Agreement or the FCM Rulebook.

In addition, and upon request from the Clearing House or the CFTC, each FCM Clearing Member shall promptly provide the information detailed in (v) above directly to the CFTC.

1.6.2 ***Reduction in Net Capital***

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

- (a) shareholders' funds; and
- (b) net capital.

The relevant additional conditions imposed on an FCM Clearing Member may include, but are not limited to, a requirement to furnish additional cash or non-cash Collateral to the Clearing House, as determined by the Clearing House.

1.9 Other Conditions

1.9.1 Singaporean Clients

FCM Clearing Members are required to provide a copy of the 'Notice to Singapore Clearing Clients' to FCM Clients incorporated in Singapore. The 'Notice to Singaporean Clearing Clients' is available here: <http://www.lchclearnet.com/members-clients/members/fees-ltd/annual-account-structure-fees>.

(b) *Clearing House System Requirements*

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

(c) *SwapClear FCM Clearing Member Reporting*

There are three methods of notification to FCM Clearing Members of FCM SwapClear Contract registrations and other information:

- (i) Report 001;
- (ii) Via the FCM Approved Trade Source System; and
- (iii) Via SwapClear API.

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

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

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

(d) *Clearing House Reporting*

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligations) shall, to the extent required by (and in line with the requirements of) Applicable Law ~~applicable law or regulation~~ (including Parts 43 and 45 of the CFTC Regulations, and applicable requirements under English law), report to one or more data or trade repositories (including swap data repositories) or similar body the details of all FCM SwapClear Transactions and FCM SwapClear Contracts, including any modifications or terminations without duplication and no later than the working day following the conclusion, modification or termination of such contract. In order to avoid any such duplication of reports, each FCM Clearing Member acknowledges and agrees that it will not report the details referred to in this paragraph to the bodies referred to in this paragraph, unless otherwise agreed with the Clearing House.

(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~~applicable law or regulation~~;

Requests received after 17:00 hours will normally be processed on the following Business Day.

In connection with each transfer of one or more FCM SwapClear Contracts that an FCM Clearing Member transfers between two of its FCM Clients, the FCM Clearing Member shall be deemed to make the agreements, acknowledgements and representations set forth in the following paragraph to the Clearing House with respect to each such transfer.

FCM Clearing Member acknowledges and agrees that:

- (i) the contractual terms of the relevant FCM SwapClear Contracts will not change solely as a result of the Clearing House effecting the requested transfer;
- (ii) FCM Clearing Member will remain liable to the Clearing House for all obligations under the relevant FCM SwapClear Contracts prior to, during and after the transfer to the same extent that it was prior to such transfer;
- (iii) the Clearing House may require that certain changes be made to the books and records of one or more FCM Approved Trade Source Systems in order to reflect the requested transfer;
- (iv) the Clearing House is acting solely upon FCM Clearing Member's instructions as detailed to the Clearing House in writing and in reliance on the FCM Clearing Member's agreements and representations (including as set out in this Section 2.1.12(e)) in connection therewith;
- (v) the Clearing House may debit or credit FCM Clearing Member's accounts at the Clearing House with any obligations, liabilities or otherwise as appropriate and permissible under Applicable Law~~applicable law~~;
- (vi) the requested transfer is permissible under Applicable Law~~applicable law~~ and is not in violation of Applicable Law~~applicable law~~, and FCM Clearing Member has obtained any and all necessary and appropriate consents, authorizations and approvals, including from FCM Clients, regulators or otherwise, and have taken any other actions required under Applicable Law~~applicable law~~, in connection with the requested transfer;
- (vii) if the Clearing House determines (in its sole discretion) to make the requested transfer, the Clearing House will not carry out the transfer or any requested actions in connection therewith until FCM Clearing Member provides it with such evidence of the relevant FCM Clients' authorization that the transfer be carried

2.1.15 *Default Management*

(a) *Portfolio Splitting:*

As part of the SwapClear DMP, the Clearing House may divide an Auction portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing House will, in consultation with the SwapClear DMG (which, as defined in the Default Rules, refers to the advisory Default Management Group established by the Clearing House pursuant to the terms of the SwapClear DMP Annex to the Default Rules), seek to create:

- (i) one or more individual Sub-portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Sub portfolios from those which are more risk neutral; and
- (ii) one or more individual Sub portfolios which are more risk neutral.

(b) *Acceptance of Bids*

In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion that accepting the bid may:

- (i) cause the Clearing House to breach ~~any legal or regulatory requirement applicable to it~~ Applicable Law by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;
- (ii) cause the Clearing House or its membership any reputational harm;
- (iii) cause legal action or proceedings to be taken against the Clearing House;
- (iv) endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same FCM Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by an FCM Clearing Member or SwapClear Clearing Member for operational, technological or other similar reasons and as a result of which a bid does not reach the Clearing House, the Clearing House will be unable to accept a bid and shall not be liable for any failure to accept such bid.

2.1.17 Section 696, Corporation Tax Act 2009

The FCM Clearing Member agrees that should a situation arise where HM Revenue and Customs (“HMRC”) raises an enquiry, or makes an information request, to the Clearing House regarding an FCM Transaction or FCM Contract that the FCM Clearing Member is submitting (or has submitted) to the Clearing House, and that enquiry or information request is in respect of the application of s696 - s697 Corporation Tax Act 2009, the FCM Clearing Member will use its reasonable efforts to provide such information and support as the Clearing House may reasonably require in order to respond to and effectively deal with the queries raised by HMRC.

2.1.18 Prescribed Terms

Pursuant to FCM Regulation 7 the Clearing House may prescribe certain provisions that an FCM Clearing Member must include in its agreement with an FCM Client.

Where an FCM Clearing Member provides FCM Clearing Services to an FCM Client that is a registered investment company, as defined in the Investment Company Act of 1940, it shall include provisions in its agreement with that FCM Client to the following effect:

- (a) the FCM Clearing Member shall comply with Applicable Law ~~applicable law~~ relating to the segregation of FCM Client Funds including without limitation Part 22 of the CFTC Regulations;
- (b) FCM Client Funds delivered by the FCM Client shall be held in accordance with the CEA and the CFTC Regulations and the FCM Clearing Member shall obtain an acknowledgement, to the extent required by Parts 1.20 and 22 of the CFTC Regulations, that those FCM Client Funds are being held in accordance with the CEA and the CFTC Regulations;
- (c) the FCM Clearing Member will promptly furnish copies of or extracts from its records or such other information pertaining to the FCM Client’s assets as the Securities Exchange Commission, through its employees or agents, may request;
- (d) any gains on FCM SwapClear Contracts held on behalf of an FCM Client (other than de minimus amounts) may be maintained by the FCM Clearing Member only until the next Business Day following receipt;
- (e) the FCM Client has the ability to withdraw its assets from the FCM Clearing Member as soon as reasonably practicable if the FCM Clearing Member’s or the Clearing House’s custody of FCM Client Funds no longer meets the requirements of Rule 17f-6 under the Investment Company Act of 1940.

is a member of another service. Follow this link to the information available from the LCH.Clearnet website: [Banking Reports](#).³

In respect of the FCM ForexClear Service, on each business day the Clearing House will provide two sets of reports to FX FCMs: (1) Banking Reports; and (2) reports direct from the FCM ForexClear Service (together “**ForexClear Reporting**”). These Procedures reference the FCM ForexClear Service specific reports. Each day's report will remain available for download by FX FCMs from the FCM ForexClear Service Portal for five days.

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligations) shall, to the extent required by (and in line with the requirements of) ~~Applicable Law applicable law~~ (including Parts 43 and 45 of the CFTC Regulations, and applicable requirements under English law), report to one or more data or trade repositories (including swap data repositories) or similar body the details of all FCM ForexClear Transactions and FCM ForexClear Contracts, including any modifications or terminations without duplication and no later than the working day following the conclusion, modification or termination of such contract. In order to avoid any such duplication of reports, each FX FCM acknowledges and agrees that it will not report the details referred to in this paragraph to the bodies referred to in this paragraph, unless otherwise agreed with the Clearing House.

(a) *Margin Liability Reports*

Reports detailing Liabilities are provided to FX FCMs following every scheduled Margin Run in accordance with Section 2.2.17 and where additional Collateral has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level. A report will also be provided detailing an FX FCM's Margin utilization level. If an FX FCM's Liabilities exceed its total available Margin, ForexClear will alert the FX FCM.

(b) *Market Data Reports*

Reports detailing Market Data are provided to FX FCMs following every scheduled Margin Run. They include reports of Market Data and Settlement Rate used in the valuation of FCM ForexClear Contracts and reports of Market Data shifts for each historic scenario used in IM calculations.

(c) *Trade Reports*

Reports are **provided that** enable FX FCMs to monitor their firms' trading events and positions in respect of ForexClear. Reports on open FCM ForexClear Contracts and on cancelled FCM ForexClear Transactions and FCM ForexClear Contracts are generated at EOD and

³ http://www.lchclearnet.com/Images/banking_report_tcm6-48011.pdf

2.2.23 *Default Management*

(a) *Portfolio Splitting*

As part of the ForexClear DMP (contained in the ForexClear DMP Annex to the Default Rules), the Clearing House may divide an Auction Portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing House will, in consultation with the ForexClear DMG (as defined in the ForexClear DMP Annex to the Default Rules), seek to create:

- (i) one or more individual Auction Portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Auction Portfolios from those which are more risk neutral; and
- (ii) one or more individual Auction Portfolios which are more risk neutral.

(b) *Acceptance of Bids*

In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion that accepting the bid may:

- (i) cause the Clearing House to breach ~~any legal or regulatory requirement applicable to it~~ Applicable Law by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;
- (ii) cause the Clearing House or its membership any reputational harm;
- (iii) cause legal action or proceedings to be taken against the Clearing House; or
- (iv) endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same ForexClear Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by a ForexClear Clearing Member for operational, technological or other similar reasons and as a result of which a bid does not reach the Clearing House, the Clearing House will be unable to accept a bid and shall not be liable for any failure to accept such bid.

payments made to it can be made without deduction or withholding for or on account of any Tax.

2.2.27 Prescribed Terms

Pursuant to FCM Regulation 7 the Clearing House may prescribe certain provisions that an FCM ForexClear Clearing Member must include in its agreement with an FCM Client.

There an FCM ForexClear Clearing Member provides FCM Clearing Services to an FCM Client that is a registered investment company, as defined in the Investment Company Act of 1940, it shall include provisions in its agreement with that FCM Client to the following effect:

- (a) the FCM ForexClear Clearing Member shall comply with **Applicable Law**~~applicable law~~ relating to the segregation of FCM Client Funds including without limitation Part 22 of the CFTC Regulations;
- (b) FCM Client Funds delivered by the FCM Client shall be held in accordance with the CEA and the CFTC Regulations and the FCM ForexClear Clearing Member shall obtain an acknowledgement, to the extent required by Parts 1.20 and 22 of the CFTC Regulations, that those FCM Client Funds are being held in accordance with the CEA and the CFTC Regulations;
- (c) the FCM ForexClear Clearing Member will promptly furnish copies of or extracts from its records or such other information pertaining to the FCM Client's assets as the Securities Exchange Commission, through its employees or agents, may request;
- (d) any gains on FCM ForexClear Contracts held on behalf of an FCM Client (other than de minimus amounts) may be maintained by the FCM ForexClear Clearing Member only until the next Business Day following receipt;
- (e) the FCM Client has the ability to withdraw its assets from the FCM ForexClear Clearing Member as soon as reasonably practicable if the FCM ForexClear Clearing Member's or the Clearing House's custody of FCM Client Funds no longer meets the requirements of Rule 17f-6 under the Investment Company Act of 1940.

shall procure that the ForexClear DMG Member shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in his possession or control, including all abstracts, notes, drawings and other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so, **provided that** the ForexClear DMG Member is permitted to retain a copy thereof to comply with ~~applicable legal or regulatory requirements~~Applicable Law.

11. **Warranty and representation**

11.1 The FXCCM represents and warrants that it will procure that:

- (a) the Nominating FXCCM and the ForexClear DMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this Agreement; and
- (b) nothing in this Schedule 2.2D will cause the ForexClear DMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Nominating FXCCM or to his employer, if different, or any other contract counterparty of the ForexClear DMG Member.

12. **Confidentiality and Non-Disclosure: General Obligations of the Clearing House**

12.1 The Clearing House will treat all Confidential Material in the terms envisaged in this Schedule 2.2D, confining use to the ForexClear Default Management Process, restricting its availability on a “strictly need to know basis”, and exercising every duty of care required of it as a Recognised Clearing House and as a Derivatives Clearing Organization.

13. **Third Party Rights**

13.1 A person who is not a party to this Schedule 2.2D shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms

the Contribution under the Commodities Default Fund Supplement (each a “**Reset Day**”). Contribution requirements will be notified to FCM Clearing Members at least two working days prior to each Reset Day on the report available on the Member website named “Member Default Fund” (REP000032).

FCM Clearing Members will be repaid via PPS any excess Contribution amounts on the Reset Day immediately following the determination of the Contribution.

The Clearing House will, from time to time, notify FCM Clearing Members of the rate of interest that will apply to a Contribution. Interest on Contributions will be paid to FCM Clearing Members’ PPS accounts on the first working day after the Reset Day following the end of the relevant “interest accrual period”. Interest is calculated in respect of each “interest accrual period”, which commences on (and includes) a Reset Day and ends on (and includes) the calendar day immediately before the next Reset Day. Notwithstanding the preceding paragraphs, if the rate of interest payable on Contributions is negative, interest shall be payable by FCM Clearing Members to the Clearing House.

Loss Distribution Charges called under Rule C8 of the Commodities Default Fund Supplement shall be called via PPS in the same currency as an FCM Clearing Member’s Contribution.

3.12 Clearing House Reporting

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to one or more data or trade repository or similar body (including a swap data repository) the details of an FCM Contract and any modification or termination of such FCM Contract without duplication and no later than the working day following the conclusion, modification or termination of such FCM Contract, in line with the requirements of Applicable Law~~applicable law~~. In order to avoid any such duplication of reports, each FCM Clearing Member acknowledges and agrees that it will not report the details referred to in this paragraph to the bodies referred to in this paragraph, unless otherwise agreed with the Clearing House.

hours (New York time) on a U.S. Business Day, such request shall be deemed void.

The Clearing House will not accept deposits of USD cash Collateral as Excess Margin on any date that is not a U.S. Business Day or at any time after 14:00 hours (New York time) on a U.S. Business Day.

4.1.7 ***Lodgment of Collateral as Replacement for Cash Cover for Margin***

This Section 4.1.7 applies only to Proprietary Accounts of FCM Clearing Members. FCM Clearing Members should note that they must give Treasury Operations no less than two (2) Business Days' notice of their intention to lodge Collateral with a value of £50 million sterling or more, and which is reasonably likely to have the effect that cash to a similar value is repayable by the Clearing House to that FCM Clearing Member as a result of such lodgment. In the event that an FCM Clearing Member seeks to withdraw such cash Collateral without giving such notice, the Clearing House will decline to release such cash Collateral until the end of the required notice period. The Clearing House may extend the required notice or vary the minimum Collateral value by written notice to FCM Clearing Members.

4.1.8 ***Force Majeure***

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

4.1.9 ***Regulatory and Supervisory Information***

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

7.4 Referral to an independent investigator

- 7.4.1 In the event that the Complainant is dissatisfied with the outcome of the Internal Investigation and Review procedure set out in Section 7.3 (*Internal investigation and review by the Clearing House*) above, or in the event that the Complainant does not receive the report of the Investigation Committee within 14 weeks of the submission of a complaint of the kind described in Sections 7.2.1 and 7.2.2 above (*How to make a complaint*) (and provided that the subject matter of the complaint (or substantially the same matters) shall not have already been referred to an independent investigator as a result of a complaint from that same Complainant) the Complainant may ask for the complaint to be referred to an Independent Investigator nominated in accordance with the procedure set out in Section 7.5 (*Procedure for dealing with the complaint*) below.
- 7.4.2 A request for referral to an Independent Investigator shall be made in writing to the Chief Compliance Officer of the Clearing House and shall be made no later than 2 weeks following notification to the Complainant of the report of the Investigation Committee or 16 weeks from the submission of the original complaint to the Clearing House in accordance with Section 7.2 (*How to make a complaint*).
- 7.4.3 Within 14 days of receipt of a written request, in accordance with Section 7.4.2 above, the Chief Compliance Officer of the Clearing House shall refer the complaint to an Independent Investigator (as described below).
- 7.4.4 An Independent Investigator shall be nominated for this purpose by The Centre for Dispute Resolution (CEDR), London. Such investigator shall be a person:
- (a) independent of the Clearing House (for these purposes “independent” shall mean that such person is not and has not been an officer, director or employee of the Clearing House); and
 - (b) with appropriate knowledge of how clearing is carried out by the Clearing House and of the FCM Rulebook (including the FCM Procedures) and other relevant documentation, ~~regulation and applicable law~~ and Applicable Law; and
 - (c) with appropriate experience of the market activities in respect of which the complaint relates.
- 7.4.5 The Clearing House shall be responsible for the payment of the fees and expenses of the Independent Investigator although this shall not give rise to any employment or other relationship between the Independent Investigator and the Clearing House, and shall not give rise to any duty between the Independent Investigator and the Clearing House other than that the Independent Investigator shall act as an independent complaints investigator in accordance with the terms of these FCM Procedures.

8. DISCIPLINARY PROCEEDINGS

8.1 Scope of this procedure

- 8.1.1 All FCM Clearing Members are subject to Disciplinary Proceedings pursuant to Section 0 of these FCM Procedures (the “**Disciplinary Proceedings**”).
- 8.1.2 Any alleged breach by an FCM Clearing Member of an obligation set out in the FCM Rulebook (the “**Alleged Breach**”) may be dealt with in accordance with the provisions of this Section.
- 8.1.3 The disciplinary procedures contained in this Section are without prejudice to:
- (a) any action and/or measures that may be taken by the Clearing House based on any other procedure set out in the FCM Rulebook including, without limitation, the right of the Clearing House to issue a Default Notice under the Default Rules;
 - (b) the Clearing House's right to take no action where it considers that taking action would be disproportionate or otherwise, in its discretion; and
 - (c) any provision of Applicable Law ~~applicable law~~ concerning enforcement by a Regulatory Body.

8.2 Investigation procedure

- 8.2.1 Subject to the provisions of Section 8.3 (*Immediate measure*), the investigation of an Alleged Breach pursuant to these Disciplinary Proceedings shall be handled in accordance with this Section 8.2.

(a) *Opening of the investigation procedure*

When the Clearing House commences proceedings to investigate an Alleged Breach:

- (i) the Clearing House shall send a written notice to the FCM Clearing Member, setting out the details of the Alleged Breach, including a summary of the facts relied on in sufficient detail for a reasonable person in the FCM Clearing Member's position to be able to properly understand and to respond to the allegations made against it;
- (ii) the Clearing House shall identify a suitably senior representative of any entity of the LCH.Clearnet Group that shall lead the investigation procedure on behalf of the Clearing House and shall inform the FCM Clearing Member as to who this representative will be in the written notice which is sent in accordance with sub-paragraph (i) above;

- (iii) Following receipt of the written notice sent in accordance with sub-paragraph (i) above, the FCM Clearing Member shall be permitted to (x) raise objections in writing to the Alleged Breach of which it has been notified and/or (y) raise objections to the identity of the representative that is to lead the investigation procedure, on grounds of conflicts of interest, within 48 hours. Where an objection is raised, either the Chief Executive Officer of the Clearing House or the Chief Compliance Officer of the Clearing House shall discuss the perceived conflict of interest with the FCM Clearing Member within 24 hours and shall make a decision on whether an alternative representative needs to be identified for the purposes of sub-paragraph (ii) above;
- (iv) the FCM Clearing Member shall be required to provide any information, copies or records and documents that may be reasonably requested, in connection with the examination of the Alleged Breach, to the Clearing House, save that the FCM Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of Applicable Law~~applicable law or regulation~~, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the FCM Clearing Member shall provide the Clearing House with proof of such prohibition). The FCM Clearing Member is permitted to request that the Clearing House provides to it copies of the documentation it relies on during the investigation, **provided that** the Clearing House shall not be required to reveal any information which it deems to be confidential;
- (v) the Clearing House may send a representative (being either the representative identified as leading the investigation procedure on behalf of the Clearing House or another representative) to the FCM Clearing Member's offices at any time during normal business hours, having provided reasonable notice (proportionate to the seriousness of the Alleged Breach) to the FCM Clearing Member as part of the investigation procedure. The FCM Clearing Member shall only be entitled to refuse access to such representative in the event of a substantiated conflict of interest. The FCM Clearing Member shall make available all information, records, and documents kept by the FCM Clearing Member that may be reasonably required for the examination of the Alleged Breach, to the Clearing House's representative; and
- (vi) the FCM Clearing Member shall exercise best efforts to procure the attendance of any of its directors, officers, employees, agents and representatives, as may be reasonably requested, at a specified time on reasonable notice (at either the offices of the Clearing House or at those of the FCM Clearing

The Disciplinary Committee shall, in addition, invite the Clearing House representative that led the investigation procedure to attend the Meeting.

The Disciplinary Committee shall, subject to the provisions of these Disciplinary Proceedings, decide upon its own procedure for conducting the Meeting and considering and determining the matters to be discussed in the course of the Meeting, on the basis of the Report, the FCM Clearing Member's response to the Report, and such other information and documentation as the Disciplinary Committee considers appropriate. A secretary will be appointed to keep minutes of the Meeting.

The Disciplinary Committee may reasonably request further or other documentation and information from the FCM Clearing Member, save that the FCM Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of ~~Applicable Law~~applicable law or regulation, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the FCM Clearing Member shall provide the Clearing House with proof of such prohibition).

The matters discussed at the Meeting are confidential. The Disciplinary Committee and the FCM Clearing Member must ensure that any persons attending the Meeting are subject to a confidentiality agreement.

To ensure the efficiency of the Meeting, neither the Disciplinary Committee nor the FCM Clearing Member shall bring more than six representatives, unless otherwise agreed.

(f) *Determination*

Having considered the Report, the FCM Clearing Member's response to the Report, any other information and documentation provided to the Disciplinary Committee in accordance with paragraph (e) of Section 8.2.1 (*Investigation procedure*) and having conducted the Meeting, the Disciplinary Committee must determine whether, in its view, the Alleged Breach has been committed.

The Disciplinary Committee shall make its determination, in accordance with this Section 8.2.1(f) (*Investigation procedure*), by a majority of the attendees, **provided that** no determination shall be made without a quorum of three (3) Disciplinary Committee members being in attendance.

In the event of a tie, the Chairman shall have a casting vote.

For the avoidance of doubt, the Disciplinary Committee shall not be bound to comply with any rule of ~~Applicable Law~~applicable law or

court procedure in respect of the admissibility of evidence and may, in its discretion, accept, any finding of fact by:

- (i) a relevant Regulatory Body;
- (ii) a ~~G~~overnmental ~~A~~uthority; or
- (iii) the courts of England and Wales, the State of New York or the United States, in connection with a dispute.

(g) *Recommendation*

Within 7 days of the later of:

- (i) the FCM Clearing Member's response to the Report; and
- (ii) the date of the Meeting, if applicable,

the Disciplinary Committee shall communicate its determination, made in accordance with Section 8.2.1(f) (*Investigation procedure*), to the Clearing House (the “**Recommendation**”).

The Disciplinary Committee shall set out in its Recommendation the grounds on which the Disciplinary Committee has determined that the Alleged Breach has or has not been committed and its proposal as to the sanctions, if any, that should be imposed by the Clearing House upon the FCM Clearing Member pursuant to Section 8.4 (*Sanctions*).

This paragraph (g) is without prejudice to the rights of the Disciplinary Committee to recommend that these Disciplinary Proceedings be discontinued and refer the matter to the Chief Executive Officer of the Clearing House to take action in accordance with the provisions of the FCM Rulebook if the Disciplinary Committee has determined that the Alleged Breach has been committed but the sanctions set out in Section 8.4 (*Sanctions*) are, in the Disciplinary Committee's reasonable opinion, inadequate.

(h) *Decision Notice*

Following receipt of a Recommendation, pursuant to paragraph (g) above, the Clearing House must decide whether or not to sanction the FCM Clearing Member in accordance with Section 8.4 (*Sanctions*) or otherwise in accordance with the provisions of the FCM Rulebook.

For the avoidance of doubt, the Clearing House shall not be bound by the terms of the Recommendation of the Disciplinary Committee.

A decision by the Clearing House in accordance with this Section 8.2.1(h) (*Investigation procedure*) will be made by the Chief Executive Officer of the Clearing House or another suitably senior executive of the Clearing House.

- (b) public censure, by way of publishing all or part of the decision taken by the Clearing House pursuant to Disciplinary Proceedings on the website of the Clearing House;
- (c) suspension for a fixed period, as determined by the Clearing House in its sole discretion of one or all of the clearing services offered by the Clearing House;
- (d) issuance of a private warning or reprimand;
- (e) termination of the FCM Clearing Membership Agreement; and/or
- (f) any combination of the above.

8.5 Disputing a decision

Where an FCM Clearing Member wishes to dispute the Clearing House's decision to impose sanctions listed in Section 8.3 (*Immediate measure*) or 8.4 (*Sanctions*), an FCM Clearing Member may, within 28 days (or such longer period as the Chief Executive Officer of the Clearing House or the Chief Compliance Officer of the Clearing House may, at their discretion, direct) of receiving the Decision Notice in accordance with Section 8.2.1(h) (*Investigation procedure*) or 8.3 (*Immediate measure*), file an Appeal in accordance with Section 6 of these FCM Procedures. In the event that the FCM Clearing Member does not lodge an appeal within the relevant timeframe, the decision rendered by the Clearing House in connection with the Alleged Breach shall be final and binding. In the event that the FCM Clearing Member does lodge an appeal, the results of the appeal process shall be final and binding.

8.6 Reporting and publication

8.6.1 The Clearing House shall:

- (a) report on its monitoring procedures in respect of the FCM Rulebook compliance and breaches of the FCM Rulebook to its Regulatory Body pursuant to Applicable Law ~~applicable law~~ and/or on the basis of any arrangements between the Clearing House and any Regulatory Body;
- (b) immediately notify the Regulatory Body of a decision to suspend or terminate an FCM Clearing Member's membership rights or to issue a Default Notice in respect of an FCM Clearing Member (in each case in accordance with the FCM Rulebook);
- (c) prepare and publish a general report on the application of these Disciplinary Proceedings, from time to time but at least once a year, **provided however that** only the details of those FCM Clearing Members who have defaulted or whose membership rights have been suspended or terminated by the Clearing House shall be disclosed; and
- (d) be entitled to publish (i) breaches by its FCM Clearing Members of the criteria for FCM Clearing Member status pursuant to the FCM Clearing Membership Agreement, as prescribed for in the FCM

Rulebook; and (ii) breaches by its FCM Clearing Members for not disclosing the prices and fees of each of the FCM Clearing Services separately (including any applicable discounts and rebates and the conditions to benefit from them).

8.7 **Infringement of Applicable Law~~applicable law~~**

If the Clearing House finds, in the course of the investigation procedure, or otherwise, serious indications of a possible infringement of Applicable Law~~applicable law~~, it shall report the matter to the relevant Regulatory Body as soon as possible.



Appendix XIII
FCM REGULATIONS OF THE CLEARING HOUSE

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

REGULATION 1 DEFINITIONS

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

“Account Manager Executing Party”	means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated FCM SwapClear Transactions.
“Affected Client”	means a client of an FCM Clearing Member (or potential client of an FCM Clearing Member) in respect of which the application of laws or regulations in the client’s jurisdiction of establishment or applicable in the context of activity on a relevant trading platform do not prevent or prohibit EMIR Client Clearing being provided to such client.
“Aggregate Excess Loss”	has the meaning assigned to it in the Clearing House’s “General Regulations” .
“Allocation Notice”	means a message delivered to the Clearing House which contains the following information: (i) details of the Client Segregated Sub-Account or the Proprietary Account of the Post-Allocation FCM Clearing Member to which an Unallocated FCM SwapClear Contract should be allocated; (ii) the amount of notional value of the Unallocated FCM SwapClear Contract to be allocated to each such Client Segregated Sub-Account or Proprietary Account of the Post-Allocation FCM Clearing Member; and (iii) confirmation of the Unallocated FCM SwapClear Contract to which the Allocation Notice relates. Any additional information contained in the Allocation Notice (including any economic details) shall be disregarded by the Clearing House.
<u>“Applicable Law”</u>	<u>means any applicable statute, law, ordinance, regulation, rule and other instruments in force from time to time, including the rules, codes or practice of a Governmental Authority or Regulatory Body.</u>
“Assumed Allocation”	has the meaning assigned to it in FCM Regulation 15(d)(iii).
“Auction Portfolio”	has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
“Available FCM Buffer”	means, at any given time, (i) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the Without Client Excess Model, FCM Buffer credited therein that is not

“FCM Procedures”	means the document containing the working practices and administrative or other requirements of the Clearing House for the purposes of implementing or supplementing these FCM Regulations, or the procedures for application for and regulation of membership of the Clearing House. For the avoidance of doubt, a reference to “FCM 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 organization <u>Governmental Authority</u> .
“FCM Product Specific Contract Terms and Eligibility Criteria Manual”	means the FCM Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time.
“FCM Regulations”	means these FCM Regulations entitled as such, relating to FCM Contracts and the clearing of FCM Contracts only, from time to time in force.
“FCM Rulebook”	means the FCM Regulations, the Other Specific Regulations, the FCM Procedures and such other rules of the Clearing House, which are applicable to FCM Clearing Services, as published and amended from time to time.
“FCM SwapClear Clearing Services”	means the services provided by an FCM Clearing Member in connection with FCM SwapClear Contracts cleared on behalf of its FCM Clients.
“FCM SwapClear Contract”	means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM SwapClear Contract Terms, and which is governed by these FCM Regulations.
“FCM SwapClear Contract Terms”	means the terms applicable to each FCM SwapClear Contract as set out from time to time in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.
“FCM SwapClear Product Eligibility Criteria”	means the product criteria set out in paragraphs 1.1(a), 1.1(b) or 1.1(c), and paragraph 3 of Part B of Schedule 1 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.
“FCM SwapClear Suspension Sub-Account”	Means the sub-account of a Pre-Allocation FCM Clearing Member’s Omnibus Client Swaps Account which has been established by the FCM SwapClear Clearing Member with a view to registering Unallocated FCM SwapClear Contracts.

	respect of such FCM Clearing Member.
“FDICIA”	means the Federal Deposit Insurance Corporation Improvement Act of 1991, as amended.
“First Nodal Clearing Member”	has the meaning assigned to it in Regulation 56(a)(i).
“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.
<u>“Governmental Authority”</u>	<p><u>means any:</u></p> <p><u>(a) governmental, inter-governmental, parliamentary or supranational body, entity, agency or department; or</u></p> <p><u>(b) regulatory , self-regulatory or other authority,</u></p> <p><u>in each case, which has jurisdiction over the Clearing House and/or, in respect of a Clearing Member, the relevant Clearing Member.</u></p>
“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).

CHAPTER III - ACCOUNTS AND CLIENT CLEARING

REGULATION 7 FCM CLIENT BUSINESS AND FCM CLIENT ACCOUNT SEGREGATION

- (a) Subject to the provisions of these FCM Regulations, FCM Clearing Services may be provided by an FCM Clearing Member to its FCM Clients on any terms and conditions mutually agreed to by the FCM Clearing Member and the FCM Client; **provided, however**, that each FCM Clearing Member shall, before providing FCM Clearing Services to any FCM Client, ensure that it has entered into an agreement with that FCM Client, or an Addendum to an existing Agreement with such FCM Client, which, in either case, binds the FCM Client to the applicable provisions of the FCM Rulebook by direct reference to the FCM Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the Clearing House and FCM Clearing Members, or as may be prescribed by the Clearing House. Upon the registration of an FCM Contract at the applicable Registration Time on behalf of an FCM Client, both the FCM Clearing Member and the applicable FCM Client will be deemed to be bound by the relevant FCM Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client, which such terms shall, without limitation, incorporate all applicable terms of the FCM Rulebook and the applicable FCM Contract Terms.

Where an FCM Clearing Member offers or provides Client Clearing Services to an Affected Client, it must offer the following arrangement to that Affected Client: If the Affected Client elects EMIR Client Clearing, the FCM Clearing Member must, to the extent permitted and practicable under ~~applicable law and regulations~~ Applicable Law, procure the availability of EMIR Client Clearing for that Affected Client either through an affiliated Non-FCM Clearing Member or another Clearing Member.

(b) **Book Entry Accounts – Swaps.**

- (i) With respect to each FCM Clearing Member, the Clearing House shall establish and maintain an FCM Omnibus Swaps Client Account with LCH on behalf of such FCM Clearing Member's FCM Clients with respect to each Swap Product for which such FCM Clearing Member clears FCM Contracts on behalf of its FCM Clients. FCM Clearing Services in respect of Swap Products may be provided by an FCM Clearing Member to its FCM Clients, and FCM Contracts may be registered by an FCM Clearing Member with the Clearing House on behalf of its FCM Clients only in an FCM Omnibus Swaps Client Account with LCH. Each such FCM Omnibus Swaps Client Account with LCH shall be treated as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for purposes of the CFTC Regulations. In accordance with CFTC Regulation 22.8, the situs of the FCM Omnibus Swaps Client Account with LCH shall be located in the United States.
- (ii) This paragraph applies to an FCM Clearing Member's FCM Omnibus Swaps Client Accounts with LCH. FCM Omnibus Swaps Client Accounts with LCH shall be maintained and administered in accordance with the CEA and all

withdrawals do not result in any such account holding less in segregated FCM Client Funds than such account is required to contain at such time.

- (m) **Funds Held in FCM Client Segregated Depository Accounts; Exclusions Therefrom.** Money held in an FCM Swaps Client Segregated Depository Account or an FCM Futures Client Segregated Depository Account by an FCM Clearing Member shall not include (i) money invested in obligations or stocks of any clearing organization or in memberships in or obligations of any contract market or (ii) money held by any clearing organization which may be used for a purpose other than to purchase, margin, guarantee, secure, transfer, adjust, or settle the FCM Contracts of the FCM Clients of such FCM Clearing Member.
- (n) **Investments of FCM Client Funds.** An FCM Clearing Member may invest FCM Client Funds as permitted by and in accordance with the terms and conditions set forth in CFTC Regulation 1.25. The Clearing House may invest Collateral held on behalf of FCM Clients in U.S. Treasury Securities (in accordance with the FCM Procedures) as permitted by and in accordance with the terms and conditions set forth in CFTC Regulation 1.25; and subject to all other ~~Applicable Law~~applicable laws and regulations, including Articles 43, 45 and Annex II of Commission Delegated Regulation (EU) No 153/201. Any investment of FCM Client Funds by the Clearing House shall also comply with any other applicable requirements under ~~Applicable Law~~applicable law, including the applicable requirements set out in Regulation (EU) No 648/2012 of European Parliament and the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (including, in particular, Article 47 of such Regulation) and in the relevant provisions of Commission Delegated Regulation (EU) No. 153/2013 of 19 December 2012.
- (o) **Deposit of Instruments Purchased with FCM Client Funds.**
- (i) Each FCM Clearing Member that invests FCM Client Funds in instruments permitted under FCM Regulation 7(n) shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients, to the extent required under the CEA and the CFTC Regulations. Such instruments, when deposited with a Permitted Depository, shall be deposited under an account name which clearly shows that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Each FCM Clearing Member, upon opening an FCM Swaps Client Segregated Depository Account or FCM Futures Client Segregated Depository Account, as the case may be, shall obtain and retain in its files an acknowledgment from such Permitted Depository that it was informed that the instruments belong to FCM Clients and are being held in accordance with the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such Permitted Depository shall allow inspection of the records of such assets at any reasonable time by representatives of the Clearing House.
- (ii) When it invests money belonging or accruing to FCM Clients of its FCM Clearing Members in instruments permitted under FCM Regulation 7(n), the Clearing House shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients; **provided**, that any such instruments may be held in commingled accounts other on behalf of all

- (B) A description of such documents, including the CUSIP or ISIN numbers; and
 - (C) The date on which such documents were returned to the clearing member or the details of disposition by other means.
- (iii) Such records shall be retained in accordance with CFTC Regulation 1.31 and other ~~Applicable Law~~applicable law, including, with respect to the Clearing House, Regulation (EU) No 648/2012 of European Parliament and the Council of 4 July 2012 (including the requirement to maintain records for a period of ten years). No such investments shall be made except in instruments permitted under FCM Regulation 7(n).
- (q) **Valuation of Instruments Purchased with FCM Client Funds.** FCM Clearing Members who invest FCM Client Funds in instruments permitted under FCM Regulation 7(n) shall include such instruments in the records and reports for their FCM Client Segregated Depository Accounts at values which at no time exceed their then current market value, determined as of the close of the market on the date for which such computation is made.
- (r) **Increment or Interest Resulting from Investment of FCM Client Funds.** The investment of FCM Client Funds in instruments permitted under FCM Regulation 7(n) shall not prevent the FCM Clearing Member or the Clearing House so investing such funds from receiving and retaining as its own any increment or interest resulting therefrom.
- (s) **FCM Swaps Client Segregated Depository Accounts; Daily Computation and Record.**
- (i) Each FCM Clearing Member must compute as of the close of the previous Business Day:
 - (A) the aggregate amount of FCM Swaps Client Funds on deposit in its FCM Swaps Client Segregated Depository Accounts on behalf of FCM Clients, including the amount attributable to each individual FCM Client;
 - (B) the amount of such FCM Client Funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit in its FCM Swaps Client Segregated Depository Accounts on behalf of such FCM Clients, including the amount attributable to each individual FCM Client; and
 - (C) the amount of the FCM Clearing Member's residual interest in such FCM Client Funds.
 - (ii) In computing the aggregate amount of funds required to be in its FCM Swaps Client Segregated Depository Accounts, an FCM Clearing Member may offset any net deficit in a particular FCM Client's account against the then current market value of readily marketable securities, less applicable percentage deductions (*i.e.*, "securities haircuts") as set forth in Rule 15c3-1(c)(2)(vi) of

as any other applicable CFTC Regulations, including as provided in FCM Regulation 7(x).

- (x) **Change in Law or Regulations.** The Clearing House shall enforce the rules set forth in this FCM Regulation 7 (and set forth in these FCM Regulations generally) at all times in accordance with and subject to the CEA and the CFTC Regulations. In the event that a change in law or in the CFTC Regulations occurs but has not yet been reflected appropriately in the FCM Rulebook, the CFTC Regulations (to the extent compliance therewith has become mandatory under CFTC Regulations) and Applicable Law ~~applicable law~~ will prevail, the provisions of this FCM Rulebook shall be deemed to be modified accordingly and the Clearing House will enforce these FCM Regulations in accordance with the CFTC Regulations and Applicable Law ~~applicable law~~.

interest may at the Clearing House's discretion be charged on debit balances remaining unpaid (whether or not demand for payment is made) on a basis and at a rate determined from time to time by the Clearing House in accordance with the FCM Procedures.

- (h) Subject to the provisions of the Default Rules, the Clearing House may at its absolute discretion alter the basis of calculating interest rates and such alteration shall be effective in respect of all current and future business on the date notified to FCM Clearing Members in accordance with the FCM Procedures.
- (i) If an FCM Clearing Member specifies a Termination Date under FCM Regulation 37, the FCM Clearing Member shall be entitled to set off any or all amounts (whether present or future, liquidated or unliquidated, actual or contingent) due as between the Clearing House and the FCM Clearing Member to the extent permitted under ~~Applicable Law~~applicable law, provided, however, that in accordance with the FCM Rulebook, including FCM Regulation 7, and ~~Applicable Law~~applicable law, an FCM Clearing Member's obligations to the Clearing House may never be set off with amounts in or owed with respect to an FCM Client Sub-Account, except for obligations solely in respect of that FCM Client Sub-Account or another FCM Client Sub-Account of the same FCM Client.
- (j) Where a payment has been made to the Clearing House by an FCM Clearing Member through the relevant account(s), that payment will only be credited to the account of the applicable FCM Clearing Member with the Clearing House if it (i) is paid into an account of the Clearing House with an institution which is solvent, (ii) that institution has performed its concentration function (being the transfer of net funds from the institution to a central account in the name of the Clearing House) and (iii) that institution has made any relevant payments to other FCM Clearing Members on the date when the payment was due to be received by the Clearing House.

REGULATION 10 ACKNOWLEDGEMENTS AND AGREEMENTS OF FCM CLIENTS

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

- (a) the services provided by the Clearing House with regard to the FCM Clearing Services will be subject to and governed by the FCM Rulebook between the Clearing House and the FCM Clearing Member;
- (b) the FCM Regulations shall govern the registration of FCM Contracts and all transactions between an FCM Client and its FCM Clearing Member resulting in the registration of FCM Contracts, and at the time of registration of an FCM Contract the FCM Client on whose behalf it was registered will be deemed to be bound by the relevant FCM Contract on the terms entered into between the FCM Clearing Member and the Clearing House (including all applicable terms of the FCM Regulations and the FCM Product Specific Contract Terms and Eligibility Criteria Manual) automatically and without any further action by such FCM Client or by its FCM Clearing Member, and such FCM Client agrees to be bound by the applicable provisions of the FCM Regulations and by the terms of the applicable FCM Contracts in all respects;
- (c) the provisions of FCM Regulation 44 (*Exclusion of Liability*) shall apply to each FCM Client *mutatis mutandis* as though entered into by each FCM Client directly with the Clearing House;
- (d) the Clearing House shall be under no obligation to deal directly with any FCM Client, and the Clearing House may deal exclusively with the FCM Clearing Members;
- (e) the Clearing House shall have no obligations to any FCM Client with respect to any FCM Contract held by the relevant FCM Clearing Member on behalf of such FCM Client, including to any repayment or redelivery obligations;
- (f) no FCM Client shall have any right to receive from the Clearing House, or any right to assert a claim against the Clearing House with respect to, nor shall the Clearing House be liable to any FCM Client for, any payment or delivery obligation in connection with any FCM Contract held by the relevant FCM Clearing Member on behalf of such FCM Client and the Clearing House shall make any such payments or redeliveries solely to the FCM Clearing Member;
- (g) upon the default of an FCM Client's FCM Clearing Member, if the Clearing House is required to do so by any Regulatory Body or ~~Applicable Law~~applicable laws or regulations, or determines in its discretion that it is necessary for its protection, the Clearing House may close out and terminate the FCM Client's FCM Contracts entered into by such FCM Clearing Member, subject to ~~Applicable Law~~applicable law, regardless of whether such FCM Client had itself defaulted, and in certain circumstances the Clearing House will not transfer or otherwise re-establish such positions;

- (h) the Clearing House will not hold any assets transferred to it on behalf of any individual FCM Client;
- (i) where an FCM Clearing Member furnishes securities or other assets with respect to an FCM Client to the Clearing House as collateral, such securities and other assets shall be held by the Clearing House in accordance with the FCM Rulebook and Applicable Law~~applicable law~~, and such FCM Client shall not be entitled to assert any equitable or other claim to any such securities or assets in circumstances where the assertion of such a claim would delay or inhibit (x) the disposal by the Clearing House of such securities or assets and/or (y) the application of the proceeds of sale of such securities or assets, in each case in accordance with the provisions of the FCM Rulebook and Applicable Law~~applicable law~~; and
- (j) each FCM Client provides its respective FCM Clearing Member(s) with its unconditional consent for such FCM Clearing Member(s) to furnish or deposit to or with the Clearing House any FCM Client Funds of such FCM Client in the FCM Clearing Member's possession, and to repledge such property to the Clearing House, as Collateral for the purposes of clearing FCM Contracts entered on behalf of the FCM Client.

risk parameters set by the Carrying CM Clearing Member and/or its affiliates, or (C) such rejection is otherwise in accordance with terms agreed as between the Carrying FCM Clearing Member and the relevant FCM Client.

- (b) **Additional Provisions Relating to the Transfer of Collateral.** In order to facilitate a transfer pursuant to paragraph (a) above that includes the transfer of Porting Collateral, the Carrying Clearing Member shall notify the Clearing House of the specific Collateral which should constitute the Porting Collateral. The Receiving FCM Clearing Member shall take such actions and provide such information in connection with the transfer as may be required under the FCM Procedures. In the event that the Carrying Clearing Member fails to notify the Clearing House of the specific Collateral which should constitute the Porting Collateral, the Clearing House shall identify and select (in the manner set out in the FCM Procedures) the Collateral it deems appropriate.

Once the Porting Collateral has been identified as set out in the above paragraph, the Receiving FCM Clearing Member may elect to reject the transfer of some or all of the Porting Collateral. Any such rejection in and of itself shall not prevent the transfer of the Porting Contracts, **provided, that** the conditions set out in clauses (i) through (vi) of FCM Regulation 13(a) are satisfied in relation to such transfer. Following an acceptance by the Receiving FCM Clearing Member to receive a transfer of the Porting Collateral, the Clearing House shall transfer the Porting Collateral that has been identified to and consented by the Receiving FCM Clearing Member. In the event that, for whatever reason, the Clearing House is unable to transfer the Porting Collateral that has been accepted by the Receiving FCM Clearing Member, the Clearing House will not proceed with the transfer of the Porting Contracts.

- (c) **Additional Provisions Relating to Transfers of Client Positions from Carrying Clearing Members to Receiving Clearing Members.**

- (i) Further to the satisfaction of the conditions set out in FCM Regulation 13(a) and FCM Regulation 13(b), and provided that the Clearing House does not determine, in its sole discretion, that (x) a transfer pursuant to FCM Regulation 13(a) cannot be effected under the Rulebook or otherwise under ~~Applicable Law applicable laws or regulations~~ or (y) where the transfer is as described in paragraph (b) of the definition of “Receiving Clearing Member”, additional conditions as set out in Regulation 60 of the UK General Regulations need to be complied with, the Clearing House shall transfer the Porting Contracts into the name of the Receiving Clearing Member as follows: (A) where the Receiving Clearing Member is the same entity as the FCM Client, the Porting Contracts (and associated Porting Collateral, if applicable) shall be transferred to the Proprietary Account of the Receiving Clearing Member; (B) in all other cases, the Porting Contracts (and associated Porting Collateral, if applicable) shall be transferred to the relevant FCM Client Sub-Account or FCM Omnibus Futures Client Account with LCH of the Receiving Clearing Member (where the Receiving Clearing Member is an FCM Clearing Member) or otherwise to the relevant Individual Segregated Account, Omnibus Segregated Account of the Receiving Clearing Member as the case may be (where the Receiving Clearing Member is not an FCM Clearing Member). In respect of a transfer pursuant to FCM Regulation 13(a) where the Receiving Clearing Member is not an FCM Clearing Member, all of the FCM

Contracts to be transferred (which are subject to the FCM Rulebook) shall, upon transfer, be converted to Contracts subject to the Rulebook (as defined in the UK General Regulations) but shall otherwise remain on the same contract terms.. The transfer of the Porting Contracts shall occur by novation of all of the Carrying Clearing Member's rights and obligations in respect of such Porting Contracts to the Receiving Clearing Member.r.

(ii) In the case where a transfer pursuant to FCM Regulation 13(a) will include the transfer of Porting Collateral in addition to the transfer of Porting Contracts:

(A) Upon completion of the transfer, (x) the Clearing House shall have satisfied and discharged all of its obligations under the FCM Clearing Membership Agreement and the FCM Rulebook to repay or return to the Carrying Clearing Member any amounts in respect of such Porting Collateral; and (y) the Porting Collateral furnished to the Clearing House by the Carrying Clearing Member and held by the Clearing House in respect of the Porting Contracts shall be deemed to have been delivered by the Receiving Clearing Member to the Clearing House (aa) where the Receiving Clearing Member is not an FCM Clearing Member, by way of title transfer or, in the case of non-cash Collateral, a pledge pursuant to the relevant Deed of Charge or (bb) where the Receiving Clearing Member is an FCM Clearing Member, by way of a first-priority security interest granted by the Receiving Clearing Member to the Clearing House under the FCM Clearing Membership Agreement and the FCM Rulebook. Furthermore, and for the avoidance of doubt, the Carrying Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the Porting Collateral transferred.

(B) Where all or a portion of the Porting Collateral has been accepted by the Receiving FCM Clearing Member, the transfer of the Porting Contracts and the accepted Porting Collateral shall be deemed to occur simultaneously, and the transfer of the Porting Contracts shall be conditioned on the transfer of the accepted Porting Collateral, and vice versa.

(C) If the transfer of all Porting Contracts and (if applicable) all accepted Porting Collateral is not completed for any reason, then any actual transfer of Porting Collateral or Porting Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of Porting Collateral or Porting Contracts that has occurred shall be immediately unwound.

(d) **Other Transfers of FCM Contracts.** If and to the extent permitted under [Applicable Law](#)~~applicable law~~, and if applicable under relevant Exchange Rules or the rules of an FCM Approved Trade Source System, an FCM Clearing Member may:

(i) transfer Open Contracts between its Proprietary Account and the FCM Client Sub-Account(s) of each of its FCM Clients (or in the case of Futures Products, its applicable FCM Omnibus Futures Client Account with LCH), upon an FCM Client default or otherwise as permitted under and subject to applicable

provisions of the CEA, the FCM Procedures and CFTC Regulations regarding segregation of assets; and

- (ii) transfer Open Contracts registered to the FCM Client Sub-Account of one of its FCM Clients to an FCM Client Sub-Account of one of its other FCM Clients.

- (e) **Where an FCM Clearing Member is a Defaulter.** If an FCM Clearing Member is a Defaulter, the Clearing House shall take such actions, subject to and in accordance with the Default Rules, and as may be required by the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts carried by such FCM Clearing Member on behalf of its FCM Clients. If possible under such ~~Applicable Law applicable laws and regulations~~ and the Default Rules, the Clearing House shall undertake to dispose of open FCM Contracts that are Swap Products held by FCM Clients of the Defaulter in accordance with the instructions of such FCM Clients, either by liquidating such FCM Contracts or by transferring such FCM Contracts to the FCM Clearing Member designated by such FCM Clients within seven calendar days of the date that the FCM Clearing Member is declared to be a Defaulter; **provided, that** the Clearing House shall at all times act in accordance with the Default Rules, the requirements of the CEA, CFTC Regulations, any instructions from a Regulatory Body and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts; **provided, further, that** the Clearing House shall have no responsibility or liability whatsoever for any action taken or not taken with respect to the accounts and FCM Contracts of FCM Clients of the Defaulter in accordance with such ~~laws or regulations~~ Applicable Law -or the directions of any Regulatory Body or bankruptcy trustee. For the avoidance of doubt, the Client Clearing Annex which forms part of the Default Rules does not apply to FCM Contracts. In the event that the Clearing House does not receive instructions from FCM Clients in a timely manner, or the Clearing House for any reason deems it necessary or appropriate for its protection, or the protection of market participants, the Clearing House may take any action with respect to the Open Contracts of FCM Clients of the Defaulter that it determines to be appropriate in its sole discretion, which may include (i) as part of the SwapClear DMP, including an FCM SwapClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate by the Clearing House, **provided, that** the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM SwapClear Contracts in respect of FCM Client Business, and/or (ii) as part of the ForexClear DMP, including an FCM ForexClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate by the Clearing House, **provided, that** the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM ForexClear Contracts in respect of FCM Client Business. Risk Neutralisation in relation to such FCM SwapClear Contracts or ForexClear Contracts, as applicable, and the auction process in relation to an Auction Portfolio of such FCM SwapClear Contracts, or FCM ForexClear Contracts, as applicable, shall be conducted in accordance with the provisions of the SwapClear DMP Annex or the ForexClear DMP Annex, respectively.

- (f) **Clearing Member Instructions.**

these FCM Regulations will not constitute or result in a breach of any trust, agreement or undertaking whatsoever.

- (iii) The Clearing House may, in its absolute discretion and at any time, require an FCM Clearing Member to furnish other securities or assets to the Clearing House in substitution of any Collateral furnished to the Clearing House pursuant to this FCM Regulation 14.
- (d) Notwithstanding paragraph (c) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to an FCM Clearing Member, to modify the amount of Initial Margin applicable to an FCM Contract or to call for larger or additional amounts of Margin for Initial Margin to be furnished to it by an FCM Clearing Member, either before registration of a contract or at any time after registration. Any Margin called by the Clearing House pursuant to this paragraph shall be furnished by the FCM Clearing Member on demand and in such form as the Clearing House may require.
- (e) The Clearing House shall be entitled at any time to demand immediate furnishing of Margin from an FCM Clearing Member in an amount deemed necessary by the Clearing House without reference to Official Quotations or Reference Prices in respect of any Open Contract in the FCM Clearing Member's name, if, in the opinion of the Clearing House, the furnishing of such Margin by the FCM Clearing Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the FCM Clearing Member's performance of its obligations under the terms of such FCM Contracts or under the terms of any original or confirmed contract to which the FCM Clearing Member is party. In this paragraph, “**immediate provision**” means payment, deposit or delivery to the Clearing House within one hour of demand.
- (f) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and specified in the FCM Procedures, in respect of any security furnished to it as Collateral in a form prescribed by the FCM Procedures. Any alteration in the basis of calculating the rates of accommodation charge shall become effective in respect of all current and future business by the time specified in the FCM Procedures.
- (g) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, the Clearing House may at its absolute discretion accept Collateral in an agreed amount and in a form other than those specified in the FCM Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of Collateral in accordance with its standard risk management procedures, the requirements of ~~Applicable Law~~ ~~applicable law~~—and with any special arrangements which the Clearing House may prescribe in each case (including as to valuation and haircut). The Clearing House may at its discretion make an accommodation charge at a special rate.
- (h) If, in the sole discretion of the Clearing House, any Collateral which has been furnished to it by an FCM Clearing Member pursuant to these FCM Regulations is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further provision of Collateral from such FCM Clearing Member. Such Collateral shall be furnished by such FCM Clearing

Member on demand in a form prescribed by the FCM Procedures; **provided, that** at any time the Clearing House shall be entitled to require the FCM Clearing Member to furnish it with Collateral in a specified form and to demand that the FCM Clearing Member replace the whole or part of any Collateral furnished by an FCM Clearing Member pursuant to these FCM Regulations with Collateral in the form of cash.

- (i) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, and subject to FCM Regulation 15 and paragraph (h) above and the settlement of any other obligations of an FCM Clearing Member to the Clearing House, upon the close-out or termination of an FCM Contract in accordance with the FCM Rulebook, the Clearing House shall return all (or the applicable portion of) Initial Margin attributable to such FCM Contract to the respective FCM Clearing Member to the extent that such Initial Margin has become Excess Margin following the close-out or termination of the relevant FCM Contract, **provided, that** such FCM Clearing Member is not a Defaulter.
- (j) If the Clearing House takes any step under the Default Rules in relation to an FCM Clearing Member, any sum (including the price due to be paid by the Clearing House in respect of the delivery of any property or currency by or on behalf of the FCM Clearing Member) standing to the credit of any of the FCM Clearing Member's accounts shall be treated as Margin to the extent permitted by Applicable Law~~applicable law~~; **provided, that** notwithstanding any provision to the contrary in these FCM Regulations, under no circumstances will any Margin maintained in any FCM Omnibus Client Account with LCH be applied to satisfy proprietary obligations of the FCM Clearing Member or, except as may be required to comply with Applicable Law~~applicable law~~ or any order or instruction of a Regulatory Body or court, any other obligations not related to such FCM Clearing Member's FCM Client Business in such Business Category of FCM Contract; **provided, however, that** where an FCM Client is in default with respect to the Margin required by the Clearing House in respect of its FCM Contracts, any Excess Margin attributable to such FCM Client in respect of any Business Category of FCM Contract may be applied to offset such FCM Client's Margin shortfall in respect of any other Business Category of FCM Contract).
- (k) Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance with FCM Regulation 4, shall be obligated to perform all of its respective obligations (including to pay or deliver all amounts due) as required pursuant to the FCM Regulations, the Default Rules and the Default Rules, as applicable. Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance FCM Regulation 4, shall be entitled to the return of any amounts due to them (after all obligations to the Clearing House have been satisfied) pursuant to the FCM Regulations, the Default Rules and the Default Rules, as applicable.
- (l) Unless the Clearing House otherwise agrees in writing, Collateral furnished to the Clearing House in the form of cash shall not be capable of assignment by any person. Any purported assignment by an FCM Clearing Member (whether by way of security or otherwise) of Collateral in the form of cash shall be void. An FCM Clearing Member shall not otherwise encumber (or seek to encumber) any Collateral in the form of cash.

- (m) **Creation of Security Interest.** Each FCM Clearing Member hereby grants the Clearing House a first priority security interest in and a first priority and unencumbered first lien upon any and all Collateral, Margin, cash, securities, receivables, rights and intangibles and any other collateral or assets deposited with or transferred to the Clearing House, or otherwise held by the Clearing House (including all property deposited in or attributable to a Proprietary Account, an FCM Omnibus Client Account with LCH, an LCH Client Segregated Depository Account, or any amounts owing to an FCM Clearing Member or a Proprietary Account), including all substitutions for and proceeds of, any such property, in connection with any FCM Contracts cleared for such FCM Clearing Member or its FCM Clients, as security for unconditional payment and satisfaction of the obligations and liabilities of the FCM Clearing Member to the Clearing House under the FCM Rulebook, but excluding any property deposited in or transferred to the Clearing House in respect of an FCM Clearing Member's Contribution to the default funds of the Clearing House.
- (n) The FCM Clearing Member agrees to take any and all actions, including but not limited to the execution of any and all documents, requested by the Clearing House in order to perfect, maintain or enforce the security interest granted to the Clearing House hereunder.
- (o) The Clearing House may exercise any and all rights available to it with respect to the security interest granted hereunder, in accordance with the FCM Regulations and Applicable Law~~applicable laws~~.
- (p) Notwithstanding any other provision of this FCM Regulation 14(p), in no event shall the Clearing House's security interests in the property attributable to an FCM Clearing Member's FCM Omnibus Client Account with LCH be security for, or be exercised to satisfy, any obligations or liabilities of (i) such FCM Clearing Member other than in connection with obligations or liabilities relating to such FCM Clearing Member's FCM Omnibus Client Accounts with LCH or (ii) an FCM Client by application of Margin attributable to the FCM Client Sub-Account of a different FCM Client.
- (q) Provided that the Clearing House is not subject to the procedures of FCM Regulation 37 and is not otherwise insolvent, the Clearing House will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to sell, pledge, rehypothecate, assign, invest, use or otherwise dispose of, or otherwise use in its business any cash Collateral it holds on behalf of an FCM Clearing Member with respect to such FCM Clearing Member's Proprietary Account, free from any claim or right of any nature whatsoever of the relevant FCM Clearing Member, including any equity or right of redemption by such FCM Clearing Member, subject only to any restrictions under Applicable Law ~~applicable law~~ (including bankruptcy law). Except to the extent otherwise specified for in the FCM Rulebook, the Clearing House shall retain any and all income, distributions, returns, profits or any other monies received with respect to any such investments or use. For purposes of determining the amount of Collateral held pursuant to the FCM Rulebook by the Clearing House with respect to an FCM Clearing Member's Proprietary Account, the Clearing House will be deemed to continue to hold all such Collateral and to receive any distributions or proceeds therefrom, regardless of whether the Clearing House has exercised any rights with respect to the Collateral listed in the immediately preceding sentence.

- (iii) Subject to paragraph (v) below, the Clearing House shall not be permitted to, and shall not, at any time (x) apply any Unallocated Excess to the FCM Clearing Member's Proprietary Account, or (y) except in accordance with an instruction (provided in accordance with the FCM Rulebook) by the applicable FCM Clearing Member, apply Unallocated Excess to an FCM Client Sub-Account or to the FCM Buffer Sub-Account.
 - (iv) Upon the request of an FCM Clearing Member (including as a result of a standing instruction of an FCM Clearing Member) in accordance with the FCM Procedures, the Clearing House will return Unallocated Excess to an FCM Clearing Member. The FCM Clearing Member shall be deemed to represent to the Clearing House, upon making any such request, that any such request complies with the CFTC Regulations and that the returned Unallocated Excess will remain segregated as required under the CFTC Regulations and the FCM Rulebook.
 - (v) Upon the default of an FCM Clearing Member, any Unallocated Excess in such FCM Clearing Member's Unallocated Excess Sub-Accounts shall be held by the Clearing House for the benefit of the applicable FCM Clients in accordance with Part 190 of the CFTC Regulations and Applicable Law~~applicable law~~, and the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the FCM Clearing Member to the Clearing House (on behalf of its FCM Clients or otherwise) except to the extent required by Applicable Law~~applicable law~~ and/or directed by the applicable bankruptcy trustee or Regulatory Body in accordance with Applicable Law~~applicable law~~.
 - (vi) Certain additional procedures relating to Unallocated Excess differ based on whether the FCM Omnibus Swaps Client Accounts with LCH to which such Unallocated Excess corresponds is subject to the Without Client Excess Model or the With Client Excess Model, as such models are described in FCM Regulation 15(c) and FCM Regulation 15(d) (and in other applicable provisions of the FCM Rulebook).
- (c) **Without Client Excess Model.** The provisions of this FCM Regulation 15(c) describe certain components of the Clearing House's model for margining, in accordance with Part 22 of the CFTC Regulations, FCM Omnibus Swaps Client Accounts with LCH in a manner which prohibits the maintenance of Excess Margin in FCM Client Sub-Accounts on a day-to-day basis (such model is referred to in the FCM Rulebook as the "**Without Client Excess Model**"). An alternative model which permits such Excess Margin to be maintained (the With Client Excess Model) is described in FCM Regulation 15(d). The Without Client Excess Model is the default model that shall apply to an FCM Clearing Member's FCM Omnibus Swaps Client Accounts with LCH, and such model shall apply to all such accounts except where an FCM Clearing Member, to the extent permitted by the FCM Procedures, applies to and is approved by the Clearing House to have one or more of its FCM Omnibus Swaps Client Accounts with LCH treated in accordance with the alternative model (the With Client Excess Model described in FCM Regulation 15(d)).

The provisions of this FCM Regulation 15(c) apply only to FCM Omnibus Swaps Client Accounts with LCH that are subject to the Without Client Excess Model.

FCM Client Sub-Accounts, in accordance with the provisions of the FCM Rulebook.

- (ii) **Collateral Value Reports (CVRs).** For each FCM Omnibus Swaps Client Account with LCH maintained by an FCM Clearing Member treated in accordance with the With Client Excess Model, an FCM Clearing Member shall provide to the Clearing House, at least once on each Business Day, a “Collateral Value Report” (a “**CVR**” or “**Collateral Value Report**”) that is compliant (as determined by the Clearing House in accordance with the FCM Procedures) and that instructs the Clearing House as to the appropriate allocation of the Omnibus Collateral Value attributable to each such FCM Omnibus Swaps Client Accounts with LCH among (A) each FCM Client Sub-Account therein and (B) the FCM Buffer Sub-Account therein. FCM Clearing Members are required to produce and submit CVRs in accordance with Part 22 of the CFTC Regulations and any other ~~Applicable Law~~applicable law, and such CVRs must be compliant with the Clearing House’s policies regarding CVRs as set forth in the FCM Procedures and as may be set forth, from time to time, in other written materials of the Clearing House made available to FCM Clearing Members. Each FCM Clearing Member shall be fully responsible for all information contained in its CVRs and the Clearing House shall be entitled to rely fully on such information and has no obligation to conduct its own investigation (although it may do so) with respect to such information. The Clearing House shall update its applicable records in accordance with the most recently submitted compliant CVR corresponding to an FCM Omnibus Swaps Client Account with LCH, and the most recent compliant CVR with respect thereto shall supersede any prior CVRs. A CVR will not be compliant if its allocation of the Omnibus Collateral Value would trigger a margin call. Additionally, a CVR may not be used to satisfy a margin call and a CVR that reallocates the Omnibus Collateral Value so as to satisfy a margin call shall not be compliant.
- (iii) **Assumed Allocation.** When an FCM Clearing Member furnishes Margin to an FCM Omnibus Swaps Client Account with LCH for the purposes of satisfying a margin call issued by the Clearing House, such Margin shall be automatically allocated (such allocation, the “**Assumed Allocation**”) by the Clearing House (A) among each of the FCM Client Sub-Accounts therein having at such time an FCM Client Sub-Account Balance shortfall (in respect of the amount of Required Margin then applicable to each such sub-account) and (B) such allocation shall be made on a pro rata basis based on the amount of shortfall in each such sub-account. An FCM Clearing Member is not permitted to deliver a CVR simultaneously with its deposit of Collateral in satisfaction of a margin call so as to avoid the Assumed Allocation. However, an FCM Clearing Member may subsequently deliver a CVR allocating the entire Omnibus Collateral Value in the applicable account and any prior Assumed Allocation shall not limit the ability of subsequently delivered CVRs to allocate the Omnibus Collateral Value in the normal manner as provided in the FCM Rulebook.
- (iv) **Application of FCM Buffer.** The Clearing House will look to FCM Buffer to offset any FCM Client Sub-Account Balance deficits (on an aggregate basis)

REGULATION 35 RECORDS

An FCM Clearing Member shall not be entitled to the return of any particulars, notices or any other documentation presented to the Clearing House pursuant to FCM Regulation 11, FCM Regulation 12, and FCM Regulation 13 or any other provision of these FCM Regulations. Notwithstanding any provision in the FCM Clearing Membership Agreement, the FCM Rulebook or any other agreement or contract to which the Clearing House is a party, the Clearing House shall maintain all records (including all information on FCM Transactions and FCM Contracts it has processed) for a period of at least ten years or as otherwise required by Applicable Law~~applicable law~~.

a single, net positive or negative amount, denominated in the Base Currency (the “**Termination Amount**”).

- (iv) Where an FCM Clearing Member has a Proprietary Account and one or more FCM Omnibus Client Accounts with LCH:
 - (A) the FCM Clearing Member shall determine a number of net amounts under paragraph (d)(iii) as applicable: (1) separate net amounts in respect of gains and losses arising on FCM Contracts registered to each FCM Client Sub-Account carried by such FCM Clearing Member (*i.e.*, on an FCM Client by FCM Client basis with respect to Swaps Products); (2) one net amount in respect of gains and losses arising on FCM Contracts registered in the FCM Clearing Member's FCM Omnibus Futures Client Accounts with LCH on a combined basis; and (3) one net amount in respect of gains and losses arising on FCM Contracts registered in the FCM Clearing Member's Proprietary Accounts on a combined basis; and
 - (B) each of the net amounts determined under paragraph (iv)(A) above shall constitute Termination Amounts.
- (v) If a Termination Amount determined pursuant to paragraph (d)(iv) above is a positive amount, the Clearing House shall pay it to the FCM Clearing Member and if any such Termination Amount is a negative amount, the FCM Clearing Member shall pay it to the Clearing House, in either case in accordance with paragraph (vi). The FCM Clearing Member shall notify the Clearing House of each such Termination Amount, and by which party it is payable, immediately after the calculation thereof.
- (vi) A Termination Amount shall, subject to FCM Regulation 38, be paid in the Base Currency by the close of business on the Business Day following notification pursuant to paragraph (v) above (converted as required by Applicable Law ~~applicable law~~ into any other currency, any costs of such conversion to be borne by, and (if applicable) deducted from any payment to, the Clearing House). Any Termination Amount which is not paid on such day shall bear interest, at the average rate at which overnight deposits in the currency of such payment are offered by major banks in the London interbank market as of 11:00 hours (London time) (or, if no such rate is available, at such reasonable rate as the FCM Clearing Member may select) plus 1% per annum, for each day for which any such sum remains unpaid.
- (vii) For the purposes of any calculation required to be made under this FCM Regulation 37, the FCM Clearing Member may convert amounts denominated in any other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select.

The FCM Clearing Member's rights under this FCM Regulation 37 shall be in addition to, and not in limitation or exclusion of, any other rights which the FCM Clearing Member may have (whether by agreement, operation of law or otherwise, including its rights under FCM Regulation 9(i)).

or more of the newly registered FCM SwapClear Contracts, any remaining FCM SwapClear Contract that has not been transferred shall thereafter be the Unallocated FCM SwapClear Contract.

Where an Allocation Notice directs the entire notional amount of an Unallocated FCM SwapClear Contract to be allocated to a single Client Segregated Sub-Account or the Proprietary Account, then the Clearing House shall not take the steps described in sub-paragraphs (A) and (B) above and shall instead transfer the Unallocated FCM SwapClear Contract to the applicable Client Segregated Sub-Account or Proprietary Account following receipt of the Allocation Notice.

By a Pre-Allocation FCM Clearing Member delivering an eligible Allocation Notice to the Clearing House, that Pre-Allocation FCM Clearing Member shall be deemed to represent and warrant that it has been properly authorized by the Pre-Allocation Executing Party to allocate the relevant Unallocated FCM SwapClear Contract or, where the allocation is to such Pre-Allocation FCM Clearing Member's Proprietary Account, in accordance with paragraph (vii) below. Where the Clearing House receives an ineligible Allocation Notice, the Unallocated FCM SwapClear Transaction to which it relates shall remain in the FCM SwapClear Suspension Sub-Account.

- (vi) Subject to paragraph (viii) below, the transfer of an Unallocated FCM SwapClear Contract from the FCM SwapClear Suspension Sub-Account to a Client Segregated Sub-Account or Proprietary Account shall be final. In no event can Unallocated FCM SwapClear Contracts be further allocated once they are transferred from the FCM SwapClear Suspension Sub-Account.
- (vii) Where an Unallocated FCM SwapClear Contract has been registered to an FCM SwapClear Suspension Sub-Account and is not allocated by the Pre-Execution Allocating Party or in such other circumstances that the Clearing House considers appropriate, the Pre-Allocation FCM Clearing Member may submit an Allocation Notice to the Clearing House requesting the transfer of the relevant Unallocated FCM SwapClear Contract to that FCM Clearing Member's Proprietary Account. An FCM Clearing Member, through requesting such transfer, shall be deemed to represent that such transfer is in accordance with Applicable Law~~applicable law and regulation~~ and the FCM's contractual rights against the Pre-Allocation Executing Party or, if applicable, the Pre-Allocation Executing Party's underlying customer(s).
- (viii) Where an Unallocated FCM SwapClear Contract has been erroneously allocated to a Client Segregated Sub-Account the Clearing House will, in response to a written request from a Post-Allocation FCM Clearing Member and subject to acceptance of the transfer by the relevant Pre-Allocation FCM Clearing Member, transfer an FCM SwapClear Contract to the FCM SwapClear Suspension Sub-Account from which that FCM SwapClear Contract was allocated. Following such transfer, the FCM SwapClear Contract shall be treated as an Unallocated FCM SwapClear Contract except that the provisions of FCM Regulation 46(o)(iv) shall not apply to it, such that an over-allocation will not be ineligible and will result in the allocation of the notional amount prescribed in an Allocation Notice. Any transfer pursuant to

this FCM Regulation 46(o)(viii) must be requested within three Business Days of the original allocation to the relevant Client Segregated Sub-Account. Through requesting a transfer pursuant to this paragraph (viii), the Post-Allocation FCM Clearing Member shall be deemed to represent and warrant that the transfer is in accordance with Applicable Law~~applicable law and regulation~~.

- (ix) The registration and allocation of Unallocated FCM SwapClear Contracts as set forth above is subject to all other applicable provisions of the FCM Rulebook including, where applicable, and to the same extent as if an Unallocated FCM SwapClear Transaction or Allocation Notice were a new FCM SwapClear Transaction with respect to the relevant account: (A) the provision by the Pre-Allocation FCM Clearing Member of adequate Margin in the FCM SwapClear Suspension Sub-Account at the time of registration of the Unallocated FCM SwapClear Contract; (B) the provision by the applicable Post-Allocation FCM Clearing Member(s) of adequate Margin, at the time of the transfer of the relevant Unallocated FCM SwapClear Contract, in respect of each of the applicable Client Segregated Sub-Accounts or Proprietary Account to which an Unallocated FCM SwapClear Contract is to be allocated. If adequate Margin is not so provided in respect of each Proprietary Account, Client Segregated Sub-Account and Omnibus Client Swaps Account with LCH, the Clearing House may in its sole discretion, delay or reject the allocation and transfer all or any portions of the Unallocated SwapClear FCM Contract, and may take any other actions permitted under the FCM Rulebook.
- (x) In order to meet the obligations of a FCM Clearing Member set out under paragraph (viii) above, the Clearing House will solely look to the FCM Buffer held by the relevant FCM Clearing Member and such FCM Buffer shall only be available to margin an Unallocated FCM SwapClear Transaction to the extent that it is Available FCM Buffer. For such time as any Available FCM Buffer is, and remains, applied to margin an Unallocated FCM SwapClear Transaction, such FCM Buffer shall no longer be Available FCM Buffer and shall be Encumbered Buffer.
- (xi) Each Pre-Allocation FCM Clearing Member and Post-Allocation FCM Clearing Member must comply with the applicable provisions of the CFTC Regulations (including CFTC Regulations 1.35 and 1.73) and all other Applicable Law~~applicable law~~, and shall be responsible for ensuring that Pre-Allocation Executing Parties clearing through it are in compliance with CFTC Regulation 1.35(b)(5), where applicable.