

VIA CFTC PORTAL

28 February 2017

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

**LCH Limited Self Certification: Rule Changes to extend the Listed Interest Rate Derivatives service and the Portfolio Margining service to FCMs and their clients**

Dear Mr Kirkpatrick

Pursuant to CFTC regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to its rules to i) extend the Listed Interest Rate Derivatives service (the "Listed Rates service") to Futures Commission Merchants ("FCMs") and their clients and ii) allow FCMs and their clients to participate in the Portfolio Margining Service. The service allows LCH to offset the margins of Listed Rates contracts (short term interest rate futures ("STIRS")) with those of economically correlated SwapClear contracts. The service is optional and already available to qualifying non-FCM SwapClear Clearing Members ("SCMs") and their clients.

**Part I: Explanation and Analysis**

In May 2016, LCH launched the Portfolio Margining service for SCMs and their clients. In January 2017, LCH received CFTC approval to its request for an order under section 4d(f)(3)(B) of the CEA to permit LCH to extend this service to qualifying FCMs and their Clients. This self certification includes rule changes which will give effect to this permission.

LCH operates both SwapClear, an OTC interest rate derivatives clearing service, and Listed Rates, an on-exchange interest rate derivatives clearing service; the two services had separate default funds and default arrangements prior to the launch of the Portfolio Margining service. Since May, LCH merged SwapClear and Listed Rates in a single default fund, divided into two margin classes: the OTC Rates Class for SwapClear participants and any Clearing Member opted into the Portfolio Margining Service; and the Listed Rates Class for any Clearing Member that participates in the Listed Rates service only. Should a Clearing Member of either margin class default, the default will be managed by a single Default Management Group ("DMG"), which will act dependent on which margin class the defaulting Clearing Member was in and which clearing services it was active in.

In order to participate in the Portfolio Margining service the Clearing Member must be a participant of both the SwapClear and the Listed Rate services. A qualifying Clearing Member may portfolio margin SwapClear contracts and

eligible Listed Rates contracts held in its Proprietary Accounts. A Client of a Clearing Member may also participate in the service where it has the same kind of Client Account, with the same Clearing Member in both the SwapClear and Listed Rates Services.

The Listed Rates service offers clearing services for CurveGlobal, a London Stock Exchange (“LSE”) plc regulated market. In November 2016, LSE plc received approval from the CFTC as a registered Foreign Board of Trade (FBOT). The registration allows US based participants to access directly LSE plc’s markets, including CurveGlobal. The proposed rule changes reflect this by allowing FCMs and their clients to clear FCM Foreign Futures Contracts with LCH.

The rule changes will go live on, or after, March 14, 2017.

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

To introduce the Listed Rates service and the Portfolio Margining Service for FCMs and their clients, LCH will be making changes to the following sections of its rulebook:

1. General Regulations
2. Default Rules
3. FCM Regulations
4. FCM Procedures

### General Regulation and Default Rules

The changes in the General Regulations are limited to amendments to the definitions to reflect the extension of the Listed Rates service to FCMs and their clients.

The changes in the Default Rules have been made to add references to FCM Omnibus Foreign Futures Client Account, as an account in respect to which a FCM may have obligations in the event of default. This is in line with the current obligations a FCM has in respect to FCM Omnibus Swaps Client Accounts and FCM Omnibus Futures Client Accounts with LCH in the event of default. In addition references to FCM Portfolio Margined Contracts have been added to note that a FCM Client Account may contain such contracts together with FCM SwapClear Contracts. The changes are in Rule 8 (e); Rule 11 (c); and Rule 15 (a). Finally, section 2.1 on Portfolio Splitting notes that, as part of the default management process, the Rates Service will split the OTC portfolio of the defaulter for the auction in a way that remains compliant with applicable regulations on segregation of client assets, including any CFTC order permitting the commingling of client assets.

### FCM Regulations

A number of definitions have been updated and new definitions have been added to reflect the extension of the Listed Rates service to FCMs and their clients. The extension of the Listed Rates service also results in FCMs and their clients to be able to clear Foreign Futures Products with LCH; new references and definitions to accommodate this change have been added throughout the FCM Regulations. A number of portfolio margining specific definitions have also been added.

Regulation 7 includes new or amended paragraphs as follows:

- i) New paragraph (c a) describes the details of the Omnibus Client Accounts which LCH may establish and maintain in its books for each FCM on behalf of the FCM’s clients with respect to Foreign Futures contracts. Equivalent rules for swaps and futures contracts are already in place under Regulation 7.

- ii) New paragraph (e a) describes the details of the depository accounts which an FCM may open with a permitted depository, in accordance with the CEA and the CFTC Regulations, for the purpose of holding FCM Foreign Futures Clients funds. The paragraph sets out the limits and obligations of the FCMs in respect to these accounts. In addition, the paragraph contains details on the depository accounts which LCH may open for all Foreign Futures Products on behalf of the FCM Clients. Equivalent rules for swaps and futures contracts are already in place under Regulation 7.
- iii) New paragraph (h a) describes the limits and obligations of the FCM and LCH in respect to the treatment of FCM Foreign Future Client funds, which must be in compliance with Part 30 of the CFTC Regulations and the applicable LCH rules.
- iv) Paragraph (k a) has also been added to note the restriction on the FCM to use FCM Foreign Future Client funds in a depository account only to meet payment obligations arising from that FCM's clients in connection with Foreign Futures Products or other Foreign Futures/Options Contracts. An equivalent restriction is also in place in respect to funds provided by a specific client and held in a depository account.
- v) Paragraph (n) on Investments of FCM Client Funds has been amended to note that LCH will invest collateral held on behalf of the FCMs' client in accordance with the applicable regulations, which, in respect to Foreign Futures Products, include relevant provisions in the Regulation (EU) No 648/2012 of European Parliament and the Council ("EMIR") and related Commission Delegated Regulation.
- vi) New paragraph (t a) outlines the details on the daily computations and records that the FCM must carry out in respect to that FCM Foreign Futures Client Depository Accounts, in accordance with the applicable regulations of the CFTC and the Securities and Exchange Commission, and the LCH rules.

Regulation 14 on Margin and Collateral, includes a new paragraph v (iii) establishing the gross and net margin requirements for Foreign Future Products and a new paragraph (aa) (iii) on the treatment of excess margin held by the FCM at LCH in respect to that FCM's Omnibus Foreign Futures Client Account. Equivalent requirements for swaps and Futures Products are already in place. Paragraph (cc) has also been added to note that, as a result of participation in the Portfolio Margining service, LCH may effect a transfer of Futures Products or Foreign Futures Products from an FCM's Omnibus Futures Client Account or FCM's Omnibus Foreign Futures Client Account with LCH to such FCM's Omnibus SwapClear Client Account with LCH.

Regulation 42, on Validity of FCM Regulations and Action, includes an additional paragraph which protects the enforceability of actions taken by LCH pursuant to the rules of an exchange to which it offers services.

Chapter XIV is titled Listed Interest Rates Regulations and includes the following changes:

- i) Regulation 52 deals with the registration of the FCM Listed Rates contracts, supported by two new regulations (53 and 54) which outline the details of LCH's process for registering contracts via novation and open offer, respectively. The new sections describe the requirements and conditions to be met by the Clearing Members. Further, Regulation 55 has been added to describe the process for an FCM of the Listed Rates service to allocate novation transactions to another Clearing Member of the Listed Rates service; and Regulation 61 sets out the rights of LCH to reject Listed Rate contracts, mainly in cases where the relevant registration and eligibility criteria are not met by Clearing Members;
- ii) Regulation 57 regards the netting of fungible Listed Rates contracts, as part of the clearing process, entered into by both Clearing Members and their Clients;
- iii) Regulation 58 notes the limitation of liability of LCH in respect to FCMs of the Listed Rates service;

- iv) Regulation 59 notes the rights of LCH in the event of delivery failures, where the seller does not deliver the securities or the buyer fails to make a payment; further Regulation 60 clarifies that LCH may suspend, at its discretion, the Listed Rates service for such period of time as it may determine.

#### FCM Procedures

A number of sections have been updated to change references from SwapClear to Rates Service, which denotes the combined SwapClear and Listed Rates clearing services, now both available to FCMs and their clients. References specific to the Listed Rates service have also been added to reflect the extension of this service to FCMs and their clients. The substantial changes in this respect have been made to section 2.1.15 on Default Management

A new section 2.1.19 has been added to describe the Portfolio Margining service available to FCMs and their clients on an optional basis.

Section 2.3 has been added to describe the Listed Rates service, to be read in conjunction with the other parts of the Rulebook applicable to FCMs and their clients. The section provides information on: how the service operates; the LCH reporting requirements; the registration of trades, with details on the open offer and novation processes as well as rejection of trades; the accounts LCH may open in respect to the clearing activity of FCMs; the margin and collateral requirements for FCMs; the processes involved with the allocation, give-up, take-up and position transfers of the Listed Rates contracts; the process whereby each contract is exercised through the Clearing System up to the expiry day; and the delivery procedures and timetable for eligible contracts.

#### Other changes

Throughout the above sections of the Rulebook, some paragraphs have been renumbered and references have been updated accordingly.

LCH has also taken the opportunity to remove references to the Nodal exchange in the FCM Regulations and FCM Procedures, as LCH no longer offer services to this trading venue.

The text of the changes to General Regulations are attached hereto as **Appendix I**, the Default Rules are attached as **Appendix II**, FCM Regulation as **Appendix III** and the FCM Procedures as **Appendix IV**.

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

LCH has reviewed the Portfolio Margining Service against the requirements of Core Principles D and G and finds that the service will continue to comply with all the requirements and standards therein.

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

#### **Part IV: Public Information**

LCH has posted a notice of pending certification with the CFTC and a copy of the submission on LCH's website at: <http://www.lch.com/rules-regulations/proposed-rules-changes>

#### **Part V: Opposing Views**

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

#### **Certification**

LCH hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in 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@lch.com](mailto:julian.oliver@lch.com).

Yours sincerely



Julian Oliver

Chief Compliance Officer

LCH Limited

**Appendix I**  
**General Regulations**



**GENERAL REGULATIONS OF  
LCH.CLEARNET LIMITED**

**"Listed Interest Rates Contract"**

means any listed interest rate derivative contract cleared by the Clearing House, which includes, in the case of the Default Rules (including the Rates Service DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, and FCM Rates Service Contracts

**"Listed Interest Rates Contract Terms"**

means: (i) in respect of a Listed Interest Rates Contract other than a Designated Listed Interest Rates Contract, the terms set out from time to time in the relevant Rates Exchange Rules; or (ii) in respect of a Designated Listed Interest Rates Contract, the terms applicable to each Listed Interest Rates Contract as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual

**"Listed Interest Rates Contribution"**

means the amount of a Listed Interest Rates Clearing Member's Contribution determined in accordance with Part B of the Rates Service Default Fund Supplement – Listed Interest Rates and shall include any relevant Unfunded Contributions and any relevant Supplementary Contribution deposited and made by the Listed Interest Rates Clearing Member with the Clearing House

**"Listed Interest Rates Default Period"**

has the meaning ascribed to it in Rule L2 of Part B of the Rates Service Default Fund Supplement – Listed Interest Rates

**"Listed Interest Rates Determination Date"**

has the meaning assigned to "Determination Date" in Rule L2(c) of the Rates Service Default Fund Supplement – Listed Interest Rates

**"Listed Interest Rates Eligible Product"**

means a product traded under the rules of a Rates Exchange which such Rates Exchange has agreed from time to time with the Clearing House to be cleared by the Clearing House pursuant to these Regulations

**"Listed Interest Rates Excess Loss"**

means the net sum or aggregate of net sums certified to be payable by a Defaulter by a Rule 19 Certificate in respect of Listed Interest Rates Business, less (a) the proportion of the Capped Amount applicable to Listed Interest Rates Business under Default Rule 15(c) and (b) any sums then immediately payable in respect of Listed Interest Rates Business Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House



<b>"Rate X" and Rate "Y"</b>	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
<b>"Rates Exchange"</b>	means any trading platform approved as such from time to time by the Clearing House in respect of the Listed Interest Rates Service
<b>"Rates Exchange Match"</b>	means a match where the relevant Rates Exchange Rules permit the matching of Rates Exchange Particulars that consist of the sale or purchase of an Listed Interest Rates Eligible Product and the corresponding purchase or sale, as the case may be, of an Listed Interest Rates Eligible Product
<b>"Rates Exchange Particulars"</b>	means the orders or other trade particulars submitted in respect of the sale or purchase of Listed Interest Rates Eligible Products, to an Rates Exchange in accordance with the relevant Rates Exchange Rules by, or on behalf of, an Listed Interest Rates Clearing Member
<b>"Rates Exchange Rules"</b>	means the rules, regulations, administrative procedures, Memorandum and Articles of Association of by-laws which regulate a Rates Exchange and the market administered by it as notified from time to time to the Clearing House
<b>"Rates Service"</b>	means the SwapClear Service and the Listed Interest Rates Service
<b>"Rates Service Business"</b>	means SwapClear Business and/or Listed Interest Rates Business (as applicable)
<b>"Rates Service Clearing House Business"</b>	means SwapClear Clearing House Business and/or Listed Interest Rates Clearing House Business (as applicable)
<b>"Rates Service Clearing Member"</b>	means a Clearing Member which is a SwapClear Clearing Member and/or a Listed Interest Rates Clearing Member
<b>"Rates Service Client Clearing Business"</b>	means SwapClear Client Clearing Business and/or Listed Interest Rates Client Clearing Business (as applicable)
<b><u>"Rates Service Contracts"</u></b>	<u>means SwapClear Contracts and/or Listed Interest Rates Contracts</u>
<b>"Rates Service Default Fund"</b>	means the combined service default fund established pursuant to the Rates Service Default Fund Supplement – SwapClear and the Rates Service Default Fund Supplement – Listed Interest Rate

**Appendix II**  
**Default Rules**



**LCH.CLEARNET LIMITED**  
**DEFAULT RULES**

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The Clearing House has prepared a statement explaining: (i) how a transfer under the Client Clearing DMP will work, and (ii) the main legal implications of such a transfer, including information on the applicable insolvency law in the relevant jurisdictions. This statement is available on the Clearing House's website at <http://www.lchclearnet.com/members-clients/members/fees-ltd/annual-account-structure-fees>.

## LCH.CLEARNET LIMITED

### The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001, Part IV

#### DEFAULT RULES

1. Save where expressly stated to the contrary these Default Rules ("**Rules**") have effect with regard to the provision of clearing services for all markets cleared by the Clearing House. These Rules (including each Supplement) form part of the Clearing House's Rulebook but do not apply in relation to a Co-operating Clearing House.

The Rules comprise:

- these general Default Rules (Rules 1 to 27 inclusive);
- Supplements specific to the following Service(s): the Commodities Service, the Equities Service, the ForexClear Service, the Rates Service and the RepoClear Service.

Each Supplement establishes a separate default fund specific to the Service to which the Supplement relates. The Supplements establish the size of each default fund, the basis for calculating Contributions to each default fund, and include supplementary provisions addressing cases where the relevant default fund has been utilised. The general Default Rules establish the mechanisms, which apply severally to each default fund, for utilisation of the default funds, and for other matters common to all default funds. In the event of any inconsistency between the provisions of the Default Rules and the provisions of a Supplement or an Annex, the Supplement or Annex (as applicable) will prevail.

The allocation by the Risk Committee of the Clearing House of a Contract to a particular Service to which a Supplement applies shall be done in accordance with the definitions set out in the Supplements, and each decision of the Risk Committee in this respect is conclusive.

2.
  - (a) Words and expressions defined in the Clearing House's Rulebook shall have the same meanings in these Rules, save that in relation to the provision of clearing services by an FCM Clearing Member, words and expressions defined in the Clearing House's FCM Regulations shall have the same meanings in these Rules and such meanings shall prevail over any other meaning given to the relevant word or expression in the Clearing House's Rulebook;

Rules (which deals, amongst other things, with certain specific arrangements, procedures and steps for the close-out and/or settlement of such Fixed Income Contracts pursuant to this Rule 6); and (B) may also take any of the other steps set out in this Rule 6 to the extent that they do not conflict with the steps set out in the RepoClear DMP Annex to these Default Rules.

7.

- (a) Where the Clearing House declares the Defaulter's rights and liabilities under an open contract subject to tender (or an FCM Exchange Contract Subject to Delivery Notice) discharged under Rule 6(k):
  - (i) those rights and liabilities and the rights and liabilities of the Clearing House under the open contract shall be discharged; and
  - (ii) there shall arise between the Defaulter and the Clearing House in respect of the open contract an obligation to account, as directed by the Clearing House, for a settlement amount determined by the relevant Board under this Rule.
- (b) The settlement amount referred to in Rule 7(a) shall be an amount which, at the request of the Clearing House, the relevant Board determines to represent adequate compensation (in the circumstances known to the Board) for the discharge of the mutual rights and liabilities of the Defaulter and the Clearing House under the open contract. The determination of the Board shall be conclusive. The Clearing House shall direct how the settlement amount is to be accounted for between the Defaulter and itself.
- (c) Neither the Clearing House nor any relevant Board or Exchange shall have any liability whatsoever for anything done or omitted in the determination of a settlement amount under this Rule.

8. Upon the determination of the outstanding rights and liabilities of the Defaulter under or in respect of all Contracts to which it is party or upon which it is or may be liable (in accordance with Rule 6 and the Rates Service DMP Annex, the ForexClear DMP Annex, the RepoClear DMP Annex and the Client Clearing Annex (as applicable)), the following process shall be completed by the Clearing House in order to determine any net amounts which remain payable between the Defaulter and the Clearing House in respect of each "**kind of account**" as described in Rule 11(b):

- (a) there shall be brought into account all sums payable:
  - (i) by or to a Defaulter in respect of Contracts (other than FCM Contracts); any other sum due under the Regulations; any sum due in respect of any breach of the Regulations (except, if the Clearing House so determines at its discretion, any sum payable under a Contract as the price for the commodity which is the subject of such Contract delivered or to be delivered to the Clearing House by or on behalf of the Defaulter); and/or any amount due from the Defaulter to the Clearing House in respect of any Treasury Contract;

- (ii) by or to a Defaulter in respect of FCM Contracts (and in accordance with paragraph (e) below); any other sum due under the FCM Regulations; and/or any sum due in respect of any breach of the FCM Regulations;
- (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; ~~and~~
  - ~~(ii)~~(iii) with respect to an FCM Omnibus Foreign Futures Client Account with LCH, a net sum shall be calculated in respect of the FCM Omnibus Foreign Futures Client Account with LCH.
- (f) in the event that the Clearing House elects to close out and to liquidate FCM SwapClear Contracts (including, for the avoidance of doubt, any FCM Portfolio Margined Contracts) attributable to FCM Clients of the Defaulter (in accordance with the Rates Service 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 (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, each FCM Omnibus Foreign Futures Client Account with LCH 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 in its sole discretion) between the Clearing Clients in that Omnibus Segregated Account. Each sum so allocated to a Clearing Client shall be separately certified under Rule 9. In the case of each kind of account of the Defaulter which is 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 represent the aggregate entitlements of all Clearing Clients comprising that Client Account.

- (c) In Rule 8 any reference to the relevant "**kind of account**" means:
- (i) with regard to a net sum produced by reference to Contracts registered in an Individual Segregated Account of the Defaulter, that Individual Segregated Account;
  - (ii) with regard to a net sum produced by reference to Contracts registered in an Omnibus Segregated Account of the Defaulter, that Omnibus Segregated Account;
  - (iii) with regard to a net sum produced by reference to FCM SwapClear Contracts registered in one or more FCM Client Sub-Accounts of the Defaulter held in the name of one particular FCM Client, that FCM Client Sub-Account, or (if there is more than one) all such FCM Client Sub-Accounts (containing FCM SwapClear Contracts and/or FCM Portfolio Margined Contracts) of such particular FCM Client combined;
  - (iv) with regard to a net sum produced by reference to FCM ForexClear Contracts registered in one or more FCM Client Sub-Accounts of the Defaulter held in the name of one particular FCM Client, that FCM Client Sub-Account, or (if there is more than one) all such FCM Client Sub-Accounts (containing FCM ForexClear Contracts) of such particular FCM Client combined;
  - (v) with regard to a net sum produced by reference to FCM EnClear Contracts registered in one or more FCM Client Sub-Accounts of the Defaulter held in the name of one particular FCM Client, that FCM Client Sub-Account, or (if there is more than one) all such FCM Client Sub-Accounts (containing FCM EnClear Contracts) of such particular FCM Client combined;
  - (vi) with regard to a net sum produced by reference to FCM Contracts registered in an FCM Omnibus Futures Client Account with LCH of

the Defaulter, that FCM Omnibus Futures Client Account with LCH, or (if there is more than one) all such FCM Omnibus Futures Client Accounts with LCH of the Defaulter combined;

~~(vi)~~(vii) with regard to a net sum produced by reference to FCM Contracts registered in an FCM Omnibus Foreign Futures Client Account with LCH of the Defaulter, that FCM Omnibus Foreign Futures Client Account with LCH, or (if there is more than one) all such FCM Omnibus Foreign Futures Client Accounts with LCH of the Defaulter combined;

~~(vii)~~(viii) with regard to a net sum produced by reference to Contracts registered in one or more Proprietary Accounts of the Defaulter, that Proprietary Account or those Proprietary Accounts combined and (if the Clearing House has elected in accordance with Rule 11(a)) any Treasury Accounts of the Defaulter; and

~~(viii)~~(ix) with regard to a net sum produced by reference to one or more Treasury Accounts of the Defaulter, that Treasury Account or those Treasury Accounts combined, and (if the Clearing House has elected in accordance with Rule 11(a)) any Proprietary Accounts.

(d) Notwithstanding any provision of the Rulebook to the contrary, any loss which relates to a Treasury Account may not be treated as a Default Loss, whether or not Collateral has been applied in respect of such loss. Nothing in this Rule 11(d) requires the Clearing House to apply Collateral in respect of any such loss, except that the Clearing House may not apply Collateral in respect of any such loss to the extent that doing so would give rise to an Excess Loss.

12. Without further authorisation, permission or cooperation from the Defaulter, the Clearing House may appoint any person to take or assist it in taking any step under these Rules or to complete or assist it in completing the process set out in Rule 8.
13. The Clearing House may co-operate, by the sharing of information and otherwise, with any Regulatory Body or relevant Exchange, any relevant office-holder acting in relation to the Defaulter or its estate and any other authority or body having responsibility for, or any Clearing Member having an interest in, any matter arising out of or connected with the circumstances mentioned in Rule 3.
14. In addition to such copy report as it supplies under section 162(3) of the Companies Act 1989, the Clearing House shall report to the Defaulter, or any relevant office-holder acting in relation to the Defaulter or its estate, on steps taken in relation to the Defaulter under Rule 6.

### **Reduction of Losses on Default**

15. Subject to: (i) any contrary provision of the Rulebook and/or (ii) any variation or modification in, or clarification of, the application of the resources described below set out in an Annex, where a Defaulter fails to pay any sum payable to the Clearing House, the Clearing House shall reduce or bear its loss in the manner provided by this Rule:

- (a) first, to the extent the Clearing House determines appropriate, in applying any Collateral transferred to the Clearing House by the Defaulter and any other sum owed to the Defaulter other than any Contribution (together, "**Margin Cover**"), **provided that** (i) Margin Cover related to a particular type of Business is to be applied first to any loss attributable to that Business until such loss is absorbed; and (ii) save in the case where the relevant Client Accounts are two or more Individual Segregated Accounts opened by the Defaulter on behalf of the same Clearing Client (or, in the case of a Defaulter who is an FCM Clearing Member, two or more FCM Client Sub-Accounts held in the name of the same FCM Client, ~~or two or more FCM Omnibus Futures Client Accounts with LCH,~~ or two or more FCM Omnibus Foreign Futures Client Accounts with LCH, as applicable), in no circumstances will Margin Cover transferred by the Defaulter in respect of obligations arising on a Client Account be applied by the Clearing House pursuant to this stage (a) in respect of any loss attributable to any of the Defaulter's other accounts;
- (b) second, by (i) recourse to the Defaulter's relevant Contribution in respect of the type of Business to which the loss relates, followed by (ii) recourse to any other Contribution made by the Defaulter to the extent not utilised under (i) above. The Clearing House will exercise its rights of recourse under this stage (b) by set-off against the Clearing House's obligation to repay the relevant Contributions to the Defaulter;
- (c) third, by payment from the Clearing House's own account of an amount (the "**Capped Amount**") (i) determined by the Clearing House from time to time in accordance with the requirements relating to the calculation and the setting aside of dedicated own resources under the Own Resources Provision; or (ii) in the case of a subsequent Default occurring before the Clearing House has reinstated the dedicated resources required in accordance with the Own Resources Provision, representing the residual amount of such dedicated own resources.

Where there are amounts due from the Defaulter at this stage in respect of more than one type of Business (each a "**Relevant Business**" in respect of the Defaulter), a separate Capped Amount determined in accordance with Rule 15(c)(i)-(ii) will be paid from the Clearing House's own account under this stage (c) in respect of such Relevant Business.

- (d) fourth, to the extent that any insurance or analogous arrangement is not available to the Clearing House, by recourse to the indemnities given under Rule 21 by Clearing Members other than the Defaulter (which shall be satisfied by set-off against the Clearing House's obligation to repay the relevant Contributions of such Clearing Members). If the criteria specified in a relevant Supplement for calling any Unfunded Contributions have been satisfied, then references to the Contributions of Clearing Members other than the Defaulter in this Rule 15(d) shall include such Unfunded Contributions;
- (e) fifth, by recourse to any insurance cover or analogous arrangement;
- (f) sixth, by recourse to the indemnities given under Rule 21 by Clearing Members other than the Defaulter (which shall be satisfied by set-off against

"**SwapClear Out Bidder**" has the meanings given in Rule 2.6(c)(ii) of this Annex;

"**SwapClear Short Bidder**" has the meaning given in Rule 2.6(c)(ii) of this Annex;  
and

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

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

## 2. **Rates Service Clearing House Business, Relevant Auction Contracts in respect of Rates Service Client Clearing Business and FCM SwapClear House Business**

The Rates Service Default Management Process in respect of Rates Service Clearing House Business, Relevant Auction Contracts in respect of Rates Service Client Clearing Business and FCM SwapClear House Business shall involve the processes described in this Rule 2. Rules 2.1 to 2.4 describe the steps for the determination of losses to the Clearing House in respect of OTC Auction Portfolios and Basis Portfolios by way of an auction process. Rules 2.5 to 2.7 describe the steps for the allocation of resources to losses arising from the auction of OTC Auction Portfolios (the "**Auction Losses**"). Rules 2.8 and 2.9 describe the steps for the allocation of resources to losses incurred by the Clearing House in respect of Exchange Closed-out Contracts and Basis Portfolios, respectively.

Resources will be allocated based on the order that the processes described in Rules 2.1 to 2.9 are carried out. Accordingly, once a process is commenced the relevant resources will be allocated in accordance with the steps and order set out in the relevant Rule which applies to that process. Allocation of resources pursuant to a process or the order in which processes are carried out may (i) reduce the resources which are available to meet the losses in respect of any subsequent process and (ii) consequently impact the allocation of losses amongst non-defaulting Clearing Members. For the avoidance of doubt, the Clearing House may in its sole and absolute discretion determine the order in which the processes described in Rules 2.1 to 2.9 are commenced.

### 2.1 ***Portfolio Splitting***

The Clearing House, in consultation with and with the assistance of the SCMs within the Rates Service DMG, shall determine the composition of each OTC Auction Portfolio and shall have the discretion to create two or more individual OTC Auction Portfolios from a Portfolio (including a Basis Portfolio), whether by simply dividing such Portfolio or separating certain Contracts from such Portfolio, with the aim of facilitating the efficiency of, and reducing the risk associated with, the auction process provided for in Rule 2.3 of this Annex. The overriding principle behind the portfolio splitting process is that the Clearing House will structure OTC Auction Portfolios with the intention of ensuring a Rates Service DMP which best protects the resources

of the Clearing House, subject to compliance with applicable provisions of the CEA and the CFTC Regulations regarding segregation of client assets (including, where relevant, compliance with the terms of any CFTC order permitting the commingling of client assets). Therefore, nothing in this Rule 2.1 shall be deemed to imply: (a) that the Clearing House is under any obligation to split a particular Portfolio of a Defaulting SCM (regardless of the number of Contracts that such Portfolio contains); or (b) any particular requirements as to the composition of an individual OTC Auction Portfolio, (including in terms of (i) combining or separating SwapClear Contracts belonging to different SwapClear Contract Categories; (ii) combining or separating Inflation SwapClear Contracts having different underlying indices; and/or (iii) creating one or more OTC Auction Portfolios from a Basis Portfolio, except that, subject to overriding risk procedures, it is broadly anticipated that: (a) the parameters of any OTC Auction Portfolio shall not be materially different to those set out in the Clearing House's fire drill; and (b) an OTC Auction Portfolio containing Inflation SwapClear Contracts will often also contain SwapClear Contracts which are not Inflation SwapClear Contracts for the purposes of interest rate risk neutralisation only.

## 2.2 *Risk Neutralisation*

The Clearing House will, in consultation with, and with the assistance of, the Rates Service DMG, reduce the market risk associated with a Defaulting Rates Service Clearing Member's obligations to the Clearing House so far as is reasonably practicable by hedging the Clearing House's exposure in open Rates Service Contracts to which the Defaulting SCM is party. Such hedging will be achieved in part by: (x) the splitting of Portfolios pursuant to Rule 2.1 above; and/or (y) transfers of certain Rates Service Contracts to one or more Hedged Accounts as described more fully in the Procedures (or, in respect of a defaulting FCM Clearing Member, in the FCM Procedures). In addition, the Clearing House may transfer Listed Interest Rates Contracts and/or enter into new swaps transactions, Listed Interest Rates Contracts and/or exchange contracts (as appropriate) for the purpose of hedging with Non-Defaulting Rates Service Clearing Members (in each such case, on the basis of a separate agreement between the Clearing House and the relevant Non-Defaulting Rates Service Clearing Member) or with third parties. The aim of Risk Neutralisation is to reduce market exposure to within defined tolerance limits expressed as deltas or other measures of market risk and as established from time to time by the Clearing House in consultation with the Rates Service DMG or as may reasonably be determined by the Clearing House in consultation with the Rates Service DMG once a Default has been declared under the Default Rules. For the avoidance of doubt, Risk Neutralisation may happen prior to, as part of, concurrently with and/or subsequently to the splitting of a Portfolio pursuant to Rule 2.1 above.

## 2.3 *Basis Portfolio Composition*

Prior to each Auction and for each Auction Portfolio Currency the Clearing House shall, in consultation with and with the assistance of the Rates Service DMG, construct an OTC-futures basis portfolio through entering into hedging swaps transactions with one or more Non-Defaulting Joint Rates Service Clearing Members ("**Basis Portfolio**"). The aim in constructing the Basis Portfolio is to transfer all futures risk associated with the Portfolio Margined Contracts into (i) OTC-equivalent risk; and (2) an OTC-futures basis position.



- (ix) ninth, by recourse to the Listed Interest Rates Unfunded Contributions of each Non-Defaulting Joint Rates Service Clearing Member and the total value of the Listed Interest Rates Unfunded Contributions that would be callable but have not been called by the Clearing House from the relevant Joint Rates Service Clearing Members in respect of the relevant Default in accordance with Rule L5 of Part B to the Rates Service Default Fund Supplement, allocated, for these purposes, between the called and callable Listed Interest Rates Unfunded Contributions of individual Non-Defaulting Joint Rates Service Clearing Members based on the proportion that the value of the relevant Listed Interest Rates Unfunded Contribution bears to the aggregate of the values of all such Listed Interest Rates Unfunded Contributions;
- (x) tenth, by recourse to the Listed Interest Rates Unfunded Contributions of each SwapClear-Only Service Clearing Member and the total value of the Listed Interest Rates Unfunded Contributions that would be callable but have not been called by the Clearing House from the relevant SwapClear-Only Clearing Members in respect of the relevant Default in accordance with Rule L5 of Part B to the Rates Service Default Fund Supplement, allocated, for these purposes, between the called and callable Listed Interest Rates Unfunded Contributions of individual SwapClear-Only Clearing Members based on the proportion that the value of the relevant Listed Interest Rates Unfunded Contribution bears to the aggregate of the values of all such Listed Interest Rates Unfunded Contributions; and
- (xi) eleventh, by recourse to the Listed Interest Rates Unfunded Contributions of each Listed Interest Rates Clearing Member who is not a Joint Rates Service Clearing Member and the total value of the Listed Interest Rates Unfunded Contributions that would be callable but have not been called by the Clearing House from the relevant Listed Interest Rates Clearing Members in respect of the relevant Default in accordance with Rule L5 of Part B to the Rates Service Supplement.

For the purposes of this paragraph 2.9, all references to the risk associated with the Listed Interest Rates Contracts of a Non-Defaulting SCM denominated in a particular currency, shall be references to such risk as determined by the Clearing House in its sole discretion on the basis of Worst Case Loss.

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

- 3.1 The Rates Service DMP in respect of any contract which is a Rates Service Contract in respect of Rates Service Client Clearing Business shall involve the stages described in the Client Clearing Annex (which such stages, for the avoidance of doubt, will result in a Rates Service Contract in respect of Rates Service Client Clearing Business being dealt with in accordance with Rule 0 above in the event that it cannot be ported by the Clearing House).

3.2 The Rates Service DMP in respect of any contract which is an FCM SwapClear Contract ~~in respect of FCM SwapClear Client Business~~ forming part of a Defaulter's FCM Rates Service shall be conducted in accordance with FCM Regulation 13(e) (*Transfer*). The provisions of Default Rule 10 shall also apply.

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

4.1 Following the disposal of an OTC Auction Portfolio or a Basis Portfolio by way of Auction (and notwithstanding that other OTC Auction Portfolios and/or Basis Portfolios of the Defaulting SCM may not yet have been auctioned) the Clearing House, will, with the co-operation of the Non-Defaulting SCMs, transfer to the Non-Defaulting SCM whose bid won the relevant OTC Auction Portfolio or Basis Portfolio (as the case may be) the rights and obligations, from the Defaulting SCM, arising out of the positions which that Non-Defaulting SCM has successfully bid for under the Rates Service Default Management Process. Such transfer may take place by way of registration of new positions with the Clearing House in the name of the relevant Non-Defaulting SCM, or novation of rights and obligations to the relevant Non-Defaulting SCM. All such registrations shall be made in a way that recognises the Collateral paid or received in respect of variation margin in relation to the Rates Service Contracts of the Defaulting SCM representing such new positions.

4.2 In order to effect the transfer of positions, the Clearing House shall prescribe such procedures and timetable as it considers reasonably appropriate in the circumstances. SCMs will be required to exercise best endeavours to comply with such requirements as may be established by the Clearing House, after consultation with the Rates Service DMG, to effect the transfer of positions, including but not limited to the payment of any sums due as a result of the winning bid and the provision of Collateral in an amount required by the Clearing House in respect of initial margin and variation margin obligations in respect of positions which are to be registered in their names. The Clearing House agrees that in such procedures it shall make provision for set-off by the Clearing House of amounts owed by the Clearing House to individual Non-Defaulting SCMs as a result of the operation of the Rates Service DMP against sums owed by those individual SCMs to the Clearing House in respect thereof.

4.3 Where, as a result of an Auction, the Clearing House is required to make a payment to a Non-Defaulting SCM in respect of a winning bid, the Clearing House shall not be permitted to register any position, whether as a new position or as a novation of existing rights and obligations, to any such SCM if the Clearing House does not simultaneously credit that SCM with the requisite amount. If any position is so registered without such payment, such registration shall be deemed void *ab initio* and unenforceable against the relevant SCM. For the avoidance of doubt, the Clearing House will utilise the resources available to it pursuant to Rule 15 of the Default Rules for the purposes of making such a payment notwithstanding that other OTC Auction Portfolios and/or Basis Portfolios of the Defaulting SCM may not yet have been auctioned and that the loss attribution process provided for by Rule 2.6 of this Annex has not yet occurred.

#### 5. **Information Regarding the Rates Service DMP**

5.1 Whenever the Rates Service DMP is implemented by the Clearing House in respect of a Defaulting SCM, the Clearing House will, with the assistance of the Rates Service



**SCHEDULE 6**  
**RATES SERVICE DEFAULT FUND SUPPLEMENT**

**CS1. Rates Service Fund Amount**

- (a) The Rates Service Default Fund is denominated in GBP, and all amounts referable to it shall be denominated, calculated, called and payable in GBP.
- (b) On each business day, the Clearing House will determine a "**Combined Loss Value**" in respect of each of the 60 preceding business days. The Combined Loss Value for a particular business day will be the sum of: (1) the largest and the second largest daily stress-testing losses incurred during the preceding 60 business days in relation to the SwapClear Contracts and Eligible Listed Interest Rates Contracts of a Rates Service Clearing Member (the "**Combined Loss Value – Limb (1)**"); plus (2) the largest and the second largest daily stress-testing losses incurred during the preceding 60 business days in relation to the Non-Eligible Listed Interest Rates Contracts of a Rates Service Clearing Member (the "**Combined Loss Value – Limb (2)**"), in respect of a given scenario.
- (c) The "**Rates Service Fund Amount**" shall be determined by the Clearing House at the close of business on the first business day of each calendar month, and otherwise in accordance with paragraph (d) below (each a "**Rates Service Determination Date**") and shall be the sum of: (1) the largest of the 60 Combined Loss Values determined under Rule CS1(b); plus (2) an amount equal to 10 per cent of the value referred to in (1); plus (3) the SwapClear Tolerance Amount. The Rates Service Fund Amount shall not be less than £1 billion pounds (the "**Rates Service Fund Floor**") and shall not be more than £5 billion pounds.
- (d) The Clearing House may recalculate the Rates Service Fund Amount on any business day if the largest of the 60 Combined Loss Values determined under paragraph (b) above on that day differs by more than 25 per cent. from the Combined Loss Value on which the previous Rates Service Contribution determination was based and, on such business day, the Clearing House shall be entitled to require those Clearing Members whose portfolios have caused the increase in the Combined Loss Value to pay an additional amount in respect of their Contributions.

**CS2. Rates Service Fund Amount – Allocation**

On each Rates Service Determination Date the Clearing House shall calculate:

- (a) The "**SwapClear Tolerance Amount**" which shall be the value of that portion of the Rates Service Fund Amount which relates to those default fund resources which the Clearing House determines as being required in relation to SwapClear Tolerance.
- (b) The "**Non-Tolerance Amount**" which shall be the sum of: (1) the Combined Loss Value – Limb (1); plus (2) an amount equal to 10 per cent of the Combined Loss Value – Limb (1).

**"Loss Distribution Day"** means any business day in a Loss Distribution Period on which the Clearing House, in consultation with the Rates Service DMG, prior to calling for Collateral in respect of margin or other payment in respect of settlement on such business day, determines that the LCH Uncovered Loss for that business day is greater than zero.

**"Loss Distribution Period"** means the period from, but excluding, the day on which a Default occurs with respect to a Rates Service Clearing Member to but excluding, the earlier of: (i) (A) in the case of a Defaulting Rates Service Clearing Member who is an SCM, the business day on which (a) the rights and obligations arising out of the Auction Portfolios of the Defaulting SCM are transferred to those SCMs which have successfully bid for such Auction Portfolios in Auctions, or, if any Default occurs with respect to any other SCM prior to the end of a Loss Distribution Period, the rights and obligations arising out of the Auction Portfolios of any subsequent Defaulting SCM are transferred to those SCMs who have successfully bid for such Auction Portfolios in Auctions and (b) all payments required to be made by such SCMs and/or the Clearing House in respect of such Auction(s) have been made in full; or (B) in the case of a Defaulter who is a Listed Interest Rates Clearing Member but not an SCM, the business day on which the Clearing House has taken such action as it considers to be required to extinguish or transfer the rights and obligations of such a Defaulter; and (ii) any business day on which the Clearing House determines that a Loss Distribution Trigger Event has occurred, PROVIDED THAT, in each case, the Loss Distribution Period shall not extend beyond the Loss Distribution Cut-Off Date.

**"Loss Distribution Trigger Amount"** means, in respect of any Loss Distribution Period and any Non-Defaulting Rates Service Clearing Member, an amount equal to either (i) twice the Rates Service Contribution of such Non-Defaulting Rates Service Clearing Member as at the last Rates Service Determination Date prior to the date when the Default occurred at the beginning of that Loss Distribution Period or £200 million, whichever is the greater; or (ii) an amount as approved by the Requisite Non-Defaulting Rates Service Clearing Members following a Revised Loss Distribution Proposal as described in paragraph (d) of this Rule CS4.

**"Loss Distribution Trigger Event"** means, with respect to a Non-Defaulting Rates Service Clearing Member, the aggregate Cash Gainer Payment Currency Adjustments applied to Cash Payments during the Loss Distribution Period (as amended from time to time) exceeded that Rates Service Clearing Member's Loss Distribution Trigger Amount (as amended from time to time) on the immediately preceding Loss Distribution Day.

**"Margin Account"** means: (i) for a Rates Service Clearing Member, each Proprietary Account, Individual Segregated Account, Non-Identified Client Omnibus Net Segregated Account, Affiliated Client Omnibus Net Segregated Account, Identified Client Omnibus Net Segregated Account and Omnibus Gross Segregated Sub-Account; and (ii) for each FCM Rates Clearing Member, the Proprietary Account and each FCM Client Omnibus Account with LCH (provided that, in respect of an FCM Omnibus Client Swaps Account with LCH, this term refers to each FCM Client Sub-Account

contained ~~within such FCM Clearing Member's FCM Omnibus SwapClear Client Account with LCHtherein~~).

**"Omnibus Gross Segregated Sub-Account"** means the sub-account allocated to each individual Omnibus Gross Segregated Clearing Client or each set of Combined Omnibus Gross Segregated Clearing Clients within an Omnibus Gross Segregated Account for the purposes of recording SwapClear Contracts referable to each such individual client or group of clients.

**"Payment Currency Adjustment to Cash Payment"** means one or more Cash Gainer Payment Currency Adjustment to Cash Payment(s) and/or one or more Cash Loser Payment Currency Adjustment to Cash Payment(s).

**"Pre Haircut Base Currency Gains, Losses and Realised Cash Flows by Cash Payment"** means, in respect of each Cash Payment and any business day, the amount (converted, where applicable, into pounds sterling at the Rate of Exchange) which would be paid by the Clearing House to a Non-Defaulting Rates Service Clearing Member (expressed as a positive number) or by such Rates Service Clearing Member to the Clearing House (expressed as a negative number) on such business day in the absence of the application of the Distribution Haircut.

**"Rate of Exchange"** means, for any day, the applicable rate of exchange for converting one currency into another as determined by the Clearing House by reference to Reuters.

**"Rates Service Adjustment Amount"** means in respect of the Margin Account(s) of any Non-Defaulting Rates Service Clearing Member and any Loss Distribution Day, an amount equal to the sum of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows in respect of such Margin Account(s) of such Rates Service Clearing Member less the sum of the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows in respect of such Margin Account(s) of such Rates Service Clearing Member, in each case in respect of the Loss Distribution Period in which such Loss Distribution Day falls.

**"Requisite Non-Defaulting Rates Service Clearing Members"** means on any business day in a Loss Distribution Period, Non-Defaulting Rates Service Clearing Members whose Rates Service Contributions represented 75% or more of the total size of the Rates Service Fund Amount (less the Contribution of any Defaulter(s)) as of the last Rates Service Determination Date prior to the date when the Default occurred.

**"t"** means, in respect of any determination made in relation to a business day, such business day.

**"t-1"** means, in respect of any determination made in relation to a business day, the business day immediately prior to such business day.

**"Total Available Resources"** means, on any business day during a Loss Distribution Period the sum of (i) the Available Resources and (ii) any

**Appendix III  
FCM Regulations**

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

## REGULATION 1 DEFINITIONS

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

<b><u>“30.7 customer”</u></b>	<b><u>means “30.7 customer” as that term is defined in CFTC Regulation 30.1(f).</u></b>
<b>“ACSP Compression Cycle”</b>	means a Multilateral Compression Cycle established by the Clearing House and facilitated by an ACSP nominated by the Clearing House, which shall be open to participation by FCM Clearing Members and FCM Clients in accordance with the provisions of Regulations 46(m) and relevant Compression Documentation.
<b>“Account Manager Executing Party”</b>	means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated FCM SwapClear Transactions.
<b>“Affected Client”</b>	means a client of an FCM Clearing Member (or potential client of an FCM Clearing Member) in respect of which the application of laws or regulations in the client’s jurisdiction of establishment or applicable in the context of activity on a relevant trading platform do not prevent or prohibit EMIR Client Clearing being provided to such client.
<b>“Aggregate Excess Loss”</b>	has the meaning assigned to it in the Clearing House’s <b>“General Regulations”</b> .
<b>“Allocation Notice”</b>	means a message delivered to the Clearing House which contains the following information: (i) details of the Client Segregated Sub-Account or the Proprietary Account of the Post-Allocation 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 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.
<b>“Approved Compression Services Provider” or “ACSP”</b>	means an entity other than the Clearing House which is approved by the Clearing House for the facilitation of Multilateral Compression in relation to eligible FCM SwapClear Contracts in accordance with Regulation 46 and relevant Compression Documentation

<b>“Applicable Law”</b>	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.
<b>“Assumed Allocation”</b>	has the meaning assigned to it in FCM Regulation 15(d)(iii).
<b>“Auction Portfolio”</b>	has the meaning assigned to it in either (i) the <del>SwapClear</del> <u>Rates Service</u> DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
<b>“Authorised Compression Client”</b>	means an FCM Client that is party to relevant Compression Documentation and in respect of which the relevant Compression Clearing Member is authorised to provide and receive instructions (including the acceptance of a Compression Proposal) on behalf of such FCM Client and in respect of which the relevant ACSP notified the Clearing House that such FCM Clearing Member acts for such FCM Client.
<b>“Available FCM Buffer”</b>	means, at any given time, (i) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the Without Client Excess Model, FCM Buffer credited therein that is not Encumbered FCM Buffer (as described in FCM Regulation 15(c)(ii)(A)), and (ii) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the With Client Excess Model, FCM Buffer credited therein that is not being used by the Clearing House to offset Margin deficits in the relevant FCM Client Sub-Accounts (as described in FCM Regulation 15(d)(iv)).
<b>“Backload Registration Cycle”</b>	has the meaning assigned to such term in the FCM Procedures.
<b>“Backloaded Trade”</b>	has the meaning assigned to such term in the FCM Procedures.
<b>“Base Currency”</b>	has the meaning assigned to such term in FCM Regulation 37(d)(ii).

<b>"Block IRS Trade"</b>	means a trade the notional amount of which is at or above the minimum block size established by the CFTC pursuant to CFTC Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such trade to the Clearing House for registration.
<b>"Business Category of FCM Contract"</b>	means a category of one or more Products which the Clearing House treats as separate from other Products for purposes of calculating the amount of Margin required to be furnished by an FCM Clearing Member (as set forth in the FCM Procedures) in respect of the FCM Contracts in each such category and, except to the extent otherwise set forth in the FCM Procedures, such separate margin categories consist of: (1) FCM SwapClear Contracts (referred to in the FCM Rulebook as the " <b>SwapClear Business Category</b> "), (2) FCM ForexClear Contracts (referred to in the FCM Rulebook as the " <b>ForexClear Business Category</b> "); and (3) FCM <del>Nodal</del> <u>Listed Interest Rates</u> Contracts (referred to in the FCM Rulebook as the " <b><u>Nodal</u>Listed Interest Rates Business Category</b> ").
<b>"Business Day"</b>	means, in respect of an FCM Contract (except where specified otherwise in the relevant FCM SwapClear Contract Terms, FCM ForexClear Contract Terms or FCM <del>Nodal</del> <u>Contract Listed Interest Rates</u> Terms, as applicable), a day on which the Clearing House is open for business as set forth in the FCM Procedures.
<b>"Buyer"</b>	means an FCM Clearing Member (or the Clearing House where the context so requires) who is a buyer under the terms of, <u>as applicable</u> , an FCM <del>Exchange</del> <u>Option</u> Contract, <u>a Physically-Settled FCM Contract or an FCM Contract Subject to Delivery Notice</u> .
<b>"Carrying Clearing Member"</b>	Means (i) an FCM Clearing Member that carries a Transfer Account from which Transferring SwapClear Contracts and the relevant Associated Collateral Balance(s) may be transferred to the Transfer Account of a Receiving Clearing Member (capitalized terms used in this sub-paragraph (i) having the meanings set out in the UK General Regulations, as modified by FCM Regulation 46(p)) or (ii) in respect of a transfer as described in sub-paragraph (b) of the definition of "Receiving Clearing Member", a Clearing Member (as defined in the UK General Regulations, and being an entity other than an FCM Clearing Member)(and, for the avoidance of doubt, a Carrying Clearing Member may be a Receiving Clearing Member, and vice versa).
<b>"Cash-Settled FCM Exchange-Contract"</b>	means an FCM Exchange Contract <del>which</del> <u>or FCM Listed Interest Rates Contract</u> that is to be settled by cash-



	settlement only.
<b>“CEA”</b>	means the U.S. Commodity Exchange Act.
<b>“CFTC”</b>	means the U.S. Commodity Futures Trading Commission.
<b>“CFTC Regulations”</b>	means the rules and regulations promulgated by the CFTC.
<b>“Cleared Swap”</b>	means “Cleared Swap” as such term is defined in CFTC Regulation 22.1, which term includes but is not limited to Swap Products.
<b>“Cleared Swaps Account Class”</b>	means the account class for cleared swaps accounts (as defined in CFTC Regulations 190.01(a)(i)) for purposes of Part 190 of the CFTC Regulations and Section 4d(f) of the CEA.
<b>“Cleared Swaps Customer Account”</b>	means “Cleared Swaps Customer Account” as such term is defined in CFTC Regulation 22.1.
<b>“Clearing House”</b>	means LCH.Clearnet Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom.
<b>“Client Account”</b>	has the meaning assigned to it in the General Regulations.
<b>“Closing-out Contract”</b>	means, for the purposes of these FCM Regulations, an FCM Contract effected by or on behalf of the Clearing House and registered in an FCM Clearing Member's name, being an FCM Contract on the same terms (except as to price) as an Open <u>FCM</u> Contract in the FCM Clearing Member's name, save that where the Clearing House has position “X” under the terms of such open FCM Contract (where such FCM Contract consists of positions “X” and “Y”), the Clearing House shall have position “Y” under the terms of such closing-out FCM Contract, and vice-versa.
<b>“Collateral”</b>	means the cash, securities or other collateral or assets deposited with or to be deposited with (as the context may require) the Clearing House by an FCM Clearing Member or otherwise furnished to (including any proceeds therefrom) an FCM Clearing Member's Proprietary Account or its FCM Omnibus Client Accounts with LCH for the purpose of margining, guaranteeing and/or securing (as Margin) FCM Contracts for such accounts. The Clearing House will only credit deposited securities or other non-cash collateral or assets as Collateral to the extent such securities or other noncash collateral or assets are acceptable forms of collateral as set forth in the FCM Procedures or as otherwise explicitly permitted by the Clearing House. For the avoidance of doubt, Collateral will not include, and will not

<p>“Commodity” or “commodity”</p>	<p>be comprised of, an FCM Clearing Member’s Contribution.</p>
<p>“Contribution”</p>	<p>means any “commodity” (as such term is defined in Section 1a(9) of the CEA and CFTC Regulation 1.3(e)) that is the subject matter of an FCM Exchange Contract, <u>or an FCM Listed Interest Rates Contract.</u></p>
<p>“Compression Clearing Member”</p>	<p>has the meaning assigned to it in the UK General Regulations, and as used herein refers to one or more of the Contributions of one or more FCM Clearing Members or Non-FCM Clearing Members, as the context may require.</p>
<p>“Compression Documentation”</p>	<p>has the meaning assigned to it in Regulation 46(m)</p> <p>means such documentation as may be prescribed from time to time by the Clearing House and/or any ACSP (where applicable) in relation to a Multilateral Compression Cycle or a Compression Clearing Member’s participation in Multilateral Compression services, including:</p> <ul style="list-style-type: none"> <li>(i) for a Member Compression Cycle, such agreements and documents as the Clearing House may require from all relevant Compression Clearing Members in relation to Multilateral Compression in accordance with the relevant Compression Proposal;</li> <li>(ii) for an ACSP Compression Cycle, such agreements and documents as may be required by the nominated ACSP and/or the Clearing House in order to allow a Compression Clearing Member to receive the services of the ACSP and participate in that ACSP Compression Cycle; and</li> <li>(iii) such other documentation as the Clearing House may prescribe from time to time in FCM Procedures, user manuals or other guidance documentation regarding Multilateral Compression.</li> </ul>
<p>“Compression Proposal”</p>	<p>means, in relation to any Multilateral Compression Cycle, the final statement as to the proposed set of Terminating FCM SwapClear Contracts and the proposed set of resulting Post-Multilateral Compression Contracts, and, in relation to a Compression Clearing Member, references to Compression Proposal shall relate to such Terminating FCM SwapClear Contracts and Post-Multilateral Compression Contracts to which such Compression Clearing Member is or will become party.</p>
<p>“Compression Time”</p>	<p>means, on the date designated by the Clearing House for a Multilateral Compression Cycle, the time at which the</p>

Clearing House effects a Multilateral Compression by terminating the Terminating FCM SwapClear Contracts and simultaneously registering the Post-Multilateral Compression Contracts in the names of the Compression Clearing Members participating in that Multilateral Compression Cycle in accordance with the Compression Proposal.

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

“CVR” or “Collateral Value Report” has the meaning assigned to it in FCM Regulation 15(d)(ii).

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

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

“Default Rules” means the Clearing House's Default Rules from time to time in force pursuant to part II of schedule 21 to the UK Companies Act 1989.

“Delivery Month” ~~in respect of an FCM Exchange Contract,~~ has the meaning ascribed to it in: (i) the relevant Exchange Rules applicable to such in respect of an FCM Exchange Contract; and (ii) the relevant provisions of the FCM Exchange Product Specific Terms and Eligibility Criteria Manual in respect of an FCM Listed Interest Rates Contract.

“Delivery Notice” means a notice in writing, given by or on behalf of a Seller (or Buyer where ~~Exchange Rules so require~~) required pursuant to, as applicable, Exchange Rules, these FCM Regulations and/or the FCM Procedures, of the Seller's (or Buyer's) intention to make (or take) delivery of a commodity in connection with ~~an~~ Physically-Settled FCM ~~Exchange~~ Contract.

“designated contract market” means a board of trade designated as such by the CFTC pursuant to Section 5 and 6(a) of the CEA.

“Designated FCM Listed Interest Rates Contract” has the meaning ascribed to it in FCM Regulation 63(b).

“Designated Rates Exchange” has the meaning ascribed to it in FCM Regulation 63(a).

“Economic Terms” means that part of the FCM SwapClear Contract Terms ~~or,~~ the FCM ForexClear Contract Terms, or the FCM Listed Interest Rates Contract Terms designated as Economic Terms by the Clearing House from time to time.

<b>“EMIR Client Clearing”</b>	means the provision of Client Clearing Services on an Individual Segregated Account or Omnibus Segregated Account basis as set out in the Regulation 10 and Regulation 11 of the UK General Regulations (capitalized terms used and not otherwise defined herein bearing the same meanings set out in the UK General Regulations).
<b>“Encumbered FCM Buffer”</b>	has the meaning assigned to it in FCM Regulation 15(c)(ii).
<b>“Exchange”</b>	means an organization (whether an exchange, association, company, corporation, limited partnership or otherwise), including a designated contract market <del>(designated and a foreign board of trade (whether registered</del> as such <del>by</del> with the CFTC), responsible for administering a futures, options, or stock market (in its capacity as the administrator of such a market), to which the Clearing House provides FCM Clearing Services. <u>The term “Exchange” shall include a Rates Exchange, save where the context otherwise requires.</u>
<b>“Exchange Board”</b>	means the board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange.
<b>“Exchange Rules”</b>	means the rules, regulations, administrative procedures, memorandum and articles of association, charter, certificate of incorporation, by-laws or similar constituent documents 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 its Board and any procedures, practices and administrative requirements of the Exchange. <u>The term “Exchange Rules” shall include Rates Exchange Rules, save where the context otherwise requires</u>
<b>“Excess Margin”</b>	means, in respect of (i) an FCM Client Sub-Account (excluding FCM Buffer and Encumbered FCM Buffer); (ii) an FCM Clearing Member’s Proprietary Account; <del>or;</del> (iii) an FCM Omnibus <u>Futures Client Account with LCH; or (iv) an FCM Omnibus Foreign</u> Futures Client Account with LCH, the amount (if any) by which the Margin attributable to any such account exceeds the Required Margin applicable to the FCM Contracts registered to such account each as determined by the Clearing House in accordance with the FCM Rulebook.
<b>“Executing Party”</b>	means each person described as a party to an FCM Transaction in the details submitted to the Clearing House via the relevant FCM Clearing Member and/or via the relevant FCM Approved Trade Source System.

“Expiry Month”	<del>means a month prescribed by</del> <u>has the meaning ascribed to it in: (i) the relevant Exchange Rules in respect of an FCM Exchange Contract that is an FCM Option Contract; and (ii) the relevant provisions of the FCM Product Specific Terms and Eligibility Criteria Manual in respect of an FCM Listed Interest Rates Contract that is an FCM Option Contract.</u>
“FCM”	means a futures commission merchant, as defined in the CEA and the CFTC Regulations promulgated thereunder, that is registered in such capacity with the CFTC.
“FCM 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 affirmation or routing system or other similar venue or system, approved by the Clearing House for submitting or presenting FCM Transactions to the Clearing House. For the avoidance of doubt, the “ <b>ClearLink APT</b> ” is not an FCM Approved Trade Source System.
“FCM Buffer”	has the meaning assigned to such term in FCM Regulation 15(a).
“FCM Buffer Sub-Account”	has the meaning assigned to such term in FCM Regulation 15(a).
“FCM Clearing Member”	means an FCM that has been approved by the Clearing House for the clearing of one or more categories of FCM Contracts on behalf of FCM Clients, in accordance with an FCM Clearing Membership Agreement and the FCM Procedures, and pursuant to these FCM Regulations, and as such is a “ <b>Clearing Member</b> ” for all purposes under the Default Rules and the FCM Default Fund Agreement, unless otherwise specified in these FCM Regulations.
“FCM Clearing Membership Agreement”	means the agreement so designated under which, <i>inter alia</i> , the Clearing House agrees to make available clearing services to an FCM Clearing Member in respect of FCM Contracts together with any ancillary agreements.
“FCM Clearing Services”	means the FCM SwapClear Clearing Services, the FCM ForexClear Clearing Services and the FCM <del>Not a</del> <u>Listed Interest Rates</u> Clearing Services, collectively.
“FCM Client”	means a client of an FCM Clearing Member with positions in FCM Contracts on behalf of which the FCM Clearing Member provides FCM Clearing Services and clears FCM Contracts; <b>provided, that</b> any such client is only an FCM Client with respect to its positions in FCM Contracts; <b>and provided, further, that</b> any entity whose account would be considered a Cleared Swaps Proprietary Account pursuant to CFTC Regulation 22.1 or a proprietary account pursuant to

CFTC Regulation 1.3(y) if such account were carried by an FCM Clearing Member (such as in the case of an affiliate), shall not be an “FCM Client” of any such FCM Clearing Member.

**“FCM Client Business”** means the provision of FCM Clearing Services by an FCM Clearing Member to its FCM Clients.

**“FCM Client Funds”** means all FCM Swaps Client Funds and/or FCM Futures Client Funds and/or FCM Foreign Futures Client Funds, as the context may require.

**“FCM Client Segregated Depository Account”** means an FCM Swaps Client Segregated Depository Account or an FCM Futures Client Segregated Depository Account or an FCM Foreign Futures Client Secured Amount Depository Account, as the context may require.

**“FCM Client Sub-Account”** means an individual segregated sub-account on behalf of an individual FCM Client, established on the books of the Clearing House as a sub-account of the relevant FCM Omnibus Swaps Client Account with LCH of an FCM Clearing Member which shall reflect the relevant Margin balance attributable to such sub-account, and the relevant FCM Contracts registered to such sub-account and carried for such FCM Client by its FCM Clearing Member, based on information provided by the applicable FCM Clearing Member and/or an FCM Approved Trade Source System to the Clearing House. Each FCM Client will have an FCM Client Sub-Account in the relevant FCM Omnibus Swaps Client Account with LCH for each Business Category of FCM Contracts in which such FCM Client clears Swap Products.

**“FCM Client Sub-Account Balance”** means, at any given time, the legally segregated value of the Margin balance attributable to an FCM Client Sub-Account of the relevant FCM Client as determined by the Clearing House in accordance with the FCM Rulebook. For the avoidance of doubt, an FCM Client Sub-Account Balance at no time reflects the value of any FCM Buffer (including any Encumbered FCM Buffer) or the value of any Unallocated Excess.

**“FCM Contract”** means an FCM SwapClear Contract, an FCM ForexClear Contract, an FCM Exchange Contract, or an FCM Not Listed Interest Rates Contract. **“FCM Contracts”** means FCM SwapClear Contracts, FCM ForexClear Contracts, FCM Exchange Contracts and FCM Not Listed Interest Rates Contracts, collectively.

**“FCM Contract Subject to** means a Physically-Settled FCM Contract in respect of which a Delivery Notice has been given, and which has not been closed

<u><b>Delivery Notice</b></u>	<u>out, settled or invoiced back, in accordance with the FCM Rulebook.</u>
<b>“FCM Contract Terms”</b>	means the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms and the FCM <del>Nodal</del> <u>Listed Interest Rates</u> Contract Terms, collectively.
<b>“FCM Default Fund Agreement”</b>	means an agreement in a form prescribed by the Clearing House, entered into between an FCM Clearing Member and the Clearing House relating to the “default funds” of the Clearing House.
<b>“FCM Eligible US Trading Venue”</b>	means, in respect of an FCM Clearing Member, an FCM US Trading Venue for which the Clearing House’s records reflect that such FCM Clearing Member has completed the Clearing House’s process for enabling the FCM Clearing Member to be eligible to submit (or have submitted on its behalf) a transaction executed on such FCM US Trading Venue to the Clearing House for registration.
<b>“FCM Exchange Contract”</b>	means an FCM Contract arising out of <del>a transaction</del> <u>an FCM Exchange Transaction</u> executed on a market administered by an Exchange in accordance with the Exchange Rules of the relevant Exchange. <del>Such FCM Contracts are: FCM Nodal Contracts.</del>
<del><b>“FCM Exchange Contract Subject to Delivery Notice”</b></del>	<del>means a Physically Settled FCM Exchange Contract in respect of which a Delivery Notice has been given, and which has not been closed out, settled or invoiced back, in accordance with the FCM Rulebook.</del>
<b>“FCM Exchange Transaction”</b>	means a transaction entered on, or subject to, the Exchange Rules of the relevant Exchange of which particulars are to be presented to the Clearing House for registration as (i) an FCM Exchange Contract in the name of the relevant FCM Clearing Member in accordance with the relevant Exchange Rules, and the FCM Regulations and FCM Procedures and (ii) as applicable, as either (A) a second such FCM Exchange Contract or (B) a “Cleared Exchange Contract” with a Non-FCM Clearing Member governed by the UK General Regulations.
<u><b>“FCM Foreign Futures Client Funds”</b></u>	<u>means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member (i.e., not furnished to the Clearing House) on behalf of its FCM Clients with respect to Foreign Futures Products or other Foreign Futures/Options Contracts.</u>
<u><b>“FCM Foreign Futures Client Secured Amount”</b></u>	<u>means an omnibus account maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository (including any applicable “PPS Accounts”, which are</u>

**Depository Account**

described in the FCM Procedures), which is maintained in accordance with Part 30 of the CFTC Regulations, and which contains the FCM Foreign Futures Client Funds of its FCM Clients held in connection with Foreign Futures Products or other Foreign Futures/Options Contracts (and, if applicable, the funds of other 30.7 customers of an FCM Clearing Member held in connection with other Foreign Futures/Options Contracts).

**“FCM ForexClear Clearing Member”**

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

**“FCM ForexClear Clearing Services”**

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

**“FCM ForexClear 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 ForexClear Contract Terms, and which is governed by these FCM Regulations.

**“FCM ForexClear Contract Terms”**

means the terms applicable to each FCM ForexClear Contract as set out from time to time in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

**“FCM ForexClear Product Eligibility Criteria”**

means the product criteria set out in paragraph 2 of Part B of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

**“FCM ForexClear Transaction”**

means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM ForexClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM ForexClear Contract or a Non-FCM ForexClear Contract.

**“FCM Futures Client Funds”**

means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member (*i.e.*, not furnished to the Clearing House) on behalf of its FCM Clients with respect to Futures Products or other Futures/Options Contracts.

**“FCM Futures Client Segregated Depository Account”**

means an omnibus account maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository (including any applicable “PPS Accounts”, which are described in the FCM Procedures), which is segregated in accordance with Section 4d(a) of the CEA and the CFTC Regulations, and which contains the FCM Futures Client Funds of its FCM Clients held in connection with Futures



Products or other Futures/Options Contracts (and, if applicable, the funds of other futures customers of an FCM Clearing Member held in connection with other Futures/Options Contracts).

**“FCM Joint Rates Service Clearing Member”**

means an FCM Clearing Member that provides FCM SwapClear Clearing Services and FCM Listed Interest Rates Clearing Services.

**“FCM Listed Interest Rates Business”**

means any transaction, obligation or liability arising out of an FCM Listed Interest Rates Contract.

**“FCM ~~Nodal~~Listed Interest Rates Clearing Member”**

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

**“FCM ~~Nodal~~Listed Interest Rates Clearing Services”**

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

**“FCM ~~Nodal~~Listed Interest Rates Contract”**

means a ~~contract~~Foreign Futures/Options Contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM ~~Nodal~~Listed Interest Rates Contract Terms, and which is governed by these FCM Regulations.

**“FCM ~~Nodal~~Listed Interest Rates Contract Terms”**

means the terms applicable to each FCM ~~Nodal~~Listed Interest Rates Contract as set out from time to time in the ~~Nodal contract specifications provided in the Nodal Rules~~FCM Product Specific Contract Terms and Eligibility Criteria Manual.

**“FCM Listed Interest Rates Eligible Product”**

means a product traded under the rules of a Rates Exchange which such Rates Exchange has agreed from time to time with the Clearing House to be cleared by the Clearing House pursuant to the FCM Regulations.

**“FCM ~~Nodal~~Listed Interest Rates Novation Transaction”**

means ~~any~~the matched Rates Exchange Particulars representing a bilateral transaction and either:

- (a) concluded other than through the order book of a relevant Rates Exchange which is capable of being cleared in accordance with the relevant Rates Exchange Rules and the FCM Regulations; or
- (b) concluded through an order book of a Rates Exchange, where the relevant Rates Exchange Rules specify that transactions executed there will be cleared via novation, and

in either case entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM ~~Not a~~Listed Interest Rates Contract, and the other side of such transaction registered with the Clearing House as either an FCM ~~Not a~~Listed Interest Rates Contract or a Non-FCM ~~Not a~~Listed Interest Rates Contract.

**“FCM Listed Interest Rates Open Offer”**

means the open offer made by the Clearing House in respect of a Rates Exchange Match meeting the FCM Listed Interest Rates Open Offer Criteria.

**“FCM Listed Interest Rates Open Offer Eligibility Criteria”**

has the meaning set out in FCM Regulation 59.

**“FCM Listed Interest Rates Transaction”**

means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM Listed Interest Rates Contract, and the other side of such transaction registered with the Clearing House as either an FCM Listed Interest Rates Contract or a Non-FCM Listed Interest Rates Contract.

**“FCM Omnibus Client Account with LCH”**

means either an FCM Omnibus Swaps Client Account with LCH, an FCM Omnibus Futures Client Account with LCH, or an FCM Omnibus Foreign Futures Client Account with LCH.

**“FCM Omnibus Foreign Futures Client Account with LCH”**

means an FCM Omnibus Listed Interest Rates Client Account with LCH.

**“FCM Omnibus ForexClear Client Account with LCH”**

means an omnibus account maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM ForexClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus ForexClear Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM

ForexClear Contracts. Each FCM Omnibus ForexClear Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Swaps Client Segregated Depository Account. The Clearing House will establish FCM Client Sub-Accounts within each FCM Omnibus ForexClear Client Account with LCH.

**“FCM Omnibus Futures Client Account with LCH”**

means an FCM Omnibus Listed Interest Rates Client Account with LCH.

**“FCM Omnibus ~~Nodal~~Listed Interest Rates Client Account with LCH”**

means an omnibus account maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM ~~Nodal~~Listed Interest Rates Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus ~~Nodal~~Listed Interest Rates Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM ~~Nodal~~Listed Interest Rates Contracts. Each FCM Omnibus ~~Nodal~~Listed Interest Rates Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Foreign Futures Client Segregated Depository Account.

**“FCM Omnibus Futures Client Account with LCH”**

~~means an FCM Omnibus Nodal Client Account with LCH.~~

**“FCM Omnibus SwapClear Client Account with LCH”**

means an omnibus account maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM SwapClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus SwapClear Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM SwapClear Contracts. Each FCM Omnibus SwapClear Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Swaps Client Segregated Depository Account. The Clearing House will establish FCM Client Sub-Accounts within each FCM Omnibus SwapClear Client Account with LCH.

**“FCM Omnibus Swaps Client Account with LCH”**

means either an FCM Omnibus SwapClear Client Account with LCH or an FCM Omnibus ForexClear Client Account with LCH.

**“FCM Option Contract”**

means an FCM Exchange Contract ~~which~~ or an FCM Listed Interest Rates Contract that is a contract for an Option.

<b><u>“FCM Portfolio Margined Contract”</u></b>	<u>has the meaning assigned to it in the FCM Procedures.</u>
<b><u>“FCM Portfolio Margining Arrangements”</u></b>	<u>has the meaning assigned to it in the FCM Procedures.</u>
<b><u>“FCM Portfolio Margining Calculation Tool”</u></b>	<u>has the meaning assigned to it in the FCM Procedures.</u>
<b><u>“FCM Portfolio Margining Eligibility Criteria”</u></b>	<u>has the meaning assigned to it in the FCM Procedures.</u>
<b><u>“FCM Portfolio Margining Eligible FCM Listed Interest Rates Contract”</u></b>	<u>means those FCM Listed Interest Rates Contracts meeting the eligibility criteria for FCM Portfolio Margined Contracts as set out from time to time in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.</u>
<b><u>“FCM Portfolio Margining Request”</u></b>	<u>has the meaning assigned to it in the FCM Procedures.</u>
<b><u>“FCM Portfolio Margining Service”</u></b>	<u>has the meaning assigned to it in the FCM Procedures.</u>
<b>“FCM Procedures”</b>	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 Authority.
<b>“FCM Product Specific Contract Terms and Eligibility Criteria Manual”</b>	means the FCM Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time.
<b><u>“FCM Rates Clearing Member”</u></b>	<u>means an FCM Clearing Member that provides FCM SwapClear Clearing Services and/or FCM Listed Interest Rates Clearing Services.</u>
<b><u>“FCM Rates Contracts”</u></b>	<u>means FCM SwapClear Contracts and/or FCM Listed Interest Rates Contracts.</u>
<b><u>“FCM Rates Contribution”</u></b>	<u>means an FCM Rates Clearing Member’s Contribution in respect of the FCM SwapClear Clearing Services and/or the FCM Listed Interest Rates Clearing Services (as applicable).</u>
<b><u>“FCM Rates Service Default Management Disclosure Notice”</u></b>	<u>means the FCM Rates Service Default Management Disclosure Notice as specified by the Clearing House from time to time.</u>

<b><u>“FCM Rates Service”</u></b>	<u>means the FCM SwapClear Clearing Services and the FCM Listed Interest Rates Clearing Services.</u>
<b><u>“FCM Rates Service Clearing Member”</u></b>	<u>means an FCM Clearing Member that provides FCM SwapClear Clearing Services or FCM Listed Interest Rates Clearing Services</u>
<b><u>“FCM Rates Service Contracts”</u></b>	<u>means FCM SwapClear Contracts and FCM Listed Interest Rates Contracts.</u>
<b>“FCM Regulations”</b>	means these FCM Regulations entitled as such, relating to FCM Contracts and the clearing of FCM Contracts only, from time to time in force.
<b>“FCM Rulebook”</b>	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.
<b>“FCM SwapClear Clearing Services”</b>	means the services provided by an FCM Clearing Member in connection with FCM SwapClear Contracts cleared on behalf of its FCM Clients.
<b>“FCM SwapClear Contract”</b>	means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM SwapClear Contract Terms, and which is governed by these FCM Regulations.
<b>“FCM SwapClear Contract Terms”</b>	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.
<b>“FCM SwapClear Product Eligibility Criteria”</b>	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.
<b>“FCM SwapClear Suspension Sub-Account”</b>	<del>Means</del> <u>means</u> the sub-account of a Pre-Allocation FCM Clearing Member’s Omnibus Client Swaps Account <del>which</del> <u>that</u> has been established by the FCM SwapClear Clearing Member with a view to registering Unallocated FCM SwapClear Contracts.
<b>“FCM SwapClear Transaction”</b>	means any transaction the details of which are presented to the Clearing House via an FCM Approved Trade Source System for the purpose of having such transaction registered at the Clearing House as two FCM SwapClear Contracts (or, where a corresponding presentation has been made in respect of the same transaction for registration of a Non-FCM SwapClear Contract, one Non-FCM SwapClear

Contract and one FCM SwapClear Contract), regardless of whether (a) such transaction is an existing swap transaction, (b) it was entered into in anticipation of clearing, and (c) it is contingent on clearing.

**“FCM Swaps Client Funds”** means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member (*i.e.*, not furnished to the Clearing House) on behalf of its FCM Clients with respect to Swaps Products or other Cleared Swaps.

**“FCM Swaps Client Segregated Depository Account”** means an omnibus account maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository (including any applicable “PPS Accounts”, which are described in the FCM Procedures), which is segregated in accordance with Section 4d(f) of the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account and which contains the FCM Swaps Client Funds of its FCM Clients held in connection with Swap Products or other Cleared Swaps (and, if applicable, the funds of other Cleared Swaps customers of an FCM Clearing Member held in connection with other Cleared Swaps).

**“FCM Transaction”** means either an FCM SwapClear Transaction, an FCM ForexClear Transaction ~~or~~, an FCM Exchange Transaction ~~(including, or~~ an FCM ~~Not a~~ Listed Interest Rates Novation Transaction), ~~as~~ as the context may require.

**“FCM US Trading Venue”** means a swap execution facility or designated contract market registered as such with the CFTC which the Clearing House has approved for the purposes of having transactions executed thereon submitted to the Clearing House for registration. For the avoidance of doubt, an FCM US Trading Venue need not be an FCM Approved Trade Source System.

**“FCM US Trading Venue Transaction”** means, in respect of an FCM Clearing Member, a transaction recorded in the Clearing House’s systems (via applicable messaging from the relevant FCM US Trading Venue, FCM Approved Trade Source System or otherwise) as a transaction that was executed on a swap execution facility or designated contract market that, as at the time of such execution, was an FCM Eligible US Trading Venue in respect of such FCM Clearing Member.

**“FDICIA”** means the Federal Deposit Insurance Corporation Improvement Act of 1991, as amended.

**“First ~~Not a~~ Listed Interest Rates Clearing Member”** has the meaning assigned to it in ~~-~~Regulation 54.

<b><u>“foreign board of trade”</u></b>	<u>means any board of trade, exchange or market located outside the United States, its territories or possessions, whether incorporated or unincorporated.</u>
<b><u>“Foreign Futures Account Class”</u></b>	<u>means the account class for foreign futures accounts (as defined in CFTC Regulation 190.01(a)(i)) for purposes of Parts 30 and 190 of the CFTC Regulations.</u>
<b><u>“Foreign Futures/Options Contract”</u></b>	<u>means the type of contract which is either (i) a contract for the purchase or sale of a commodity for future delivery made, or to be made, on or subject to the rules of a foreign board of trade, (ii) an option on any such contract or (iii) any similar type of contract, and which, in the case of any of the foregoing, requires an FCM to hold such contract (and maintain any related margin) pursuant to CFTC Rule 30.7 if cleared by an FCM for a 30.7 customer.</u>
<b><u>“Foreign Futures Product”</u></b>	<u>means a Product that constitutes a Foreign Futures/Options Contract. Such Products are: FCM Listed Interest Rates Contracts.</u>
<b>“ForexClear Clearing Member”</b>	means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
<b>“ForexClear Contribution”</b>	means, in relation to the Default Rules, the meaning assigned to it in rule 16 of the Default Rules.
<b>“ForexClear DMP”</b>	has the meaning assigned to it in the ForexClear DMP Annex of the Default Rules.
<b>“Futures Account Class”</b>	means the account class for futures accounts (as defined in CFTC Regulation 190.01(a)(i)) for purposes of Part 190 of the CFTC Regulations and Section 4d(a) of the CEA.
<b>“Futures/Options Contract”</b>	means the type of contract which is either (i) a contract for the purchase or sale of a commodity for future delivery that is traded on or subject to the rules of an Exchange, (ii) an option on any such contract or (iii) any similar type of contract, and which, in the case of any of the foregoing, is required to be segregated (along with any related margin) pursuant to Section 4d(a) of the CEA if cleared by an FCM for a customer.
<b>“Futures Product”</b>	means a Product which constitutes a Futures/Options Contract. <del>Such Products are: FCM Nodal Contracts.</del>
<b>“Governmental Authority”</b>	means any: <ul style="list-style-type: none"> <li>(a) governmental, inter-governmental, parliamentary or</li> </ul>

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.

**“Hedged Account”** has the meaning assigned to it in the FCM Procedures.

**“Identified Off-Setting FCM Listed Interest Rates Contracts”** has the meaning assigned to it in the FCM Procedures.

**“Ineligible FCM ForexClear Contract”** has the meaning assigned to it in FCM Regulation 49(e)(ii).

**“Ineligible FCM ForexClear Transaction”** has the meaning assigned to it in FCM Regulation 49(e)(i).

**“Ineligible FCM SwapClear Contract”** has the meaning assigned to it in FCM Regulation 46(f).

**“Ineligible FCM SwapClear Transaction”** has the meaning assigned to it in FCM Regulation 46(f).

**“Inflation FCM SwapClear Contract”** means an FCM SwapClear Contract identified as being an Inflation FCM SwapClear Contract in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

**“Initial Margin”** means, with respect to the amount of Margin attributable to a particular account or accounts of an FCM Clearing Member with the Clearing House, the portion of such Margin held in respect of the Clearing House’s initial margin requirements (as published from time to time by the Clearing House) in respect of the relevant FCM Contracts attributable to such account or accounts.

**“IRS FCM SwapClear Contract”** means an FCM SwapClear Contract identified as being an IRS FCM SwapClear Contract in the FCM Product Specific Contract Terms and Eligibility Criteria Manual

**“LCH.Clearnet Group”** means the group of undertakings consisting of LCH.Clearnet Limited, LCH.Clearnet Group Limited, LCH.Clearnet LLC, LCH.Clearnet (Luxembourg) S.a.r.l., LCH.Clearnet Service Company Limited and Banque Centrale de Compensation S.A. trading as LCH.Clearnet SA. (any reference to a **“member”** of LCH.Clearnet Group Limited within these FCM Regulations is to be construed accordingly).

**“LCH Approved** means a person, designated as such by the Clearing House,



**Outsourcing Agent**

as may be provided for in the FCM Procedures.

**“LCH Client Depository Account”**

means an LCH Foreign Futures Client Depository Account, an LCH Futures Client Segregated Depository Account or an LCH Swaps Client Segregated Depository Account.

**“LCH Foreign Futures Client Depository Account”**

means the account (which may consist of one or more accounts which are commingled) maintained by the Clearing House which contains, *inter alia*, the Collateral deposited by such FCM Clearing Members on behalf of their FCM Clients in connection with Foreign Futures Products cleared for such FCM Clients by such FCM Clearing Members.

**“LCH Futures Client Segregated Depository Account”**

means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and the CFTC Regulations, which is part of the Futures Account Class and which contains the Collateral deposited by such FCM Clearing Members on behalf of their FCM Clients solely in connection with Futures Products cleared for such FCM Clients by such FCM Clearing Members.

**“LCH Swaps Client Segregated Depository Account”**

means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account that is part of the Cleared Swaps Account Class and which contains the Collateral deposited by such FCM Clearing Members on behalf of their FCM Clients solely in connection with Swaps Products cleared for such FCM Clients by such FCM Clearing Members.

**“LCIA Rules”**

means the LCIA Arbitration Rules of The London Court of International Arbitration.

**“Listed Interest Rates 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.

**“Lot”**

means the standard unit or quantity prescribed ~~by~~ as the trading unit of an FCM Contract by, as applicable: (i) an Exchange, with the approval of the Clearing House, ~~as; or~~

(ii) the ~~trading-unit~~ relevant provisions of ~~an~~ the FCM Exchange Product Specific Contract Terms and Eligibility Criteria Manual.

**“Margin”**

means, with respect to a particular account or accounts of an FCM Clearing Member with the Clearing House, the Collateral value that is attributable to such account or accounts as margin for the margining of FCM Contracts in such account or accounts, as determined by the Clearing House in accordance with the FCM Rulebook.

**“Member Compression Cycle”**

means a Multilateral Compression Cycle requested by two or more Compression Clearing Members and agreed to by the Clearing House in relation to eligible FCM SwapClear Contracts held by those requesting Compression Clearing Members. For the avoidance of doubt, a Member Compression Cycle will not involve any ACSP.

**“Multilateral Compression”**

means the exercise in which some or all of the FCM SwapClear Contracts or Non-FCM SwapClear Contracts, as applicable, submitted by two or more Compression Clearing Members (either on their own behalf or on behalf of an Authorised Compression Client), as applicable, for inclusion in a Multilateral Compression Cycle are wholly terminated and, where relevant, replaced with other FCM SwapClear Contracts or Non-FCM SwapClear Contracts.

**“Multilateral Compression Cycle”**

means the process of Multilateral Compression in accordance with a Compression Proposal, whether by way of an ACSP Compression Cycle or a Member Compression Cycle.

**“MCE”**

has the meaning assigned to it in Section 2.2.12(c) of the FCM Procedures.

**“MER”**

Has the meaning assigned to it in Section 2.1.3(c) of the FCM Procedures.

**~~“Nodal”~~**

~~means Nodal Exchange, LLC of 8065 Leesburg Pike, 3<sup>rd</sup> Floor, Vienna, VA 22182, United States of America.~~

**~~“Nodal Eligible Derivative Product”~~**

~~means a derivative product prescribed from time to time by the Clearing House as eligible for the FCM Nodal Clearing Service.~~

**~~“Nodal’s Rules”~~ “Nominated”**

~~means the rules, practices, procedures, trading protocols and~~

<b><u>FCM Client</u></b>	<del>arrangements of the Nodal Trading Facility as the case may be and as may be prescribed from time to time relating to Nodal Eligible Derivative Products</del> <u>has the meaning assigned to it in the FCM Procedures.</u>
<b><u>“Nodal Service Clearing Member”</u></b>	<del>means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.</del>
<b><u>“Nodal Trading Facility”</u></b>	<del>means the facility, trading system or systems operated directly or indirectly by Nodal on which Nodal Eligible Derivative Products may be traded.</del>
<b>“Non-FCM Clearing Member”</b>	means either a SwapClear Clearing Member, a ForexClear Clearing Member or a <u>Nodal Service Listed Interest Rates</u> Clearing Member, as applicable.
<b>“Non-FCM Contract”</b>	means either a Non-FCM SwapClear Contract, a Non-FCM ForexClear Contract or a Non-FCM <u>Nodal Listed Interest Rates</u> Contract, as applicable.
<b>“Non-FCM ForexClear Contract”</b>	means a “ForexClear Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
<b><u>“Non-FCM Nodal Listed Interest Rates Contract”</u></b>	means a <u>“Nodal Listed Interest Rates Contract”</u> (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
<b>“Non-FCM SwapClear Contract”</b>	means a “SwapClear Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
<b>“Non-Porting Client”</b>	has the meaning assigned to it in the FCM Procedures.
<b>“Official Quotation”</b>	means a price determined by the Clearing House under FCM Regulation 15.
<b>“Omnibus Collateral Value”</b>	means, at any given time in respect of an FCM Omnibus Swaps Client Account with LCH, the aggregate Margin, as determined by the Clearing House in accordance with the FCM Rulebook, attributable to such FCM Omnibus Swaps Client Account with LCH (and regardless of whether such Margin is attributed to an FCM Client Sub-Account, the FCM Buffer Sub-Account or the Unallocated Excess Sub-Account).
<b>“Open <u>FCM Contract</u>” or</b>	means an FCM Contract which has not been closed-out, settled or invoiced back in accordance with the FCM

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<b>“open contract”</b>	Regulations and the FCM Procedures. The terms <b>“Open FCM Contract”</b> and <b>“open contract”</b> shall not include a Closing-out Contract.
<b>“Option”</b>	means a right (but not the obligation) pursuant to an FCM Option Contract, to enter into a Cash-Settled FCM <del>Exchange</del> Contract or a Physically-Settled FCM <del>Exchange</del> Contract.
<b>“Other Specific Regulations”</b>	means the Clearing House's Default Rules, Default Fund Rules, Settlement Finality Regulations and related Definitions and provisions relating to construction as published and amended by the Clearing House from time to time.
<b>“Permitted Depository”</b>	means (i) with respect to FCM Swaps Client Funds or Collateral held in connection with Swap Products, “Permitted Depository” as such term is defined in CFTC Regulations 22.1 and 22.4, <del>and</del> (ii) with respect to FCM Futures Client Funds or Collateral held in connection with Futures Products, a depository qualified to hold customer funds in accordance with CFTC Regulation 1.49; <u>and (iii) with respect to FCM Foreign Futures Client Funds or Collateral held in connection with Foreign Futures Products, a depository qualified to hold customer funds in accordance with CFTC Regulations 30.7(b) and (d).</u>
<b>“Physically-Settled FCM Exchange Contract”</b>	means an FCM Exchange <u>Contract or an FCM Listed Interest Rates</u> Contract between the Clearing House and an FCM Clearing Member: (i) for the sale and purchase of a commodity that is the result of the exercise of an Option pursuant to these FCM Regulations; or (ii) for the sale and purchase of a commodity for delivery on the date specified in the FCM Exchange Contract or <u>the FCM Listed Interest Rates Contract or</u> on the date agreed between the parties.
<b>“Portfolios”</b>	has the meaning assigned to it in either (i) the <del>SwapClearRates Service</del> DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.
<b>“Porting Collateral”</b>	has the meaning assigned to it in FCM Regulation 13(a)
<b>“Porting Contracts”</b>	has the meaning assigned to it in FCM Regulation 13(a)
<b>“Post-Allocation Clearing Member”</b>	means the FCM Clearing Member or SwapClear Clearing Member associated with a Client Segregated Sub-Account, Client Account or Proprietary Account to which part of all of an Unallocated FCM SwapClear Contract is to be allocated pursuant to an Allocation Notice.

<b>“Pre-Allocation FCM Clearing Member”</b>	has the meaning assigned to it in FCM Regulation 46(o)(i).
<b>“Post-Multilateral Compression Contracts”</b>	means, in relation to a Compression Proposal, the FCM SwapClear Contracts or Non-FCM SwapClear Contracts, as applicable, registered as a result of Multilateral Compression in accordance with such Compression Proposal.
<b>“Pre-Allocation Executing Party” or “Account Manager Executing Party”</b>	means an Executing Party, including an Account Manager Executing Party, which is not an FCM Clearing Member and which is authorized to execute Unallocated FCM SwapClear Transactions on its own behalf or on behalf of one or more FCM Clients.
<b>“Premium”</b>	means the consideration for the selling of an Option payable by the Buyer in accordance with these FCM Regulations and the FCM Procedures.
<b>“Price”</b>	means, in the case of an FCM Contract, the price calculated by the Clearing House in accordance with the FCM Regulations and the FCM Procedures.
<b>“Product”</b>	means a Swap Product, <u>a Futures Product</u> , or a <u>Foreign Futures Product</u> , as the context may require.
<b>“Prompt Date”</b>	<del>in respect of an FCM Exchange Contract</del> , has the meaning ascribed to it in: <u>(i) the relevant Exchange Rules governing such in respect of an FCM Exchange Contract; or (ii) the relevant provisions of the FCM Exchange Product Specific Terms and Eligibility Criteria Manual in respect of an FCM Listed Interest Rates Contract.</u>
<b>“Proprietary Account”</b>	means the house account with the Clearing House opened in the name of an FCM Clearing Member to which FCM Contracts made by the FCM Clearing Member for its own account are registered and to which monies in respect of such FCM Contracts are credited.
<b>“Rate X and Rate Y”</b>	means, in relation to an FCM SwapClear Transaction or an FCM 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.
<b><u>“Rates Exchange”</u></b>	<u>means any trading platform approved as such from time to time by the Clearing House in respect of the FCM Listed Interest Rates Clearing Service.</u>
<b><u>“Rates Exchange Rules”</u></b>	<u>means the rules, regulations, administrative procedures, Memorandum and Articles of Association or bye-laws</u>

which regulate a Rates Exchange and the market administered by it as notified from time to time to the Clearing House.

**“Rates Exchange Match”**

means a match where the relevant Rates Exchange Rules permit the matching of Rates Exchange Particulars that consist of the sale or purchase of an FCM Listed Interest Rates Eligible Product and the corresponding purchase or sale, as the case may be, of an FCM Listed Interest Rates Eligible Product.

**“Rates Exchange Particulars”**

means the orders or other trade particulars submitted in respect of the sale or purchase of FCM Listed Interest Rates Eligible Products, to an Rates Exchange in accordance with the relevant Rates Exchange Rules by, or on behalf of, an FCM Listed Interest Rates Clearing Member.

**“Rates Service DMP”**

has the meaning assigned to it in the Rates Service DMP Annex of the Default Rules.

**“Receiving Clearing Member”**

means (i) an FCM Clearing Member or (ii) where the Transferring SwapClear Contracts are FCM SwapClear Contracts, a Clearing Member (as defined in the UK General Regulations, and being an entity other than an FCM Clearing Member) in each case that carries the Transfer Account that will receive the transfer of Transferring SwapClear Contracts and, where applicable, Associated Collateral Balance(s) held in respect of the Eligible Transferor from a Carrying Clearing Member. For the avoidance of doubt, where the Transferring SwapClear Contracts are FCM SwapClear Contracts: (a) an entity that is an FCM Client may also be a Receiving Clearing Member, and (b) a Receiving Clearing Member that is an FCM Clearing Member may be nominated to receive the transfer of Transferring SwapClear Contracts and Associated Collateral Balance from a Carrying Clearing Member that is not an FCM Clearing Member pursuant to Regulation 60 of the UK General Regulations (and, for the avoidance of doubt, a Carrying Clearing Member may be a Receiving Clearing Member, and vice versa).

Capitalized terms used in this definition having the meanings set out in the UK General Regulations as modified by FCM Regulation 46(p).

**“Reference Currency Buyer”**

has the meaning assigned to it in the Clearing House's “General Regulations”.

**“Reference Currency Seller”**

has the meaning assigned to it in the Clearing House's “General Regulations”.

<b>“Reference Price”</b>	means a price (howsoever called) by reference to which an FCM Contract is marked to market or valued in accordance with the FCM Regulations and FCM Procedures.
<b>“Registration Time”</b>	means, in respect of an FCM Contract, the applicable time at which the Clearing House registers such FCM Contract, as prescribed in the FCM Procedures.
<b>“Regulatory Body”</b>	means the Secretary of State, The Financial Services Authority or professional body designated under Part 20 of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Bank of England, the CFTC or any department, agency, office, court or tribunal of a nation, state, province 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.
<b>“Rejecting Compression Clearing Member”</b>	has the meaning assigned to it in Regulation 46(m).
<b>“Required Margin”</b>	means, with respect to a particular account or accounts of an FCM Clearing Member with the Clearing House, the amount of Initial Margin required by the Clearing House (in accordance with the FCM Rulebook) to be held in such account or accounts from time to time.
<b>“Resignation Effective Date”</b>	means the date on which the termination of a Resigning Member's FCM Clearing Member status in respect of a specific FCM Clearing Service becomes effective as specified in FCM Regulation 5(a).
<b>“Resulting FCM ForexClear Contract”</b>	<del>means an FCM ForexClear Contract that will exist at the time the Clearing House undertakes compression, in respect of such FCM ForexClear Contract, in accordance with the FCM Rulebook, but that did not exist at the time at which the applicable FCM Clearing Member requested such compression.</del>
<b>“Resigning Member”</b>	means at any time any FCM Clearing Member: (i) who has given notice to the Clearing House for the purposes of resigning from a particular FCM Clearing Service; or (ii) in respect of whom the Clearing House has given notice for the purposes of requiring such FCM Clearing Member to resign from a particular FCM Clearing Service.
<b>“Resulting FCM ForexClear Contract”</b>	<u>means an FCM ForexClear Contract that will exist at the time the Clearing House undertakes compression, in respect of such FCM ForexClear Contract, in accordance with the FCM Rulebook, but that did not exist at the time at which the applicable FCM Clearing Member requested such</u>

compression.

**“Retirement Effective Date”** means the date on which the termination of a Retiring Member's FCM Clearing Member status becomes effective in accordance with Section 17 of the FCM Clearing Membership Agreement and the FCM Procedures as specified in FCM Regulation 5(e).

**“Retiring Member”** means at any time any FCM Clearing Member or, as the context may require, any former FCM Clearing Member: (i) who has given notice to terminate its FCM Clearing Member status to the Clearing House; or (ii) in respect of whom the Clearing House has terminated or given notice to terminate its FCM Clearing Member status, in each case in accordance with Section 17 of the FCM Clearing Membership Agreement and the FCM Procedures.

**“Risk Neutralisation”** has the meaning assigned to it in either (i) the SwapClearRates Service DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.

**“Rules Change Committee”** means the decision-making body of the Clearing House that will oversee and implement all material alterations, amendments or extensions to the FCM Rulebook or the FCM Clearing Membership Agreement in accordance with its terms of reference

**“Second ~~Node~~Listed Interest Rates Clearing Member”** has the meaning assigned to it in FCM -Regulation 54.

**“Seller”** means an FCM Clearing Member (or the Clearing House where the context so requires) who is a seller under the terms of, as applicable, an FCM ExchangeOption Contract, a Physically-Settled FCM Contract or an FCM Contract Subject to Delivery Notice.

**“Settlement Finality Regulations”** means the Clearing House's Settlement Finality Regulations from time to time in force.

**“Settlement Price”** means, in relation to an FCM Contract, one or more prices determined in accordance with the FCM Regulations or the FCM Procedures.

**“Standard Terms”** means those parts of the FCM Contract Terms designated as Standard Terms by the Clearing House from time to time.

**“Strike Price”** means the price specified in an FCM Option Contract which becomes the price of the commodity under the relevant



<p>FCM <del>Exchange</del> Contract, upon the exercise of the FCM Option Contract, in accordance, <u>as applicable</u>, with the relevant Exchange Rules, <del>and</del> the FCM Regulations and/or <u>the</u> FCM Procedures.</p>	
<p><b>“Sub-Block US Trading Venue Transaction”</b></p>	<p>means a transaction, identified by the Clearing House as having been executed on a swap execution facility or designated contract market registered as such with the CFTC, the notional amount of which is below the minimum block size established by the CFTC pursuant to CFTC Regulation 43.6 for the interest rate asset class and if effect as of the date of submission of such transaction to the Clearing House for registration</p>
<p><b>“Swap Product”</b></p>	<p>means a Product which constitutes a Cleared Swap. Such Products are: (1) FCM SwapClear Contracts and (2) FCM ForexClear Contracts.</p>
<p><b>“SwapClear Contract”</b></p>	<p>has the meaning assigned to it in the General Regulations but which shall not, unless stated otherwise, include an FCM SwapClear Contract.</p>
<p><b>“SwapClear Contribution”</b></p>	<p>means, in relation to the Default Rules, the meaning assigned to it in rule 16 of the Default Rules.</p>
<p><b>“SwapClear Clearing Member”</b></p>	<p>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.</p>
<p><b>“SwapClear DMP”</b></p>	<p>has the meaning assigned to it in the SwapClear DMP Annex of the Default Rules.</p>
<p><b>“SwapClear Tolerance”</b></p>	<p>has the meaning assigned to it in Section 2.1.3(c) of the FCM Procedures.</p>
<p><b>“Terminating FCM SwapClear Contracts”</b></p>	<p>means, in relation to any Compression Proposal, the FCM SwapClear Contracts that will be terminated and replaced with Post-Multilateral Compression Contracts in accordance with Regulation 46(m).</p>
<p><b>“Termination Amount”</b></p>	<p>has the meaning assigned to such term in FCM Regulation 37(d)(iii).</p>
<p><b>“UK General Regulations”</b></p>	<p>means the Clearing House’s Default Rules and the Settlement Finality Regulations, and the Clearing House's General Regulations from time to time in force.</p>
<p><b>“UK General Procedures”</b></p>	<p>means the Clearing House's <b>“Procedures”</b> as such term is defined in the UK General Regulations, which are applicable to the UK General Regulations.</p>

## CHAPTER I - SCOPE

### REGULATION 2 OBLIGATIONS OF THE CLEARING HOUSE TO EACH FCM CLEARING MEMBER

- (a) The Clearing House shall perform the obligations referred to in paragraph (b) below so as to ensure the performance of all Open **FCM** Contracts in accordance with these FCM Regulations. Each FCM Clearing Member is fully liable to the Clearing House for the performance of all obligations arising in connection with FCM Contracts registered to it, regardless of whether such FCM Contracts are cleared by such FCM Clearing Member: (i) as principal with respect to FCM Contracts in its Proprietary Account; or (ii) as agent (as such term is used in, and as required by, CFTC Regulation 39.12(b)(6)) with respect to FCM Contracts cleared on behalf of its FCM Clients (as set forth in FCM Regulation 4(b)).
- (b) The obligations of the Clearing House to each FCM Clearing Member shall be as a counterpart to an Open **FCM** Contract registered in the name of an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures, to perform its obligations under the terms of such Open **FCM** Contract as principal to such FCM Clearing Member in accordance with the provisions of these FCM Regulations and the FCM Procedures, but subject to the restrictions on the Clearing House's obligations and liabilities contained in these FCM Regulations.
- (c) The performance by the Clearing House of its obligations referred to in this FCM Regulation 2 shall be subject to the provisions of these FCM Regulations. It is not the intention of the Clearing House or its members to confer any benefit on or give any right to enforce any provisions of this FCM Regulation 2 or any of the other FCM Regulations to any person who is not a member.

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

- (a) **Performance by the Clearing House.** The Clearing House's obligations under the terms of an Open FCM Contract shall be performed in the manner and form and by such day and time as may be prescribed in the rules of an FCM Approved Trade Source System ~~or in~~, the relevant Exchange Rules ~~(where applicable)~~, and/or these FCM Regulations or the FCM Procedures, as applicable; **provided, that** where the Economic Terms of an FCM Contract specify a time by which a party thereto shall perform its obligations, the Clearing House shall be deemed to have complied with such Economic Terms if it performs its obligations promptly after such time; **provided, further, that** where the rules of an FCM Approved Trade Source System or the relevant Exchange Rules specify a time by which the seller or the buyer shall perform its obligations under the terms of an FCM Exchange Contract ~~that is an exchange contract~~, the Clearing House shall be deemed to have complied with the rules of the FCM Approved Trade Source System or the Exchange Rules (as may be the case) if it performs its obligations under the terms of an Open FCM Contract, as seller or buyer, as the case may be, promptly after such time, unless the rules of the FCM Approved Trade Source System or the Exchange Rules (as applicable) expressly provide that performance must be made by the Clearing House by such time.
- (b) **Novation.** This FCM Regulation 3(b) applies only to: (A) FCM ~~Not~~Exchange Transactions and FCM ~~Not~~Exchange Contracts arising therefrom; and (B) FCM Listed Interest Rates Novation Transactions and FCM Listed Interest Rates Contracts arising therefrom.
- (i) Upon registration of an FCM Transaction by the Clearing House, the relevant contracts thereunder shall be replaced by novation by two equal and opposite FCM Contracts, one between the first FCM Clearing Member and the Clearing House and another between the second FCM Clearing Member (or Non-FCM Clearing Member, as the case may be) and the Clearing House. For the avoidance of doubt, the two FCM Clearing Members may, in fact, be the same FCM Clearing Member. Each FCM Contract shall be subject to the FCM Regulations including any restrictions on the Clearing House's obligations and liabilities set out in the FCM Regulations (including FCM Regulation 44 and FCM Regulation 24) and otherwise on the same terms (to the extent applicable) as the FCM Transaction that was replaced by such FCM Contracts (or FCM Contract and Non-FCM Contract, as the case may be). If the provisions in the FCM Rulebook applicable to a specific Product conflict with or modify the terms of this paragraph with respect to such Product, then such provisions shall prevail with respect to such Product.
- (ii) Upon the exercise of an Option by or on behalf of an FCM Clearing Member or, as the case may be, by the Clearing House or upon the deemed exercise of such Option pursuant to these FCM Regulations, the FCM Option Contract shall be replaced by novation by an FCM Contract on the terms specified in the FCM Option Contract at the Strike Price or at some other price in

accordance with the terms of such FCM Option Contract.

## CHAPTER II - STATUS

### REGULATION 4 FCM CLEARING MEMBER STATUS AND APPLICATION OF LCH REGULATIONS

- (a) Application for FCM Clearing Member status in the Clearing House shall be made in accordance with the FCM Procedures. An FCM Clearing Member's status in the Clearing House and all FCM Clearing Services shall be governed by these FCM Regulations, the Other Specific Regulations and the FCM Procedures. Additionally, an FCM Clearing Member's status in the Clearing House shall be governed by any FCM Clearing Membership Agreement to which it is for the time being party. FCM Clearing Member status does not provide or entitle an FCM Clearing Member to any other clearing member status with the Clearing House, or to any shareholding membership of LCH.Clearnet Limited or any shareholding or other membership of any other member of the LCH.Clearnet Group or any entitlement to membership of or participation in LCH.Clearnet SA, each of which has separate and distinct membership requirements.
- (b) Notwithstanding any other provision of these FCM Regulations, with respect to FCM Transactions involving an FCM Client cleared by an FCM Clearing Member as FCM Contracts, such FCM Clearing Member shall act solely as agent of its FCM Clients in connection with the clearing of such FCM Contracts; **provided, that** each FCM Clearing Member shall remain fully liable for all obligations to the Clearing House arising in connection with such FCM Contracts.
- (c) **General Qualification of FCM Clearing Members.** An FCM Clearing Member must obtain approval from the Clearing House in order to provide FCM Clearing Services in respect of a Product. A separate approval is required for each Product that an FCM Clearing Member proposes to clear. In order to obtain such approval, and in order to maintain such approval once such approval has been obtained, an FCM Clearing Member must:
- (i) be registered with the CFTC as an FCM;
  - (ii) maintain adjusted net capital, as defined in CFTC Regulation 1.17, of at least \$7,500,000 (seven and a half million United States dollars), or \$50,000,000 (fifty million United States dollars) in the case of FCM Clearing Members that clear either FCM SwapClear Contracts or FCM ForexClear Contracts; **provided, that** (A) the Clearing House shall be permitted (in its sole and reasonable discretion), including as described in the FCM Procedures, to scale an FCM Clearing Member's required level of net capital in accordance with the level of risk introduced to the Clearing House by such FCM Clearing Member and (B) the Clearing House shall be permitted (in its sole and reasonable discretion) to scale an FCM Clearing Member's level of risk introduced to the Clearing House by such FCM Clearing Member in accordance with its level of net capital (and regardless of whether such FCM Clearing Member has adjusted net capital exceeding \$7,500,000 or \$50,000,000, as applicable); **provided, further, that** each FCM Clearing Member or FCM Clearing Member applicant must maintain compliance with all regulatory financial requirements (whether relating to capital, equity, risk

or otherwise) applicable to it, including without limitation the applicable requirements of CFTC Regulation 1.17 ~~and Part 23 of the CFTC Regulations;~~

~~(iii) maintain compliance with all regulatory financial requirements (whether relating to capital, equity, risk or otherwise) applicable to it, including without limitation the applicable requirements of CFTC Regulation 1.17 and Part 23 of the CFTC Regulations;~~

(iii) [reserved]

~~(iii)~~(iv) have and maintain systems and personnel that are, in the judgment of the Clearing House, adequate to enable such FCM Clearing Member or applicant to satisfy its operational responsibilities, in accordance with the FCM Regulations and FCM Procedures and, without limitation, have the connectivity and capability to process the applicable FCM Transactions and/or to submit the relevant trade particulars through an FCM Approved Trade Source System or an Exchange, as applicable;

~~(iv)~~(v) be in compliance with all applicable provisions of the FCM Rulebook and the FCM Default Fund Agreement, including but not limited to the requirement to contribute to the applicable default funds of the Clearing House in accordance with the FCM Rulebook; and

~~(v)~~(vi) be incorporated or otherwise organized under the laws of a State within the United States.

and, solely in the case of FCM Clearing Members that wish to clear FCM SwapClear Contracts and/or FCM ForexClear Contracts, additionally must:

- (i) be able to successfully participate or demonstrate that it has: (A) an affiliated Non-FCM Clearing Member that can successfully participate; or (B) an LCH Approved Outsourcing Agent that can successfully participate in a “fire drill” run by the Clearing House from time to time in respect of each Product cleared by such FCM Clearing Member. Each such “fire drill” shall involve submitting a bid for a notional portfolio of trades within a specific currency in a specified timeframe. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the “fire drill” and the applicant's FCM Clearing Member application will not be approved;
- (ii) be able to participate or demonstrate that it has: (A) an affiliated Non-FCM Clearing Member that can successfully participate; or (B) an LCH Approved Outsourcing Agent that can successfully participate in the Default Management Process operated by the Clearing House;
- (iii) in the event of a default, be able to receive from the Clearing House and process FCM Contracts and Non-FCM Contracts (of the type(s) that it is approved to clear), and any associated hedge trades, in FPML; and
- (iv) have, within its corporate group, at least one banking institution, credit institution, securities firm, investment banking firm or similar entity licensed

by the competent authorities of the United States or a member state of the European Union, or the equivalent of a banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of a country outside the United States and the European Union and which is subject to prudential rules considered by the Clearing House to be at least as stringent as those applicable to banking institutions, credit institutions, securities firms, investment banking firms or similar entities, as applicable, within the United States or the European Union.

- (d) Each FCM Clearing Member shall at all times continue to comply with and satisfy the qualifications and requirements set forth in FCM Regulation 4(c) and shall promptly notify the Clearing House if it has breached or reasonably expects to breach any such qualifications or requirements.
- (e) Notwithstanding anything else contained in this FCM Regulation 4 or in the FCM Procedures, an applicant to become an FCM Clearing Member shall provide any additional documentation or information that is reasonably requested by the Clearing House in order to verify or substantiate the ability of such FCM Clearing Member applicant to satisfy its obligations under the FCM Rulebook or to satisfy its obligations as an FCM Clearing Member.

## REGULATION 6 SERVICE WITHDRAWAL

- (a) ~~Without prejudice to the provisions of FCM Regulation 66, if~~ at any time the Clearing House decides to withdraw part or the whole of an FCM Clearing Service it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members participating in that FCM Clearing Service (for the purposes of this FCM Regulation 6, the “**affected FCM Clearing Members**”) of the date on which the service will be withdrawn (the “**Relevant Withdrawal Date**”). The accidental omission by the Clearing House to give notice under this FCM Regulation 6 to, or the non-receipt of notice under this FCM Regulation 6 by, one or more affected FCM Clearing Members shall not invalidate the Relevant Withdrawal Date. Where only a part of an FCM Clearing Service is being withdrawn, notice need only be given to those FCM Clearing Members authorized or approved to participate in that part of the relevant FCM Clearing Service. If the Clearing House becomes aware that it has omitted to give notice under this FCM Regulation 6 to any affected FCM Clearing Member prior to the Relevant Withdrawal Date it will immediately notify the affected FCM Clearing Member of the Relevant Withdrawal Date in accordance with the applicable notice provisions.
- (b) Without prejudice to its rights under the Default Rules, any notice given under paragraph (a) above shall specify the nature of the service which the Clearing House will provide until the Relevant Withdrawal Date. Unless otherwise specified in the notice, and without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules or pursuant to the entering of offsetting/compressing trades in accordance with FCM Regulation 46(m), ~~or FCM Regulation 63,~~ register an FCM Contract in respect of the relevant FCM Clearing Service (other than a Closing-out Contract) after notice to withdraw the applicable service(s) has been given under FCM Regulation 6(a).
- (c) If at the Relevant Withdrawal Date (or, in respect of the FCM ForexClear Clearing Service, the date falling five Business Days before the Relevant Withdrawal Date) an affected FCM Clearing Member has not closed out all open FCM Contracts in respect of the relevant FCM Clearing Service registered in its name, the Clearing House shall (in the case of a Relevant Withdrawal Date in respect of the FCM ForexClear Clearing Service, with five Business Days' notice to the affected FCM ForexClear Clearing Member) at its sole discretion, be entitled to:
- (i) liquidate any or all of such FCM Contracts and require such contracts to be cash settled at a price determined by the Clearing House; and/or
  - (ii) postpone the Relevant Withdrawal Date until such time as the Clearing House determines.



### 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, 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

circular of its policies and procedures regarding the collection of reports described above, to the extent not already specified in the FCM Procedures, including any changes to such policies and procedures from time to time.

**(ca) Book Entry Accounts – Foreign Futures.**

- (i) With respect to each FCM Clearing Member, the Clearing House shall establish and maintain an FCM Omnibus Foreign Futures Client Account with LCH on behalf of such FCM Clearing Member's FCM Clients with respect to each Foreign Futures Product for which such FCM Clearing Member clears FCM Contracts on behalf of its FCM Clients. FCM Clearing Services in respect of Foreign Futures 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 Foreign Futures Client Account with LCH. Each such FCM Omnibus Foreign Futures Client Account with LCH shall be treated as part of the Foreign Futures Account Class for purposes of the CFTC Regulations.
- (ii) This paragraph applies to an FCM Clearing Member's FCM Omnibus Foreign Futures Client Accounts with LCH. The Clearing House shall treat the value of all Collateral received from each FCM Clearing Member on behalf of its FCM Clients in connection with Foreign Futures Products as belonging to such FCM Clients as a class, and such amount shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, FCM Clients of other FCM Clearing Members or any other person, except as permitted under the FCM Rulebook; **provided**, that the Clearing House shall be permitted to physically hold and commingle all Collateral and other cover deposited in any FCM Omnibus Foreign Futures Client Account with LCH in a single physical depository account.
- (iii) An FCM Clearing Member shall provide the Clearing House with all information required under the FCM Procedures regarding Foreign Futures Products, Collateral and other FCM Foreign Futures Client Funds held by such FCM Clearing Member for each of its FCM Clients. In addition, an FCM Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the FCM Clients of the FCM Clearing Member, or the clearing of Foreign Futures Products by such FCM Clearing Member on behalf of its FCM Clients or on its own behalf.

Without limitation to FCM Regulation 7(ca), to the extent permitted under CFTC Regulation 39.13(g)(8)(i), each FCM Clearing Member shall report the gross FCM Contracts that are Foreign Futures Products of each of its individual FCM Clients to the Clearing House, unless the Clearing House expressly permits an FCM Clearing Member to instead report the sum of the gross positions in Foreign Futures Products in each applicable Business Category of FCM Contract of all of its FCM Clients on an omnibus basis to the Clearing House. Unless otherwise notified by FCM Clearing Member circular, receipt of position information generated by an Exchange with respect

to FCM Contracts in Foreign Futures Products and provided by such Exchange to the Clearing House shall be deemed to satisfy the FCM Clearing Member's obligation to report gross positions. The Clearing House will provide notice by FCM Clearing Member circular of its policies and procedures regarding the collection of reports described above, to the extent not already specified in the FCM Procedures, including any changes to such policies and procedures from time to time.

(d) **Depository Accounts – Swaps.**

- (i) Each FCM Clearing Member shall establish and maintain one or more FCM Swaps Client Segregated Depository Accounts on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of such Regulations, and as further set forth in this FCM Regulation 7. Each FCM Swaps Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and the CFTC Regulations. The FCM Clearing Member may physically commingle FCM Swaps Client Funds of all of its FCM Clients (**provided** that such assets are deposited or held in connection with Cleared Swaps) relating to Swap Products in a single FCM Swaps Client Segregated Depository Account established and maintained in accordance with CFTC Regulations. No FCM Clearing Member shall physically commingle FCM Futures Client Funds **or FCM Foreign Futures Client Funds** in its FCM Swaps Client Segregated Depository Account. Each FCM Swaps Client Segregated Depository Account maintained by each FCM Clearing Member shall be treated as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for the purposes of the CFTC Regulations.
- (ii) The Clearing House shall establish and maintain an LCH Swaps Client Segregated Depository Account for all Swap Products on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, as required, including but not limited to Part 1, Part 22 and Part 190 of such Regulations. Such LCH Swaps Client Segregated Depository Account shall be maintained with Permitted Depositories in accordance with the CEA and the CFTC Regulations, and the Clearing House may physically commingle all Collateral furnished on behalf of FCM Clients with respect to Swap Products in the LCH Swaps Client Segregated Depository Accounts in accordance with the CFTC Regulations. Such LCH Swaps Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the FCM Clearing Members or assets of the Clearing House, and shall contain no assets other than Collateral furnished by FCM Clearing Members in connection with the clearing of Swap Products on behalf of their FCM Clients. Such LCH Swaps Client Segregated Depository Account maintained by the Clearing House shall be treated as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for the purposes of the CFTC Regulations. In accordance with CFTC Regulation 22.8, the situs of the LCH Swaps Client Segregated Depository Account shall be located in the United States.

(e) **Depository Accounts – Futures.**

- (i) Each FCM Clearing Member shall establish and maintain one or more FCM Futures Client Segregated Depository Accounts on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, including but not limited to Part 1 and Part 190 of such Regulations, and as further set forth in this FCM Regulation 7. Each FCM Futures Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and the CFTC Regulations. The FCM Clearing Member may physically commingle FCM Futures Client Funds of all of its FCM Clients (**provided** that such assets are deposited or held in connection with Futures Products) relating to Futures Products in a single FCM Futures Client Segregated Depository Account established and maintained in accordance with CFTC Regulations. No FCM Clearing Member shall physically commingle FCM Swap Client Funds or FCM Foreign Futures Client Funds in its FCM Futures Client Segregated Depository Account. Each FCM Futures Client Segregated Depository Account maintained by each FCM Clearing Member shall be considered a Futures Customer Account for the purposes of the CFTC Regulations.
- (ii) The Clearing House shall establish and maintain an LCH Futures Client Segregated Depository Account for all Futures Products on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, as required, including but not limited to Part 1 and Part 190 of such Regulations. Such LCH Futures Client Segregated Depository Account shall be maintained with Permitted Depositories in accordance with the CEA and the CFTC Regulations, and the Clearing House may physically commingle all Collateral furnished on behalf of FCM Clients in connection with Futures Products in the LCH Futures Client Segregated Depository Accounts in accordance with the CFTC Regulations. Such LCH Futures Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the FCM Clearing Members or assets of the Clearing House, and shall contain no assets other than Collateral furnished by FCM Clearing Members in connection with the clearing of Futures Products on behalf of their FCM Clients. Such LCH Futures Segregated Depository Account maintained by the Clearing House shall be treated as part of the Futures Account Class for the purposes of the CFTC Regulations.

**(ea) Depository Accounts – Foreign Futures.**

- (i) Each FCM Clearing Member shall establish and maintain one or more FCM Foreign Futures Client Secured Amount Depository Accounts on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, including but not limited to Part 1, Part 30 and Part 190 of such Regulations, and as further set forth in this FCM Regulation 7. Each FCM Futures Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and the CFTC Regulations, including but not limited to the geographical and other limitations set out in CFTC Regulation 30.7(c). The FCM Clearing Member may physically commingle FCM Foreign Futures Client Funds of all of its FCM Clients (provided that such assets are deposited or held in connection**

with Foreign Futures Products) relating to Foreign Futures Products in a single FCM Foreign Futures Client Secured Amount Depository Account established and maintained in accordance with CFTC Regulations. No FCM Clearing Member shall physically commingle FCM Swap Client Funds or FCM Futures Client Funds in its FCM Foreign Futures Client Secured Amount Depository Account. Each FCM Futures Client Segregated Depository Account maintained by each FCM Clearing Member shall be considered a Foreign Futures Customer Account for the purposes of the CFTC Regulations.

(ii) The Clearing House shall designate and maintain an LCH Foreign Futures Client Depository Account for all Foreign Futures Products on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, as required, including but not limited to Part 30 and Part 190 of such Regulations. The Clearing House may physically commingle all Collateral furnished on behalf of FCM Clients in connection with Foreign Futures Products in the LCH Foreign Futures Client Depository Account. For the avoidance of doubt, the LCH Foreign Futures Client Depository Account may from time to time also contain assets of Non-FCM Clearing Members as well as assets of the Clearing House. The Foreign Futures Client Collateral held by the Clearing House in the LCH Foreign Futures Depository Account shall be treated as part of the Foreign Futures Account Class for the purposes of the CFTC Regulations.

(f) **Notice of Deficiency in FCM Client Segregated Depository Accounts.** Whenever an FCM Clearing Member knows or should know that the aggregate amount of funds on deposit in one of its FCM Client Segregated Depository Accounts is less than the total amount of such funds required by the CEA, CFTC Regulations and/or the FCM Rulebook to be on deposit, the FCM Clearing Member must report such deficiency immediately by telephone notice, confirmed

Any FCM Clearing Member required to provide notice of a deficiency pursuant to CFTC Regulation 1.12(j) must do so immediately in writing by facsimile notice, to the Clearing House and the principal office of the CFTC in Washington, DC, to the attention of the Director and the Chief Accountant of the Division of Clearing and Intermediary Oversight, and, if the FCM Clearing Member is a securities broker or dealer, to the Securities and Exchange Commission, in accordance with 17 C.F.R. § 240.17a-11.

(g) **Segregation of FCM Swap Client Funds.**

- (i) This paragraph (g) applies to any account that reflects Swap Products cleared by an FCM Clearing Member on behalf of its FCM Clients and/or that reflects funds related thereto.
- (ii) With respect to FCM Client Funds deposited in connection with FCM Transactions and FCM Contracts in Swap Products:
  - (A) all such FCM Swaps Client Funds shall be separately accounted for and segregated by the relevant FCM Clearing Member as belonging to FCM Clients and shall be held in its FCM Swaps Client Segregated Depository Account in accordance with Section 4d(f) of the CEA and

the CFTC Regulations, including Part 22 of such Regulations;

- (B) all such FCM Swaps Client Funds must be held by the applicable Clearing Member or deposited with a Permitted Depository, and such FCM Swaps Client Funds shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that they are segregated as required by the FCM Rulebook and Part 22 of the CFTC Regulations; and
  - (C) each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment, in accordance with CFTC ~~Regulations-Regulation 22.5, 1.20 or 1.26 (as applicable)~~ Regulation 22.5 from such Permitted Depository that it was informed that such FCM Swaps Client Funds deposited in the FCM Swaps Client Segregated Depository Accounts maintained by such Permitted Depository for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.
- (iii) All Collateral held or maintained by the Clearing House to purchase, margin, guarantee, secure or settle Swap Products of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such FCM Clients, and held in the applicable LCH Swaps Client Segregated Depository Account, in accordance with Section 4d(f) of the CEA and the CFTC Regulations, and the Clearing House shall not hold, use or dispose of such Collateral except as belonging to such FCM Clients. Without limitation, all such Collateral shall be reflected in the appropriate FCM Omnibus Swaps Client Account with LCH. All such Collateral deposited by the Clearing House with a Permitted Depository shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that such Collateral is segregated as required by the CEA, the CFTC Regulations and the FCM Rulebook. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, a written acknowledgment, in accordance with CFTC ~~Regulations 22.5, 1.20 or 1.26 (as applicable);~~ Regulation 22.5, from such Permitted Depository that it was informed that the Collateral deposited in any LCH Swaps Client Segregated Depository Accounts maintained by LCH in connection with Swap Products are those of FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA, the CFTC Regulations and the FCM Rulebook.
- (iv) Each FCM Clearing Member shall treat and deal with FCM Swaps Client Funds as belonging to such FCM Client on whose behalf such FCM Client Funds are deposited. All FCM Client Funds held in connection with Swap Products or other Cleared Swaps shall be separately accounted for, and shall not be commingled with the money, securities or property of an FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; **provided**, that all FCM Swaps Client Funds may be physically commingled (although separately accounted

for in accordance with these FCM Regulations), subject to and in accordance with the CEA, the CFTC Regulations and the FCM Rulebook; **provided, further,** that FCM Client Funds may be invested in accordance with FCM Regulation 7(n) and CFTC Regulation 1.25.

- (v) In no event may FCM Swaps Client Funds (deposited or held in connection with FCM Transactions resulting in, and FCM Contracts that are, Swap Products) be held or commingled and deposited with (A) FCM Futures Client Funds; (B) ~~money, securities or property representing the foreign futures or foreign options secured amount held in accordance with CFTC Regulation 30.7 FCM Foreign Futures Client Funds;~~ or (C) any other money securities or property required to be segregated and separately accounted for under Section 4d of the CEA.
- (vi) The Clearing House is required to maintain an FCM Omnibus Swaps Client Account with LCH for each FCM Clearing Member in respect of each Business Category of FCM Contract consisting of Swap Products in which such FCM Clearing Member is approved by the Clearing House to clear such Business Category of FCM Contract; **provided,** that an FCM Clearing Member is permitted to physically commingle all FCM Swaps Client Funds in a single FCM Swaps Client Segregated Depository Account.
- (vii) In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the Margin value attributable to an FCM Client in connection with Swap Products as belonging to each such individual FCM Client, and such amount shall be credited to such FCM Client's applicable FCM Client Sub-Account as provided in the FCM Rulebook, and shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, other FCM Clients or any other person, except as permitted under the FCM Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 22 of the CFTC Regulations. For the avoidance of doubt, and notwithstanding anything to the contrary in the FCM Rulebook, the Clearing House is under no obligation to deal directly with any FCM Client (under the terms of the FCM Rulebook or otherwise) and the Clearing House may deal exclusively with the FCM Clearing Members, and the Clearing House shall have no obligations to any FCM Client under the FCM Rulebook.

~~(g)~~(h) **Segregation of FCM Futures Client Funds.**

- (i) This paragraph (h) applies to any account that reflects Futures Products cleared by an FCM Clearing Member on behalf of its FCM Clients and/or that reflects funds related thereto.
- (ii) With respect to FCM Futures Client Funds deposited in connection with FCM Transactions and FCM Contracts in Futures Products:
  - (A) all such FCM Futures Client Funds shall be separately accounted for and segregated by the relevant FCM Clearing Member as belonging to FCM Clients and shall be held in its FCM Futures Client Segregated Depository Account in accordance with Sections 4d(a) of the CEA and

the CFTC Regulations, including Part 1 of such Regulations;

- (B) all such FCM Futures Client Funds must be held by the applicable FCM Clearing Member or deposited with a Permitted Depository, and such FCM Futures Client Funds shall be deposited under an account name which complies with the requirements of CFTC Regulation 1.20 and indicates that they are segregated as required by the FCM Rulebook and Part 1 of the CFTC Regulations; and
  - (C) each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment, in accordance with CFTC Regulations 1.20 or 1.26 (as applicable) from such Permitted Depository that it was informed that such FCM Futures Client Funds deposited in the FCM Futures Client Segregated Depository Accounts maintained by such Permitted Depository for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.
- (iii) All Collateral held or maintained by the Clearing House to purchase, margin, guarantee, secure or settle Futures Products of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such FCM Clients, and held in the applicable LCH Futures Client Segregated Depository Account, in accordance with Section 4d(a) of the CEA and the CFTC Regulations, and the Clearing House shall not hold, use or dispose of such Collateral except as belonging to such FCM Clients. Without limitation, the value of all such Collateral shall be reflected in the appropriate FCM Omnibus Futures Client Account with LCH. All such Collateral deposited by the Clearing House with a Permitted Depository, shall be deposited under an account name which complies with the requirements of CFTC Regulation 1.20 and shows that such Collateral is segregated as required by the CEA, the CFTC Regulations and the FCM Rulebook. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, a written acknowledgment, in accordance with CFTC Regulations 1.20 or 1.26 (as applicable), from such Permitted Depository that it was informed that the Collateral deposited in any LCH Futures Client Segregated Depository Accounts maintained by LCH in connection with Futures Products are those of FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA, the CFTC Regulations and the FCM Rulebook.
- (iv) Each FCM Clearing Member shall treat and deal with FCM Futures Client Funds as belonging to such FCM Client on whose behalf such FCM Client Funds are deposited. All FCM Client Funds held in connection with Futures Products or other Futures/Options Contracts shall be separately accounted for, and shall not be commingled with the money, securities or property of an FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; **provided**, that all FCM Futures Client Funds may be physically commingled



(although separately accounted for in accordance with these FCM Regulations), subject to and in accordance with the CEA, the CFTC Regulations and the FCM Rulebook; **provided, further**, that FCM Futures Client Funds may be invested in accordance with FCM Regulation 7(n) and CFTC Regulation 1.25.

- (v) In no event may FCM Futures Client Funds (deposited or held in connection with FCM Transactions resulting in, and FCM Contracts that are, Futures Products) be held or commingled and deposited with (A) FCM Swaps Client Funds; (B) ~~money, securities or property representing the foreign futures or foreign options secured amount held in accordance with CFTC Regulation 30.7 FCM Foreign Futures Client Funds~~; or (C) any other money securities or property required to be segregated and separately accounted for under Section 4d of the CEA.
- (vi) The Clearing House is required to maintain an FCM Omnibus Futures Client Account with LCH for each FCM Clearing Member in respect of each Business Category of FCM Contract consisting of Futures Products in which such FCM Clearing Member is approved by the Clearing House to clear such Business Category of FCM Contract; **provided**, that an FCM Clearing Member is permitted to physically commingle all FCM Futures Client Funds in a single FCM Futures Client Segregated Depository Account.

**(ha) Maintenance of FCM Foreign Futures Client Funds.**

- (i) With respect to FCM Foreign Futures Client Funds deposited in an FCM Clearing Member's FCM Foreign Futures Client Secured Amount Depository Account(s):
  - (A) all such FCM Foreign Futures Client Funds shall be separately accounted for and maintained by the relevant FCM Clearing Member as belonging to FCM Clients and shall be held in accordance with Part 30 of the CFTC Regulations;
  - (B) all such FCM Foreign Futures Client Funds must be held by the applicable FCM Clearing Member or deposited with a Permitted Depository, and such FCM Futures Client Funds shall be deposited under an account name which complies with the requirements of CFTC Regulation 30.7(b) and indicates that they are held in accordance with the FCM Rulebook and Part 30 of the CFTC Regulations; and;
  - (C) each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment, in accordance with CFTC Regulation 30.7(d) from such Permitted Depository that it was informed that such FCM Foreign Futures Client Funds deposited in the FCM Foreign Futures Client Secured Amount Depository Accounts maintained by such Permitted Depository for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the requirements of the CFTC Regulations and the FCM Rulebook; **provided**, that where such FCM Clearing Member deposits FCM Foreign Futures Client Funds with the Clearing House,

the Clearing House shall hold such FCM Foreign Futures Client Funds as a foreign futures or foreign options secured amount subject to the requirements of CFTC Regulation 30.7, thereby satisfying such FCM Clearing Member's requirement to obtain an acknowledgement letter from the Clearing House pursuant to CFTC Regulation 30.7(d).

- (ii) All Collateral held or maintained by the Clearing House to purchase, margin, guarantee, secure or settle Foreign Futures Products of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for as belonging to such FCM Clients, and held in the LCH Foreign Futures Client Depository Account. Without limitation, the value of all such Collateral shall be reflected in the appropriate FCM Omnibus Foreign Futures Client Account with LCH.
- (iii) Each FCM Clearing Member shall treat and deal with FCM Foreign Futures Client Funds as belonging to such FCM Client on whose behalf such FCM Client Funds are deposited. All FCM Client Funds held by an FCM Clearing Member in connection with Foreign Futures Products or other Foreign Futures/Options Contracts shall be separately accounted for, and shall not be commingled with the money, securities or property of such FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; **provided**, that all FCM Foreign Futures Client Funds held by an FCM Clearing Member may be physically commingled (although separately accounted for in accordance with these FCM Regulations), subject to and in accordance with the CEA, the CFTC Regulations and the FCM Rulebook; **provided, further**, that FCM Foreign Futures Client Funds may be invested in accordance with FCM Regulation 7(n) and CFTC Regulations 30.7(h) and 1.25.
- (iv) In no event may FCM Foreign Futures Client Funds (deposited or held by an FCM Clearing Member in connection with FCM Transactions resulting in, and FCM Contracts that are, Foreign Futures Products) be held or commingled and deposited with (A) FCM Swaps Client Funds; (B) FCM Futures Client Funds; or (C) any other money securities or property required to be segregated and separately accounted for under Section 4d of the CEA.
- (v) The Clearing House is required to maintain an FCM Omnibus Foreign Futures Client Account with LCH for each FCM Clearing Member in respect of each Business Category of FCM Contract consisting of Foreign Futures Products in which such FCM Clearing Member is approved by the Clearing House to clear such Business Category of FCM Contract; **provided**, that an FCM Clearing Member is permitted to physically commingle all FCM Foreign Futures Client Funds in a single FCM Foreign Futures Client Secured Amount Depository Account.

(h)(i) Care of Money and Securities Accruing to FCM Clients.

- (i) All money received directly or indirectly by, and all money and securities accruing to, an FCM Clearing Member from the Clearing House or from any

FCM Clearing Member or from any other person incident to or resulting from any FCM Contract cleared by such FCM Clearing Member on behalf of any FCM Client shall be considered as accruing to such FCM Client within the meaning of the FCM Rulebook. Such money and securities shall be treated and dealt by the FCM Clearing Member with as belonging to such FCM Client in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.

- (ii) With respect to Swap Products, the value of money and securities accruing in connection with Swap Products in an FCM Omnibus Swaps Client Account with LCH attributable to an individual FCM Client shall be separately credited to the relevant FCM Client Sub-Account of such FCM Client.
- (iii) With respect to Futures Products, the value of money and equities accruing in connection with Futures Products in an FCM Omnibus Futures Client Account with LCH need not be separately credited by the Clearing House to individual accounts therein but may be treated and dealt with as belonging undivided to all such FCM Clients having positions in Futures Products through the FCM Clearing Member which if closed would result in a credit to such FCM Clients.

(iv) With respect to Foreign Futures Products, the value of money and equities accruing in connection with Foreign Futures Products in an FCM Omnibus Foreign Futures Client Account with LCH need not be separately credited by the Clearing House to individual accounts therein but may be treated and dealt with as belonging undivided to all such FCM Clients having positions in Foreign Futures Products through the FCM Clearing Member which if closed would result in a credit to such FCM Clients.

(j) **Use of FCM Swaps Client Funds Restricted.**

- (i) No FCM Clearing Member shall use, or permit the use of, FCM Swaps Client Funds to purchase, margin, or settle the trades, contracts or transactions of, or to secure or extend the credit of, any person other than its FCM Clients. FCM Swaps Client Funds held in an FCM Swaps Client Segregated Depository Account shall not be used to carry trades or positions other than in connection with (A) Swap Products or (B) other Cleared Swaps.
- (ii) FCM Client Funds held in an FCM Swaps Client Segregated Depository Account that are deposited by a specific FCM Client shall not be used to purchase, margin or settle any Swap Product, Cleared Swap or other trade or contract of, or to secure or extend the credit of, any person other than such FCM Client.

(k) **Use of FCM Futures Client Funds Restricted.**

- (i) No FCM Clearing Member shall use, or permit the use of, FCM Futures Client Funds to purchase, margin, or settle the trades, contracts or transactions of, or to secure or extend the credit of, any person other than its FCM Clients. FCM Futures Client Funds held in an FCM Futures Client Segregated Depository Account shall not be used to carry trades or positions other than in connection

with (A) Futures Products or (B) other Futures/Options Contracts.

- (ii) FCM Client Funds held in an FCM Futures Client Segregated Depository Account that are deposited by a specific FCM Client shall not be used to purchase, margin or settle any Futures Product, Futures/Options Contracts or other trade or contract of, or to secure or extend the credit of, any person other than such FCM Client.

**(ka) Use of FCM Foreign Futures Client Funds Restricted.**

- (i) No FCM Clearing Member shall use, or permit the use of, FCM Foreign Futures Client Funds to purchase, margin, or settle the trades, contracts or transactions of, or to secure or extend the credit of, any person other than its FCM Clients. FCM Foreign Futures Client Funds held in an FCM Foreign Futures Client Secured Amount Depository Account shall not be used to carry trades or positions other than in connection with (A) Foreign Futures Products or (B) other Foreign Futures/Options Contracts.
- (ii) FCM Client Funds held in an FCM Foreign Futures Client Secured Amount Depository Account that are deposited by a specific FCM Client shall not be used to purchase, margin or settle any Foreign Futures Product, Foreign Futures/Options Contracts or other trade or contract of, or to secure or extend the credit of, any person other than such FCM Client.

**(l) Interest of FCM Clearing Members in FCM Client Funds; Additions and Withdrawals.** FCM Regulation 7(g), ~~FCM Regulation 7(h)~~ and FCM ~~Regulation 7(ha)~~, which prohibit the commingling of any FCM Client Funds with the funds or assets of an FCM Clearing Member, shall not be construed to prevent an FCM Clearing Member from having a residual financial interest in FCM Client Funds, segregated as required under Section 4d of the CEA, the CFTC Regulations and the FCM Rulebook, as applicable, and set apart for the benefit of FCM Clients; nor shall such provisions be construed to prevent an FCM Clearing Member from adding to FCM Client Funds in an FCM Client Segregated Depository Account such amount or amounts of money, from its own funds or unencumbered securities from its own inventory of the type permitted under FCM Regulation 7(n), as it may deem necessary to ensure that such FCM Client Segregated Depository Account holds at all times, at a minimum, an amount equal to the amount required by the CEA, CFTC Regulations and the FCM Rulebook. The books and records of an FCM Clearing Member shall at all times accurately reflect its interest in the segregated FCM Client Funds. An FCM Clearing Member may draw upon FCM Client Funds in the relevant FCM Client Segregated Depository Account to its own order, to the extent of its actual interest therein, including the withdrawal of securities held in such FCM Client Segregated Depository Account; **provided**, that any such 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, or an FCM Foreign Futures Client Secured Amount 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.**

(i) An FCM Clearing Member may invest FCM Client Funds as permitted by and in accordance with the terms and conditions set forth in CFTC Regulations 1.25 and/or 30.7, as applicable.

(ii) The Clearing House may invest Collateral held on behalf of FCM Clients:

(A) in respect of clearing Swaps and Futures Products, 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, including Articles 43, 45 and Annex II of Commission Delegated Regulation (EU) No 153/~~201-~~2013 of 19 December 2012. Any investment of such Collateral by the Clearing House shall also comply with any other applicable requirements under 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; and

~~(A)~~(B) in respect of clearing Foreign Futures Products, as permitted by and in accordance with Articles 43, 45 and Annex II of Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012. Any investment of such Collateral by the Clearing House shall also comply with any other applicable requirements under 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.

~~(m)~~(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,~~ an FCM Futures Client Segregated Depository Account or an FCM Foreign Futures Client Secured Amount

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~~This paragraph applies to the Clearing House's investment of money belonging or accruing to FCM Clients of its FCM Clearing Members in connection with clearing Swaps Products and Futures Products. When the Clearing House makes such investments 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 applicable FCM Clients of all FCM Clearing Members, at one or more Permitted Depositories. Such instruments, when deposited with Permitted Depository, shall be deposited under an account name which will clearly show that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Upon opening any such account, the Clearing House shall obtain and retain in its files a written acknowledgment from such Permitted Depository that it was informed that the instruments belong to FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such Permitted Depository shall allow inspection of such instruments at any reasonable time by representatives of the Clearing House.

~~(h)(p)~~ **Record of Investments.**

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

disposed of; and

(H) Daily valuation for each instrument and readily available documentation supporting the daily valuation for each instrument. Such supporting documentation must be sufficient to enable auditors to verify the valuations and the accuracy of any information from external sources used in those valuations.

(ii) When the Clearing House receives documents from its FCM Clearing Members representing or evidencing investment of FCM Client Funds, the Clearing House shall keep a record showing separately for each clearing member the following:

(I) The date on which such documents were received from the clearing member;

(J) A description of such documents, including the CUSIP or ISIN numbers; and

(K) 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, 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 the Securities and Exchange Commission (17 CFR § 241.15c3-1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with a Permitted Depository. For purposes of this section, a security will be considered readily marketable if it is traded on a "ready market" as defined in Rule 15c3-1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3-1(c)(11)(i)).
- (iii) The daily computations required by this FCM Regulation 7 must be completed by the FCM Clearing Member prior to 12:00 hours (London time) on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.

**(+) (t) FCM Futures 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 Futures Client Funds on deposit in its FCM Futures Client Segregated Depository Accounts on behalf of FCM Clients;
  - (B) the amount of such FCM Futures Client Funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit in its FCM Futures Client Segregated Depository Accounts on behalf of such FCM Clients; and
  - (C) the amount of the FCM Clearing Member's residual interest in such FCM Futures Client Funds.
- (ii) In computing the aggregate amount of FCM Futures Client Funds required to be in its FCM Futures 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 the Securities and Exchange Commission (17 CFR § 241.15c3-1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with a Permitted Depository. For purposes of this section, a security will be considered readily marketable if it is traded on a "ready market" as defined in Rule 15c3-1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3-1(c)(11)(i)).

- (iii) The daily computations required by this FCM Regulation 7 must be completed by the FCM Clearing Member prior to 12:00 hours (London time) on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.

**(ta) FCM Foreign Futures Client Secured Amount 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 Foreign Futures Client Funds on deposit in its FCM Foreign Futures Client Secured Amount Depository Accounts on behalf of FCM Clients;

- (B) the amount of such FCM Foreign Futures Client Funds required to be on deposit in its FCM Futures Client Segregated Depository Accounts on behalf of such FCM Clients pursuant to CFTC Regulation 30.7; and

- (C) the amount of the FCM Clearing Member's residual interest in such FCM Foreign Futures Client Funds.

- (ii) In computing the aggregate amount of FCM Foreign Futures Client Funds required to be in its FCM Foreign Futures Client Secured Amount 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 the Securities and Exchange Commission (17 CFR § 241.15c3-1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with a Permitted Depository. For purposes of this section, a security will be considered readily marketable if it is traded on a "ready market" as defined in Rule 15c3-1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3-1(c)(11)(i)).

- (iii) The daily computations required by this FCM Regulation 7 must be completed by the FCM Clearing Member prior to 12:00 hours (London time) on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.

**(u)** **Classification of Customer Property by an FCM Clearing Member.** In accordance with CFTC Regulation 1.36(a), each FCM Clearing Member shall maintain, as provided in CFTC Regulation 1.31, a record of all securities and property received from FCM Clients in lieu of money to margin, purchase, guarantee or settle the cleared FCM Contracts of such FCM Clients. Such record shall show separately for each FCM Client:

- (i) a description of the securities or property received;
- (ii) the name and address of such FCM Client;
- (iii) the dates when the securities or property were received;
- (iv) the identity of the Permitted Depositories or other places where such securities or property are segregated;
- (v) the dates of deposits and withdrawals from such Permitted Depositories; and
- (vi) and the dates of return of such securities or property to such FCM Client, or other disposition thereof, together with the facts and circumstances of such other disposition.

In the event an FCM Clearing Member deposits with the Clearing House, directly or with a Permitted Depository acting as custodian for the Clearing House, securities or property which belong to a particular FCM Client, such FCM Clearing Member shall obtain written acknowledgment from the Clearing House that the Clearing House was informed that such securities or property belong to FCM Clients of such FCM Clearing Member. Such acknowledgment shall be retained as provided in § 1.31.

**(v)** **Classification of Customer Property by the Clearing House.** In accordance with CFTC Regulation 1.36(b), the Clearing House, in respect to the receipt from FCM Clearing Member of securities or property belonging to particular FCM Clients of such FCM Clearing Member in lieu of money to margin, purchase, guarantee, or secure FCM Contracts **that are Swaps Products or Futures Products** cleared on behalf of such FCM Clients, or receives notice that any such securities or property have been received by a Permitted Depository acting as custodian for the Clearing House, shall maintain, as provided in CFTC Regulation 1.31, a record which will show separately for each FCM Clearing Member:

- (i) the dates when such securities or property were received;
- (ii) the identity of the Permitted Depositories or other places where such securities or property are segregated; and
- (iii) the dates such securities or property were returned to the relevant FCM Clearing Member, or otherwise disposed of, together with the facts and circumstances of such other disposition including the authorization therefor.

**(w)** **CFTC Regulations.** Without limitation of any other provisions of the FCM Rulebook, FCM Clearing Members shall at all times comply in all respects with the applicable provisions of Part 1, Part 22, **Part 30** and Part 190 of the CFTC

Regulations, as well 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 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.

## REGULATION 13 TRANSFER

Except as otherwise expressly provided herein, the provisions of FCM Regulation 13(a), (b), (c), (d), (f), (j) and (k) do not apply in respect of transfers of FCM SwapClear Contracts.

(a) **Transfer of FCM Client Contracts and Collateral from Carrying Clearing Members to Receiving Clearing Members.** A Receiving FCM Clearing Member may, upon the instruction or at the request of an FCM Client, request (in the manner set out in the FCM Procedures) that the Clearing House transfer to the Receiving Clearing Member some or all of an FCM Client's FCM Contracts registered to its FCM Client Sub-Account, an FCM Omnibus Futures Client Account with LCH, or to an FCM Omnibus Foreign Futures Client Account with LCH with a Carrying Clearing Member (such FCM Contracts subject to transfer, the "**Porting Contracts**"). Where the Porting Contracts constitute the entire portfolio of an FCM Client's FCM Contracts registered with the Carrying Clearing Member (and only in such case), the Receiving FCM Clearing Member may also request in connection with such transfer the transfer of the applicable Collateral attributable to such FCM Client (such Collateral, the "**Porting Collateral**"). It is a condition precedent to any transfer described in this paragraph that:

- (i) the FCM Client has not become insolvent (such FCM Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the FCM 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) the Receiving FCM Clearing Member has consented to the transfer of the Porting Contracts and, if applicable, the Porting Collateral;
- (iv) the Clearing House determines that, following the transfer, the Receiving FCM Clearing Member shall have satisfied the Required Margin in respect of the Porting Contracts;
- (v) in the event that the transfer would lead to an increase in Required Margin due from the Carrying Clearing Member to the Clearing House, the Carrying Clearing Member provides sufficient Margin to the Clearing House to satisfy such requirement; and
- (vi) the Carrying Clearing Member has not rejected such transfer (it being presumed by the Clearing House that the Carrying Clearing Member has not rejected the transfer unless it has rejected it in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House).

For purposes of clause (vi) above, the Carrying Clearing Member will be entitled to reject the transfer only if (A) the applicable FCM Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and its affiliates, including any increased Margin due and payable that may result from the proposed transfer (for this purpose, "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 Porting Contracts of the FCM Client which are being transferred, or the FCM Client's related Collateral), (B) the transfer of the Porting Contracts would result in the FCM Client breaching exposure limits with, and/or other 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 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, **FCM Omnibus Futures Client Account with LCH** or FCM Omnibus **Foreign** 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.

(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, and if, where applicable, under relevant Exchange Rules or the rules of an FCM Approved Trade Source System, an FCM Clearing Member may:

- (i) transfer Open FCM Contracts between its Proprietary Account and (1) in the case of Swaps Products, to the FCM Client Sub-Account(s) of each of its FCM Clients ~~or; (2) in the case of Futures Products, its applicable FCM Omnibus Futures Client Account with LCH); or (3) in the case of Foreign Futures Products, to its applicable FCM Omnibus Foreign 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 FCM Contracts registered to or for the account of one FCM Client ~~Sub-Account of one of its FCM Clients~~ to another account of 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 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 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 FCM 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 ~~SwapClearRates Service~~ DMP Annex or the ForexClear DMP Annex, respectively.

(f) **Clearing Member Instructions.**

(i) Subject to paragraph (ii) below, but otherwise notwithstanding anything to the contrary in the FCM Rulebook, in making any transfer of Porting Contracts and Porting Collateral pursuant to this FCM Regulation 13, the Clearing House shall be authorized and entitled to rely conclusively on the instructions of and information provided by the relevant FCM Clearing Member(s), which shall be solely responsible for all such instructions and information, including (A) ensuring that the transfer is properly authorized or rejected (as the case may be) and (B) the transfer is being made from the appropriate FCM Client Sub-Account or FCM Omnibus Futures Client Account with LCH, and that the appropriate account, FCM Contracts and Collateral has been identified, the Clearing House shall have no responsibility or liability therefor.

(ii) The Clearing House shall verify that the Porting Contracts identified to it by the applicable FCM Clearing Member as being the subject of such a transfer correspond to FCM Contracts which, according to its records, are registered in the name of the Carrying Clearing Member on behalf of the relevant FCM Client. In the event that the Clearing House identifies a discrepancy, it will notify the relevant FCM Clearing Member(s) and no transfer will occur pursuant to this FCM Regulation 13 until such time as the Porting Contracts identified to the Clearing House by the relevant FCM Clearing Member(s) can be verified by the Clearing House.

(g) **Limitation on Assignment of Rights under an FCM Contract and Transfer of an FCM Contract.** Except as may be permitted by paragraph (d) above, expressly permitted by other parts of the FCM Rulebook or as may otherwise be expressly permitted by the Clearing House in writing, rights under an FCM Contract shall not be capable of assignment by an FCM Clearing Member. Any such purported assignment by an FCM Clearing Member, or any purported transfer that is not in compliance with the FCM Rulebook shall be void. The FCM Procedures shall specify the Products that can be transferred in accordance with this FCM Regulation 13 and the applicable forms or other requirements of the Clearing House in connection with such a transfer.

(h) **Indemnity.** 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 pursuant to the grounds set out in the final paragraph of FCM Regulation 13(a).

(i) **Transfer/Novation.** Transfers of Open FCM Contracts made pursuant to this FCM Regulation 13 shall occur by transfer/novation of such Open FCM Contracts rather than by closeout and rebooking of new FCM Contracts.

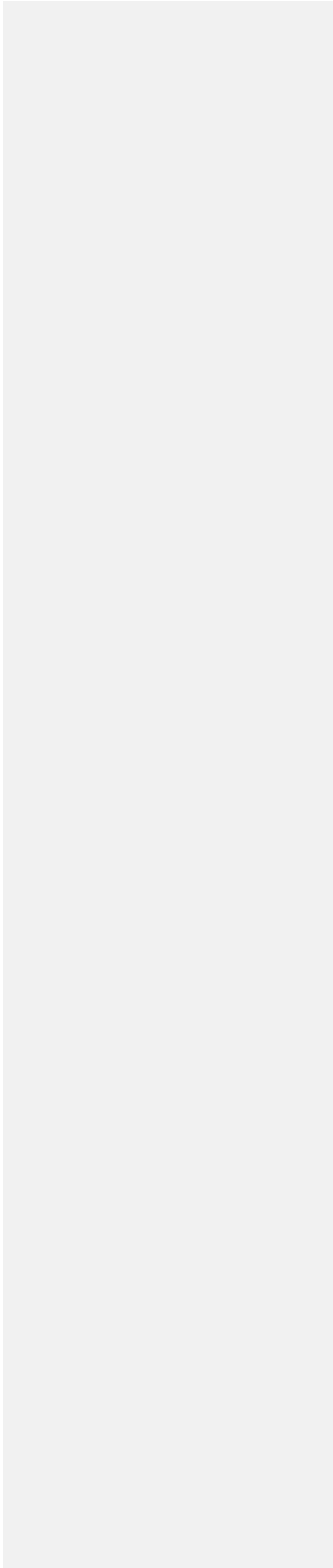
(j) **Futures Products- and Foreign Futures Products.** Transfers of FCM Contracts that are Futures Products or Foreign Futures Products made pursuant to FCM Regulation 13(d)(ii) shall only be permitted where: (i) the transferred FCM Contracts will be



owned or beneficially owned by the same FCM Client following the transfer; or  
(ii) an error has been made in the registration of an FCM 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 submission of the corresponding FCM Transaction particulars for registration, **provided**, that, where relevant, the Exchange cooperates in effecting such transfer.

- (k) **Swaps Products.** Transfers of FCM Contracts that are Swaps Products (other than FCM SwapClear Contracts) made pursuant to FCM Regulation 13(d)(ii) shall only be permitted where: (i) the transferred FCM Contracts will be beneficially owned by the same FCM Client following the transfer; (ii) an error has been made in the registration of an FCM 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 submission of the corresponding FCM Transaction for registration or the allocation of the relevant FCM Contract; or (iii) the Clearing House otherwise approves the transfer in its sole discretion. Any transfers carried out in accordance with this FCM Regulation 13 are subject to the provisions of the FCM Procedures.

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## CHAPTER V - COLLATERAL AND VALUATIONS

### REGULATION 14 MARGIN AND COLLATERAL

- (a) The Clearing House may in accordance with the FCM Procedures require an FCM Clearing Member to furnish it with Margin, and to keep the Clearing House furnished with sufficient Margin at all times, in an amount determined by the Clearing House in accordance with these FCM Regulations and the FCM Procedures, as security for the performance by such FCM Clearing Member of its obligations to the Clearing House in respect of all FCM Contracts from time to time to be registered in its name as Open **FCM** Contracts pursuant to these FCM Regulations. The obligation upon an FCM Clearing Member to furnish Margin to the Clearing House pursuant to this paragraph shall be **in addition** to any other obligation of the FCM Clearing Member to furnish Margin to the Clearing House pursuant to these FCM Regulations. For the avoidance of doubt, margining requirements and policies may vary among each Business Category of FCM Contract and among each Product therein.
- (b) If insufficient monies are standing to the credit of an FCM Clearing Member's account, or if any Collateral deposited by an FCM Clearing Member as Margin is determined by the Clearing House in accordance with the FCM Procedures to be insufficient, such Margin as the Clearing House requires an FCM Clearing Member to furnish to it pursuant to paragraph (a) above, FCM Regulation 46 or FCM Regulation 49 or any other FCM Regulation shall be furnished by the FCM Clearing Member in such form and manner and by such time or times as may be prescribed by the FCM Procedures.
- (c) (i) The Clearing House shall be entitled to assume that all Collateral furnished by an FCM Clearing Member to the Clearing House pursuant to these FCM Regulations or under the terms of any agreement made with the FCM Clearing Member are the sole legal and beneficial property of the FCM Clearing Member or are furnished or deposited for the purposes of these FCM Regulations with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House. An FCM Clearing Member may not furnish Collateral to or with the Clearing House otherwise than in conformance with this paragraph. It shall be accepted by every person (including FCM Clients) subject to or dealing on the terms of these FCM Regulations that an FCM Clearing Member has such person's unconditional consent to furnish to the Clearing House any securities or other assets of such person in the FCM Clearing Member's possession as Collateral for purposes of the FCM Rulebook.
- (ii) Each FCM Clearing Member represents and warrants to the Clearing House as at each date on which such FCM Clearing Member furnishes Collateral to the Clearing House pursuant to these FCM Regulations (A) that such FCM Clearing Member is the sole legal and beneficial owner of such Collateral or, as the case may be, such Collateral is so furnished or deposited with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House, and (B) that the provision to the Clearing House of such Collateral pursuant to these FCM Regulations will not constitute or result in a breach of any trust,

agreement or undertaking whatsoever.

- (iii) The Clearing House may, in its absolute discretion and at any time, require an FCM Clearing Member to furnish 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 provision** 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 **FCM** 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 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; **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 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(s) 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.
- (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 (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.
- (r) The Clearing House will, notwithstanding Section 9-207 of the New York Uniform

Commercial Code, have the right to maintain or otherwise handle Collateral held by the Clearing House on behalf of FCM Clients (including Collateral deposited in or attributable to an FCM Omnibus Client Account with LCH or any LCH Client ~~Segregated~~ Depository Account) in the manner provided in the FCM Rulebook, including investing such Collateral in accordance with FCM Regulations 7(n). Except to the extent otherwise provided 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.

- (s) Although each FCM Clearing Member and the Clearing House intend the payment of each Contribution by the FCM Clearing Member to the Clearing House to be an outright payment or transfer by the FCM Clearing Member to the Clearing House (subject to the Clearing House's obligation to repay Contributions pursuant to FCM Default Fund Agreement and/or the Default Fund Rules), in the event that any or all of a Contribution is deemed to be collateral posted to the Clearing House by the FCM Clearing Member (in which the FCM Clearing Member retains an ownership interest), then, notwithstanding clause (m) above, the FCM Clearing Member shall be deemed to have pledged to the Clearing House as security for unconditional payment and satisfaction of each and every obligation and liability of the FCM Clearing Member to the Clearing House under the FCM Rulebook, and the FCM Clearing Member shall be deemed to have granted the Clearing House a first priority security interest in, the amount of any Contribution that has been deemed to be collateral and any income thereon and other proceeds thereof, and the Clearing House shall have all of the rights of use in respect of such Contributions as referenced in FCM Regulation 14(q) and any other additional rights provided for under the FCM Rulebook.
- (t) Each FCM Clearing Member shall ensure that with respect to an FCM Transaction that results in the registration of an FCM Contract on behalf of an FCM ~~Contract~~ Client that is of a "non-hedging nature" (as such term is used in Part 39 the CFTC Regulations), it shall collect or remain furnished with additional FCM Client Funds from the relevant FCM Client in respect of such non-hedging FCM Contract in an amount which shall be no less than the minimum percentage as required by the Clearing House and as notified to the relevant FCM Clearing Member from time to time, as further specified in the FCM Procedures.
- (u) Each FCM Clearing Member shall ensure that no FCM Client withdraws FCM Client Funds from an FCM Client Segregated Depository Account unless the "net liquidating value" (as such term is used in Part 39 of the CFTC Regulations) plus the FCM Client Funds attributable to such FCM Client remaining in such FCM Client Segregated Depository Account after such withdrawal is sufficient to meet the level of Required Margin, as calculated by the Clearing House in respect of all FCM Contracts entered into on behalf of that FCM Client.
- (v) **Gross and Net Margining Requirements – FCM Client Positions.**
  - (i) *Swap Products.* FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract consisting of Swap Products shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client's position in any such single Business Category of FCM Contract shall be margined on a net basis, and

such margining shall only be netted within that single Business Category of FCM Contract and shall *not* be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable.

- (ii) *Futures Products.* FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract consisting of Futures Products shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client's position in any such single Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within that single Business Category of FCM Contract and shall *not* be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable. In relation to this FCM Regulation 14(v), each FCM Clearing Member which clears Futures Products on behalf of FCM Clients shall make reports pursuant to FCM Regulation 7(c).

(iii) *Foreign Futures Products.* FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract consisting of Foreign Futures Products shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client's position in any such single Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within that single Business Category of FCM Contract and shall not be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable. In relation to this FCM Regulation 14(v), each FCM Clearing Member which clears Foreign Futures Products on behalf of FCM Clients shall make reports pursuant to FCM Regulation 7(ca).

- (w) **Net Margining of Proprietary Accounts.** FCM Contract positions established in an FCM Clearing Member's Proprietary Account shall be subject to net margin requirements with respect to the relevant Business Category of FCM Contract, such that an FCM Clearing Member shall be required to deposit a net margin amount with the Clearing House in connection with all of the FCM Contracts registered in the relevant Proprietary Account for the relevant Business Category of FCM Contract.
- (x) **Required Margin Increase in an FCM Client Sub-Account.** Certain provisions regarding the satisfaction by FCM Clearing Members of their obligations with respect to increases in Required Margin applicable to an FCM Client Sub-Account under both the Without Client Excess Model and the With Client Excess Model are set forth in FCM Regulation 15(e) and FCM Regulation 15(f), respectively.
- (y) **Required Margin Increase in an FCM Omnibus Futures Client Account with LCH- or FCM Omnibus Foreign Futures Client Account with LCH.** If the



Required Margin applicable to the FCM Contracts registered to an FCM Omnibus Futures Client Account or an FCM Omnibus Foreign Futures Client Account with LCH with LCH is increased by the Clearing House and such increase cannot be immediately satisfied by Excess Margin in such FCM Omnibus Futures Client Account with LCH or an FCM Omnibus Foreign Futures Client Account with LCH, the obligation of the FCM Clearing Member to satisfy such deficit shall be discharged by:

- (i) the applicable FCM Clearing Member furnishing additional Margin to the Clearing House in respect of the applicable FCM Omnibus Futures Client Account with LCH; ~~or~~ or the applicable FCM Omnibus Foreign Futures Client Account with LCH; or
- (ii) if the obligation of the FCM Clearing Member to satisfy the deficit has not been fully discharged pursuant to clause (i) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

(z) **Required Margin Increase in a Proprietary Account.** Where the amount of Required Margin applicable to the FCM Contracts of an FCM Clearing Member's Proprietary Account is increased by the Clearing House, the obligation of the applicable FCM Clearing Member to furnish additional Margin to the Clearing House to satisfy such increased Required Margin shall be discharged by:

- (i) if and to the extent that there is Excess Margin available in the FCM Clearing Member's Proprietary Account, deduction by the Clearing House of amounts from such Excess Margin;
- (ii) the FCM Clearing Member furnishing additional Margin to the Clearing House in respect of such Proprietary Account; or
- (iii) if the obligation of the FCM Clearing Member to satisfy the Required Margin has not been fully discharged pursuant to clauses (i) and (ii) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

(aa) **Excess Margin in FCM Client Accounts.**

- (i) *Swap Products.* Certain provisions regarding Excess Margin in FCM Omnibus Swaps Client Accounts with LCH and the FCM Client Sub-Accounts therein (under both the Without Client Excess Model and the With Client Excess Model) are set forth in FCM Regulation 15.
- (ii) *Futures Products.* An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its FCM Omnibus Futures Client Accounts with LCH. Excess Margin held in an FCM Omnibus Futures Client Account with LCH of an FCM Clearing Member shall be treated as belonging to the FCM Clients of the FCM Clearing Member to the extent such FCM Clients have FCM Contracts attributed to such FCM Omnibus Futures Client Account with LCH. An FCM Clearing Member may withdraw Excess Margin from an FCM Omnibus Futures Client Account with LCH subject to FCM Regulation 9(b) (and in accordance with any other applicable provisions of the

FCM Rulebook). Even where an FCM Clearing Member has not requested the return of its Excess Margin held in an FCM Omnibus Futures Client Account with LCH, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member. Upon withdrawal or return of Excess Margin from an FCM Omnibus Futures Client Account with LCH, the treatment of any residual interest the FCM Clearing Member may have in such withdrawn collateral will be subject to and governed by FCM Regulation 7(l) and the relevant CFTC Regulations. For the avoidance of doubt, Excess Margin in an FCM Omnibus Futures Client Account with LCH shall not be applied to satisfy obligations of the relevant FCM Clearing Member in its proprietary capacity.

(iii) Foreign Futures Products. An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its FCM Omnibus Foreign Futures Client Accounts with LCH. Excess Margin held in an FCM Omnibus Foreign Futures Client Account with LCH of an FCM Clearing Member shall be treated as belonging to the FCM Clients of the FCM Clearing Member to the extent such FCM Clients have FCM Contracts attributed to such FCM Omnibus Foreign Futures Client Account with LCH. An FCM Clearing Member may withdraw Excess Margin from an FCM Omnibus Foreign Futures Client Account with LCH subject to FCM Regulation 9(b) (and in accordance with any other applicable provisions of the FCM Rulebook). Even where an FCM Clearing Member has not requested the return of its Excess Margin held in an FCM Omnibus Foreign Futures Client Account with LCH, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member. Upon withdrawal or return of Excess Margin from an FCM Omnibus Foreign Futures Client Account with LCH, the treatment of any residual interest the FCM Clearing Member may have in such withdrawn collateral will be subject to and governed by FCM Regulation 7(l) and the relevant CFTC Regulations. For the avoidance of doubt, Excess Margin in an FCM Omnibus Foreign Futures Client Account with LCH shall not be applied to satisfy obligations of the relevant FCM Clearing Member in its proprietary capacity.

(bb) **Excess Margin in Proprietary Accounts.** An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its Proprietary Accounts. In accordance with the FCM Procedures, an FCM Clearing Member that is not a Defaulter may request the return of any such Excess Margin and upon such request the Clearing House shall return such Excess Margin, except the Clearing House may determine not to return such Excess Margin where an unsatisfied margin call is outstanding in respect of one or more of such FCM Clearing Member's FCM Omnibus Client Accounts with LCH, including in respect of any FCM Client Sub-Account therein. Even where an FCM Clearing Member has not requested the return of its Excess Margin held in a Proprietary Account, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member.

(cc) FCM Portfolio Margining Service. The Clearing House shall provide the FCM Portfolio Margining Service subject to and in accordance with the terms of the FCM

Procedures. The FCM Portfolio Margining Service may require the transfer of Futures Products or Foreign Futures Products from an FCM Clearing Member's FCM Omnibus Futures Client Account with LCH or FCM Omnibus Foreign Futures Client Account with LCH to such FCM Clearing Member's FCM Omnibus SwapClear Client Account of LCH.

**REGULATION 16 OFFICIAL QUOTATIONS AND REFERENCE PRICE;  
SETTLEMENT AND REVALUATION**

- (a) The Clearing House may determine Official Quotations and Reference Prices for the purposes of these FCM Regulations and the FCM Procedures in such manner and at such times as may be prescribed in the FCM Procedures. Except as prescribed in the FCM Procedures, an Official Quotation or Reference Price is binding on an FCM Clearing Member and may in no circumstances be called in question.
- (b) If the ~~official quotations~~Official Quotations and/or Reference Prices prescribed in the FCM Procedures are unavailable, the Clearing House may determine, in its sole discretion, a substitute ~~official quotation~~Official Quotation or Reference Price. In such circumstances, the substitute ~~official quotation~~Official Quotation or Reference Price determined by the Clearing House is binding on an FCM Clearing Member and may in no circumstances be called in question.
- (c) For the avoidance of doubt, the Clearing House is not responsible for and does not warrant the accuracy of any Settlement Price (including where determined by a third party) or any Reference Price.
- (d) **Settlement and Revaluation.** With respect to settlement and revaluation procedures, the settlement and revaluation procedures for each Product shall be set forth in the chapter of the FCM Rulebook applicable to such Product and/or in the relevant section of the FCM Procedures.

**Chapter I—OPTIONS, FCM EXCHANGE CONTRACTS**

**CHAPTER VI - SUBJECT TO DELIVERY NOTICE AND PHYSICALLY-SETTLED FCM THROUGH FCM APPLY TO FCM EXCHANGE CONTRACTS. SUCH FCM REGULATIONS SHALL BE REFERRED TO AS THE “EXCHANGE CONTRACT RULES”, CONTRACTS**

**REGULATION 17 EXERCISE OF OPTIONS**

- (a) An Option may, subject to paragraph (d) below, be exercised, or deemed to be exercised, or abandoned in accordance with paragraph (b) or (c) below on the day and by the time prescribed by Exchange Rules, or ~~if there is no such prescribed day or time~~where relevant, by the day and time specified in the FCM Procedures. If any prescribed day is not a Business Day, an Option may be exercised, deemed to be exercised, or abandoned on such day as may be prescribed by the relevant Exchange Rules, where relevant, as may be prescribed by the FCM Procedures, or, or if no such day is so prescribed, on the next Business Day.
- (b) Subject to Exchange Rules or, where relevant, the FCM Procedures, an Option may be exercised by notice in writing or in such other form as may be prescribed by Exchange Rules or the FCM Procedures and in the manner prescribed by the FCM Procedures, and, if not so exercised by the day and time referred to in paragraph (a) above, the Option shall either expire or, if Exchange Rules or, where relevant, the FCM Procedures so provide, be deemed to have been exercised in accordance with Exchange Rules or, where relevant, the FCM Procedures. The Clearing House shall not be liable to any FCM Client if the relevant FCM Clearing Member fails to provide proper notice to the Clearing House and an Option expires or is deemed to be exercised in contradiction to such FCM Client's instructions to the FCM Clearing Member:
- (c) Subject to Exchange Rules or, where relevant, the FCM Procedures, an Option may be abandoned by notice in writing or in such other form as may be prescribed by Exchange Rules or the FCM Procedures and in the manner prescribed by the FCM Procedures, and, if not so abandoned by the day and time referred to in paragraph (a) above, the Option shall be deemed to have been exercised in accordance with the Exchange Rules or, where relevant, the FCM Procedures.
- (d) If permitted under Exchange Rules or, where relevant, the FCM Procedures, an Option may be exercised or abandoned by or on behalf of an FCM Clearing Member prior to the day and time referred to in paragraph (a) above in accordance with Exchange Rules or, where relevant, the FCM Procedures.
- (e) The Clearing House shall be entitled to rely and act upon any form of exercise or abandonment made in accordance with paragraphs (b), (c) or (d) above, or in accordance with the FCM Procedures, as applicable, without making any inquiry, investigation or check as to whether it complies with the Exchange Rules or, where relevant, the FCM Procedures or as to the authority of any person purporting to exercise or abandon an Option on behalf of an FCM Clearing Member; **provided**, that

the Clearing House may, in its sole discretion, reject any notice of exercise or abandonment (or exercise or abandonment made in such other prescribed form, as the case may be) if, in the sole discretion of the Clearing House, it does not appear to comply with Exchange Rules or the FCM Procedures notwithstanding that the Clearing House may, as Buyer, have passed on such notice or other prescribed form of exercise or abandonment to a Seller.

- (f) Subject to paragraph (e) above, no notice (or other form) of exercise or abandonment once received (and not rejected) by the Clearing House may be cancelled or withdrawn.
- (g) Where the Clearing House is a Buyer under the terms of an FCM Option Contract, the Clearing House may exercise or abandon such FCM Option Contract in accordance with Exchange Rules or the FCM Procedures, as applicable, and in accordance with FCM Regulation 3.
- (h) Upon the exercise or deemed exercise of an Option pursuant to this FCM Regulation 17, FCM Regulation 3(b)(ii) and FCM Regulation 18 shall come into effect.

**REGULATION 18 PHYSICALLY-SETTLED FCM-~~EXCHANGE~~ CONTRACTS ARISING UPON THE EXERCISE OF AN OPTION**

- (a) Subject to these FCM Regulations, Physically-Settled FCM ~~Exchange~~ Contracts shall be fulfilled in accordance with Exchange Rules ~~or, where relevant, the FCM Procedures~~. No Physically-Settled FCM-~~Exchange~~ Contract shall be for a unit or quantity smaller than one Lot and the amount or quantity to be delivered shall be one Lot or multiples thereof (or such other amount or quantity as may be specified in: (A) the relevant Exchange Rules from time to time; or (B) the relevant provisions of the FCM Product Specific Contract Terms and Eligibility Criteria Manual).
- (b) Where a Physically-Settled FCM ~~Exchange~~ Contract, is registered pursuant to FCM Regulation 17(h) upon the exercise or deemed exercise of an Option, the Buyer under the terms of the Physically-Settled FCM ~~Exchange~~ Contract shall give to the Clearing House such information as may be prescribed by Exchange Rules or, where relevant, the FCM Procedures by the time and in the manner specified in Exchange Rules or the FCM Procedures. The Clearing House as Buyer under the terms of a Physically-Settled FCM ~~Exchange~~ Contract shall, in accordance with FCM Regulation 3, give to the Seller under the terms of such Physically-Settled FCM-~~Exchange~~ Contract, such information as may be prescribed by Exchange Rules or the FCM Procedures.
- (c) The Seller under the terms of a Physically-Settled FCM ~~Exchange~~ Contract shall deliver the commodity to the Clearing House as Buyer in such manner and at such time as may be prescribed in Exchange Rules or, where relevant, the FCM Procedures, and the Clearing House as Seller under the terms of a Physically-Settled FCM ~~Exchange~~ Contract shall, in accordance with FCM Regulation 3, deliver the commodity the subject of such Physically-Settled FCM-~~Exchange~~ Contract to an FCM Clearing Member (or Non-FCM Clearing Member, as the case may be) who is a Buyer under the terms of such Physically-Settled FCM ~~Exchange~~ Contract.
- (d) The Buyer shall pay the price and such other amounts to the Clearing House as may be required by Exchange Rules or, where relevant, the FCM Procedures in the form and manner and by the time prescribed in Exchange Rules or the FCM Procedures, and the Clearing House shall, in accordance with FCM Regulation 3, pay the Seller its price and such other amounts as may be required by Exchange Rules or, where relevant, the FCM Procedures.
- (e) Notwithstanding paragraphs (c) and (d) above, the Clearing House may, in its absolute discretion and in accordance with the FCM Procedures:
- (i) direct an FCM Clearing Member who is a Seller under a Physically-Settled FCM ~~Exchange~~ Contract to deliver the commodity underlying such Physically-Settled FCM-~~Exchange~~ Contract to such other FCM Clearing Member (or Non-FCM Clearing Member, if applicable), being a Buyer under a Physically-Settled FCM ~~Exchange~~ Contract, as the Clearing House may appoint; and
  - (ii) direct an FCM Clearing Member who is a Buyer under a Physically-Settled FCM ~~Exchange~~ Contract to pay the price and any other amounts payable

pursuant to such Physically-Settled FCM ~~Exchange~~ Contract to such other FCM Clearing Member (or Non-FCM Clearing Member, if applicable), being a Seller under a Physically-Settled FCM ~~Exchange~~ Contract, as the Clearing House may appoint;

and delivery or payment in accordance with such direction shall constitute the due performance of such obligations of such Buyer or Seller as the case may be towards the Clearing House. Each FCM Clearing Member agrees that it will accept delivery of a commodity or payment of the price, as the case may be, from an FCM Clearing Member (or Non-FCM Clearing Member, if applicable) as directed in accordance with (i) or (ii) above, in satisfaction of the obligations owed to it by the Clearing House to deliver the commodity or make payment of the price and such other amounts under the terms of a Physically-Settled FCM ~~Exchange~~ Contract.

- (f) If an invoice is not ready when payment becomes due pursuant to this FCM Regulation 18, payment shall be made and received on account.
- (g) For the avoidance of doubt, the Clearing House shall have no obligation to, and shall not, deal with or accept instructions from an FCM Client (or any person other than the relevant FCM Clearing Member) with respect to an FCM Option Contract or a Physically-Settled FCM ~~Exchange~~ Contract. The Clearing House shall only accept notices, instructions, written confirmations and other related documents required under this FCM Regulation 18 from an FCM Clearing Member who clears a Buyer or Seller, as the case may be, of a Physically-Settled FCM ~~Exchange~~ ContractsContract.



**REGULATION 19 MARGINING OF FCM EXCHANGE CONTRACTS AND FCM LISTED INTEREST RATES CONTRACTS**

All FCM Exchange Contracts and FCM Listed Interest Rates Contracts shall be subject to margining requirements pursuant to and as prescribed in FCM Regulation 14, the FCM Procedures and, if applicable, the relevant Exchange Rules.

**REGULATION 20 OBLIGATION TO MAKE AND ACCEPT DELIVERY NOTICE  
UNDER FCM EXCHANGE CONTRACTS**

- (a) Subject to these FCM Regulations, Open FCM Contracts that are FCM Exchange Contracts or FCM Listed Interest Rates Contracts shall be fulfilled in accordance with Exchange Rules or the FCM Procedures, as applicable. No FCM Exchange Contract or FCM Listed Interest Rates Contract shall be for a unit or quantity smaller one Lot and the amount or quantity delivered shall be for one Lot or multiples thereof (or such other amount or quantity as may be specified in the relevant Exchange Rules from time to time) or the relevant provisions of the FCM Product Specific Contract Terms and Eligibility Criteria Manual, respectively. Where the terms of an FCM Exchange Contract or FCM Listed Interest Rates Contract so permit, the Clearing House may give directions to one or more FCM Clearing Members concerning the performance of such FCM ~~Exchange~~ Contract and in such case each such FCM Clearing Member shall be bound by and shall comply with any such direction.
- (b) Paragraphs (c) to (l) of this FCM Regulation 20 shall apply only to Physically-Settled FCM ~~Exchange~~ Contracts for which a Delivery Notice is required:
- (c) An FCM Clearing Member, as Seller in respect of a Physically-Settled FCM ~~Exchange~~ Contract for which a Delivery Notice is required, shall give a Delivery Notice to the Clearing House as Buyer, together with such other documents as may be required by Exchange Rules or the FCM Procedures by the time specified in Exchange Rules or the FCM Procedures in respect of asuch Physically-Settled FCM ~~Exchange~~ Contract for a particular Delivery Month or Prompt Date, and in the form and manner prescribed by Exchange Rules or the FCM Procedures. The Clearing House, as Seller in respect of athe Physically-Settled FCM ~~Exchange~~ Contract, for which a Delivery Notice has been submitted pursuant to this paragraph (c), shall in accordance with FCM Regulation 3 give a Delivery Notice to the Buyer under the terms of such Physically-Settled FCM ~~Exchange~~ Contract, together with such other documents as may be required by Exchange Rules or the FCM Procedures.
- (d) A Seller or Buyer shall give to the Clearing House such additional documents or information required by Exchange Rules or, where relevant, the FCM Procedures to be given in respect of an FCM ~~Exchange~~ Contract Subject to Delivery Notice by the time prescribed by Exchange Rules or the FCM Procedures and in the form and manner specified therein or in the FCM Procedures. The Clearing House as Seller (or Buyer) under the terms of an FCM ~~Exchange~~ Contract Subject to Delivery Notice shall in accordance with FCM Regulation 3 give such additional documents or information to the Buyer (or Seller) under the terms of such FCM ~~Exchange~~ Contract Subject to Delivery Notice.
- (e) The Clearing House shall be under no obligation to review a Delivery Notice or any other related documents received from an FCM Clearing Member pursuant to paragraph (c) or (d) above. The passing on by the Clearing House of such Delivery Notice or such documents received from a Seller (or Buyer as the case may be) pursuant to the terms of an FCM ~~Exchange~~ Contract Subject to Delivery Notice, to a Buyer (or Seller as the case may be) pursuant to the terms of asuch FCM ~~Exchange~~ Contract Subject to Delivery Notice, shall not constitute acceptance by the Clearing

House of such Delivery Notice or such documents, and if the FCM Clearing Member to whom it passed on such Delivery Notice or such documents rejects the same where permitted by Exchange Rules or, where relevant, the FCM Procedures, the Clearing House shall be entitled to reject the same as against the FCM Clearing Member from whom it received such Delivery Notice or such documents.

- (f) Every Buyer (other than the Clearing House) that has a Physically-Settled FCM ~~Exchange~~ Contract in its name for the current delivery period or Prompt Date shall be bound to accept in fulfilment of the Clearing House's obligations as Seller under paragraph (d) any Delivery Notice or other documents complying with Exchange Rules or, where relevant, the FCM Procedures which is given to it by the Clearing House in accordance with FCM Regulation 3.
- (g) Subject to paragraph (e), no Delivery Notice may be withdrawn or substituted by the Seller once such Delivery Notice is received by the Buyer except with the consent of such Buyer or otherwise in accordance with Exchange Rules or, where relevant, the FCM Procedures.
- (h) Where permitted by Exchange Rules or, where relevant, the FCM Procedures, a Delivery Notice together with such other documents as may be required by Exchange Rules or the FCM Procedures may be given to the Clearing House by or on behalf of a Seller in respect of an FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction to which the Seller is party, such Delivery Notice to be given to the Clearing House together with such particulars of the FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction as may be required by the Clearing House, including if required, the name of the Buyer in respect of such FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction, by the time specified in Exchange Rules or the FCM Procedures. Registration of such FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction as an FCM ~~Exchange~~ Contract in the name of the Seller shall be effected as prescribed by the FCM Procedures.
- (i) The Clearing House may give a Delivery Notice, together with such other documents as may be required by Exchanges Rules or the FCM Procedures, to a Buyer in respect of an FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction to which the Buyer is party. Such particulars of the FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction as the Clearing House may require, shall be furnished by or on behalf of the Buyer to the Clearing House in accordance with Exchange Rules or the FCM Procedures. Registration of such FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction in the name of the Buyer shall be effected as prescribed by the FCM Procedures.
- (j) The Clearing House may give a Delivery Notice and documents received from a Seller pursuant to paragraph (h) above to a Buyer in respect of an FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction to which the Buyer is party, and shall do so as agent for the Seller. The furnishing of particulars and the registration of such FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction in the name of a Buyer shall be effected as provided in paragraph (i) above. Upon registration of an FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction pursuant to paragraph (h), the giving of the Delivery Notice and documents by the Clearing House to the Buyer pursuant to

this paragraph shall be deemed to have been given and accepted by such parties in fulfilment of their obligations under paragraphs (c) and (f) above.

- (k) In implementing this FCM Regulation 20, the Clearing House may effect and register such FCM-~~Exchange~~ Contracts in an FCM Clearing Member's name as may be prescribed in the FCM Procedures at a price determined by the Clearing House in accordance with the FCM Procedures.
- (l) If the relevant Exchange Rules or, where relevant, the FCM Procedures require a Buyer to give a Delivery Notice and a Seller to receive a Delivery Notice in respect of ~~an~~ Physically-Settled FCM ~~Exchange~~-Contract, any reference in this FCM Regulation 20 and in FCM Regulation 22 to a Seller giving a Delivery Notice shall be construed as being a reference to a Buyer giving a Delivery Notice and a reference to a Buyer receiving a Delivery Notice shall be construed as being a reference to a Seller receiving a Delivery Notice.

**REGULATION 21 PHYSICALLY-SETTLED FCM ~~EXCHANGE~~-CONTRACTS  
NOT REQUIRING A DELIVERY NOTICE**

- (a) This FCM Regulation 21 shall only apply with respect to Physically-Settled FCM ~~Exchange~~-Contracts for which a Delivery Notice is not required.
- (b) The obligations of an FCM Clearing Member under a Physically-Settled FCM ~~Exchange~~-Contract shall be performed in accordance with the terms of such Physically-Settled FCM-~~Exchange~~ Contract and in the manner and by the time prescribed by Exchange Rules, these FCM Regulations and the FCM Procedures- ~~as applicable~~. The Clearing House shall fulfill its obligations as Seller or Buyer, as the case may be, under the terms of any Physically-Settled FCM ~~Exchange~~-Contract in accordance with FCM Regulation 3 and the FCM Procedures.
- (c) Where the terms of ~~ana~~ Physically-Settled FCM-~~Exchange~~ Contract so permit, the Clearing House may give directions to one or more FCM Clearing Members concerning the performance of such FCM ~~Exchange~~-Contract and in such case each such FCM Clearing Member shall be bound by and shall comply with any such direction.

**REGULATION 22 FCM ~~EXCHANGE~~-CONTRACTS SUBJECT TO DELIVERY NOTICE**

- (a) Without prejudice to the provisions of FCM Regulation 23, under an FCM ~~Exchange~~ Contract Subject to Delivery Notice or a Physically-Settled FCM ~~Exchange~~ Contract:
- (i) the Buyer shall be obliged to pay his buying price to the Clearing House as Seller in the manner and by the time prescribed by Exchange Rules or the FCM Procedures;
  - (ii) the Clearing House as Buyer shall be obliged to pay the Seller his selling price in the manner and by the time prescribed by FCM Regulation 3; and
  - (iii) subject to Exchange Rules or, where relevant, the FCM Procedures any compensation, adjusting payment, or other allowance payable by or to either the Buyer or Seller under the terms of the FCM ~~Exchange~~-Contract shall be paid to or by the Clearing House.
- (b) Every Delivery Notice and accompanying documents (except documents which, in accordance with Exchange Rules or, where relevant, the FCM Procedures a Buyer is obliged to take up and pay for) given by the Clearing House as Seller to a Buyer pursuant to FCM Regulation 20(c) shall for the purposes of these FCM Regulations be deemed to comply with Exchange Rules or, where relevant, the FCM Procedures unless the Buyer notifies the Clearing House, by 10:00 hours (London time) on the Business Day following the day on which the Delivery Notice and accompanying documents were given to him by the Clearing House in accordance with Exchange Rules or the FCM Procedures, that the Delivery Notice and accompanying documents do not so comply, and the Clearing House shall be entitled after receiving such notice, promptly thereafter and notwithstanding that it may do so after 10:00 hours (London time) on such Business Day, to notify the Seller to it under the terms of an FCM ~~Exchange~~-Contract from whom it received such Delivery Notice and accompanying documents that such Delivery Notice and accompanying documents do not so comply.
- (c) Notwithstanding that FCM ~~Exchange~~-Contracts may have been settled otherwise under the FCM Rulebook ~~(for example, an FCM Nodal Contract under FCM)~~ and not pursuant to a Delivery Notice, a Seller may, with the consent of the Clearing House and by the time specified in the FCM Procedures, give the Clearing House a Delivery Notice in respect of any such FCM ~~Exchange~~-Contract so settled. Upon receipt of such Delivery Notice, the Clearing House shall (unless the FCM Procedures otherwise permit) effect on the FCM Clearing Member's behalf re-opening contracts (that is, a sale by the FCM Clearing Member to the Clearing House and a purchase by the FCM Clearing Member from the Clearing House of one Lot, each on the same terms (including delivery) as the settled FCM ~~Exchange~~-Contract except as to price) and register such re-opening contracts as FCM ~~Exchange~~ Contracts in the FCM Clearing Member's name, the re-opening contracts to be effected at a price determined by the Clearing House or the Exchange as prescribed by the FCM Procedures. The submission of a Delivery Notice in accordance with the FCM Procedures shall constitute confirmation of any such re-opening contracts and the Seller's Delivery Notice (or Buyer's as the case may be) shall be deemed to have been made pursuant

to its sale (or purchase) under the respective re-opening contract.

- (d) Notwithstanding that an FCM ~~Exchange~~ Contract may have been settled otherwise under the FCM Rulebook ~~(for example, an FCM Nodal Contract under FCM)~~ and not pursuant to a Delivery Notice, the Clearing House may in accordance with the FCM Procedures give a Delivery Notice to a Buyer under FCM Regulation 20 as if the FCM ~~Exchange~~ Contract were still open and on so doing the Clearing House shall effect on the FCM Clearing Member's behalf re-opening contracts (defined as in paragraph (c) above and to be effected as there described) and register such re-opening contracts as FCM ~~Exchange~~ Contracts in the FCM Clearing Member's name. The receipt by the Buyer of such Delivery Notice shall constitute confirmation of the re-opening contract and shall be deemed to occur pursuant to the FCM Clearing Member's purchase under the respective re-opening contract.
- (e) In implementing this FCM Regulation 22, the Clearing House may effect and register such FCM ~~Exchange~~ Contracts in an FCM Clearing Member's name as it may deem necessary for the purposes hereof or as may be prescribed in the FCM Procedures and at a price determined by the Clearing House in accordance with the FCM Procedures.

**REGULATION 23 ARRANGEMENTS FOR DELIVERY AND PAYMENT OF PRICE (PHYSICALLY-SETTLED FCM ~~EXCHANGE~~ CONTRACTS)**

(a) In respect of its obligations under the terms of any Physically-Settled FCM ~~Exchange~~ Contract as Seller to deliver a commodity to the Buyer or as Buyer to pay the ~~price~~Price and any other payments required to be made under the terms of such Physically-Settled FCM ~~Exchange~~ Contract to the Seller, the Clearing House may in its absolute discretion in accordance with the FCM Procedures:

(i) direct an FCM Clearing Member who is a Seller under a Physically-Settled FCM ~~Exchange~~ Contract to deliver the commodity the subject matter of such ~~contract~~Contract to such other FCM Clearing Member (or Non-FCM Clearing Member, if applicable), being a Buyer under a corresponding Physically-Settled FCM ~~Exchange~~ Contract (or delivery contract, if applicable) as the Clearing House may appoint; and

(ii) direct an FCM Clearing Member who is a Buyer under a Physically-Settled FCM ~~Exchange~~ Contract to pay the ~~price~~Price and any other amounts payable pursuant to such Physically-Settled FCM ~~Exchange~~ Contract to such other FCM Clearing Member (or Non-FCM Clearing Member, if applicable), being a Seller under a corresponding Physically-Settled FCM ~~Exchange~~ Contract (or delivery contract, if applicable) as the Clearing House may appoint;

and delivery or payment in accordance with such direction shall constitute the due performance of such obligations of such Buyer or Seller, as the case may be towards, the Clearing House. Each FCM Clearing Member agrees that it will accept delivery of a commodity or, as the case may be, payment of the ~~price~~Price, and such other amounts from another FCM Clearing Member (or Non-FCM Clearing Member, if applicable) in accordance with such direction in satisfaction of the obligations owed to it by the Clearing House to make payment of the price or such other amounts or to deliver the commodity under the terms of a Physically-Settled FCM ~~Exchange~~ Contract.

(b) If an invoice is not ready when payment becomes due, payment shall be made and received on account.

(c) An FCM Clearing Member may, from time to time, agree in writing with the Clearing House in respect of such FCM ~~Exchange~~ Contracts (as are prescribed in the FCM Procedures) that the FCM Clearing Member shall pay to or receive from the Clearing House in accordance with the FCM Procedures a net amount in respect of the FCM Clearing Member's obligations to make or take delivery (as the case may be) of a commodity where such commodity is a currency and to make or receive payment (as the case may be) of the buying or selling ~~price~~Price.

(d) If a Buyer where permitted by Exchange Rules or, where relevant, the FCM Procedures, rejects the commodity delivered to it pursuant to the Clearing House's obligations to make delivery of the commodity under the terms of an FCM ~~Exchange~~ Contract Subject to Delivery Notice, the Clearing House shall be entitled to reject the same as against the Seller from whom it took delivery of the same under the terms of



| an FCM ~~Exchange~~ Contract Subject to Delivery Notice, and the Clearing House shall not be deemed to have accepted a commodity delivered to it by a Seller which it delivers on to a Buyer until such Buyer has accepted the commodity.

## REGULATION 24 RESTRICTIONS ON CLEARING HOUSE'S OBLIGATIONS AND LIABILITY

- (a) This FCM Regulation 24 shall apply to Physically-Settled FCM ~~Exchange~~ Contracts (including FCM ~~Exchange~~ Contracts Subject to Delivery Notice) and shall not apply to any Cash-Settled FCM ~~Exchange~~ Contracts or FCM Option Contracts.
- (b) The Clearing House (or any other member of the LCH.Clearnet Group) shall not be liable in respect of a claim made against it in respect of a Physically-Settled FCM ~~Exchange~~ Contract by an FCM Clearing Member concerning:
- (i) a Delivery Notice given by the Clearing House; or
  - (ii) any documents accompanying a Delivery Notice as required by Exchange Rules or the FCM Procedures; or
  - (iii) the performance by the Clearing House of its obligations under an FCM ~~Exchange~~ Contract to make delivery of a commodity or to pay the ~~price~~Price; or
  - (iv) any other dispute or matter arising under the terms of such FCM Exchange Contract;

unless the conditions set out in paragraphs (c), (d) and (e) below are satisfied.

- (c) The FCM Clearing Member shall (without prejudice to his taking any other steps which may be required of or open to him under the relevant Exchange Rules or the FCM Procedures, as applicable) give written notice and particulars of his claim to the Clearing House not later than 17:00 hours (London time) (such time to be of the essence) on the seventh Business Day following the day on which, in accordance with the relevant Exchange Rules or the FCM Procedures, as applicable, documents must be taken up and paid for by the Buyer (whether or not a Buyer fulfils such obligation), or if there are no such documents, not later than 17.00 hours (London time)(such time to be of the essence) on the seventh Business Day following the last day on which the Buyer, in accordance with the relevant Exchange Rules or the FCM Procedures, as applicable, must take delivery of the commodity (whether or not the Buyer fulfils such obligation).
- (d) Where the relevant Exchange Rules or the FCM Procedures, as applicable, provide for arbitration, the FCM Clearing Member shall refer all disputes referred to in paragraph (b) above in respect of the FCM ~~Exchange~~ Contract to arbitration under the relevant Exchange Rules or the FCM Procedures, as applicable, and shall give to the Clearing House notice of such referral ~~pursuant to Exchange Rules~~ and details of any award made.
- (e) The FCM Clearing Member shall promptly provide the Clearing House with such further particulars of its claim, as the Clearing House may from time to time require in writing.

**REGULATION 25 ARBITRATION: ~~FCM EXCHANGE CONTRACTS~~**

- (a) In this FCM Regulation 25, “**Relevant Rules**” means: (A) in respect of FCM Exchange Contracts, the relevant Exchange Rules; and (B) in respect of FCM Listed Interest Rates Contracts, the LCIA Rules.
- (b) A dispute arising from or in relation to any FCM Exchange Contract or FCM Listed Interest Rates Contract or in relation to these FCM Regulations relating to the clearing of FCM Exchange Contracts or FCM Listed Interest Rates Contracts shall, unless resolved between the Clearing House and the FCM Clearing Member, be referred to arbitration under the Relevant Rules and arbitration shall be conducted in accordance with such Relevant Rules. The Clearing House shall be entitled to call upon an FCM Clearing Member who is a Buyer and an FCM Clearing Member who is a Seller, under the terms of such FCM Exchange Contracts or FCM Listed Interest Rates Contract which have been matched by the Clearing House and in respect of which reference to arbitration has been made under the same Relevant Rules, to conduct the arbitration between them under such Relevant Rules as applicable.
- (c) In the event that the Clearing House elects to arbitrate between a Seller and a Buyer pursuant to FCM Regulation 25(b) above and the Relevant Rules, the following procedures shall apply:
- (i) the Clearing House shall give notice of such election to the Buyer, the Seller and, where applicable, the relevant Exchange, in accordance with such Relevant Rules;
  - (ii) the Seller shall, at its own expense have the conduct of the Clearing House’s case against the Buyer, and the Buyer shall, at its own expense have the conduct of the Clearing House’s claim against the Seller, in either case, subject to the provisions of this FCM Regulation 25;
  - (iii) copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the Seller and the Buyer;
  - (iv) the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and
  - (v) the arbitrators shall issue two awards, one between the Seller and the Clearing House and one between the Buyer and the Clearing House which shall determine the rights of each of the Seller and the Buyer against the Clearing House and vice versa.
- (d) If the Clearing House is found liable to one of the parties to the arbitration (“the first party”) in respect of a breach of an FCM Exchange Contract or an FCM Listed Interest Rates Contract and the other party to the arbitration (“the second party”) is found liable to the Clearing House in respect of such breach ~~of an FCM Exchange~~

~~Contract, which has been matched by the Clearing House as referred to in paragraph (a) above~~, the liability of the Clearing House to the first party shall be deemed to be a foreseeable consequence of the breach by the second party and the Clearing House shall be entitled to be indemnified in respect of such liability by the second party.

- (e) The Clearing House shall be bound by an arbitration award made against it in pursuance of an, arbitration whether it participates directly in the arbitration or not.
- (f) No person may refer to arbitration ~~under Exchange Rules~~ any dispute arising from or in connection with the Default Rules or any step taken or proposed to be taken under the Default Rules.

## REGULATION 26 COLLATERAL IN EVENT OF CLAIM

If notice of claim and notice of intention to refer a dispute to arbitration is given to the Clearing House pursuant, as applicable, to Exchange Rules, or FCM Regulation 24 and/or FCM Regulation 25 in respect of an FCM Exchange Contract or an FCM Listed Interest Rates Contract, any or all Collateral standing to the credit of the accounts of an FCM Clearing Member who is party to one or more FCM Exchange Contracts or FCM Listed Interest Rates Contracts under dispute (whether such Collateral is held with respect to an FCM Exchange Contract or an FCM Listed Interest Rates Contract under dispute or otherwise) may be retained by the Clearing House. The Clearing House may at any time and from time to time call for payment by such FCM Clearing Member of additional Collateral, in such amount as it may deem appropriate in respect of such FCM Exchange Contract(s) or FCM Listed Interest Rates Contract(s), to be held by the Clearing House under these FCM Regulations until the claim is finally disposed of. The amount of such Collateral to be furnished by the FCM Clearing Member to the Clearing House shall be assessed by reference to such circumstances as the Clearing House in its discretion deems relevant.

## REGULATION 27 DEFAULT OF A MEMBER: SUBSTITUTED OBLIGATION

Where an FCM Clearing Member defaults in performance of an FCM ~~Exchange~~-Contract Subject to Delivery Notice, and by the operation of Default Rules the FCM Clearing Member's rights and liabilities in respect of such performance are discharged and there arises in their place an obligation to account as between the Member and the Clearing House for a settlement amount, then the Clearing House shall be entitled to substitute an obligation to account for such settlement amount, or proportions thereof pro rata, for its rights and liabilities in respect of performance of FCM ~~Exchange~~-Contracts Subject to Delivery Notice with one or more other FCM Clearing Members or Non-FCM Clearing Members, as the case may be (such FCM ~~Exchange~~-Contract Subject to Delivery Notice and such other FCM Clearing Members or Non-FCM Clearing Members to be selected by the Clearing House in its absolute discretion) for the same commodity and Delivery Month or Prompt Date. No FCM Clearing Member or Non-FCM Clearing Member shall question the settlement amount or any determination made by the Clearing House under this FCM Regulation 27.

## REGULATION 28 PREMIUM UNDER OPTION CONTRACTS

- (a) The Premium payable by a Buyer under the terms of an FCM Option Contract shall be paid by the Buyer to the Clearing House in the form and manner prescribed in the FCM Procedures and by the time specified in the relevant Exchange Rules or the FCM Procedures, as applicable.
- (b) The Clearing House shall pay to a Seller under the terms of an FCM Option Contract the Premium in accordance with the FCM Procedures and by the time specified in the relevant Exchange Rules or the FCM Procedures, as applicable.

## CHAPTER VII - DEFAULT, DISORDER, IMPOSSIBILITY AND FORCE MAJEURE

### REGULATION 29 MARKET DISORDERS, IMPOSSIBILITY OF PERFORMANCE, TRADE EMERGENCY

- (a) Paragraph (c) of this FCM Regulation 29 shall not apply to FCM Option Contracts.
- (b) In relation to FCM Exchange Contracts, if an Exchange Board, after consultation with the Clearing House, or the Clearing House, if it deems it impracticable to consult with the Exchange Board with respect to sub-paragraph (i) below only, or if the Clearing House, in relation to FCM Contracts which are not FCM Exchange Contracts, determines that one of the following conditions is satisfied, namely:
  - (i) a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under an FCM Contract; or
  - (ii) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under an FCM Contract; or
  - (iii) the EU or any international organization, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under an FCM Contract; or has given notice of its intention to do so or appears to be about to do so;

then:

- (iv) in respect of such FCM Contracts which are not FCM Exchange Contracts as specified by the Clearing House, and notified to the affected FCM Clearing Members, the Clearing House shall be entitled to invoice back such FCM Contracts in accordance with FCM Regulation 31 and the FCM Procedures at a price determined by the Clearing House or to require such FCM Clearing Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such FCM Contracts; and
- (v) such FCM Exchange Contracts for such Delivery Months, Prompt Dates or other delivery periods as the Exchange Board in consultation with the Clearing House or (where the Clearing House so determines without consultation with the Exchange Board) as the Clearing House shall specify (which may include FCM Exchange Contracts under which Delivery Notice or a notice or some other prescribed form of exercise has been given) shall, (unless the relevant Exchange Rules otherwise provide) upon the Exchange Board's (or the Clearing House's, as the case may be) formal announcement that such condition is satisfied, be invoiced back in accordance with FCM Regulation 31 and the FCM Procedures at a price determined by the Exchange Board (or the



Clearing House as the case may be). In the event that a price fails to be determined by the Clearing House it shall, adopt the settlement price which in the opinion of the Clearing House was last determined or announced by the Exchange Board pursuant to Exchange Rules.

Accounts shall be made up by the Clearing House in accordance with the FCM Procedures for each FCM Clearing Member who is a party to FCM Contracts invoiced back pursuant to this paragraph. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such FCM Contracts invoiced back notwithstanding any further change of circumstances.

- (c) If, in the opinion of the Clearing House (and, in respect of FCM Exchange Contracts, after consultation with the relevant Exchange Board, a Seller's complete performance of an FCM-Exchange Contract becomes impossible for any reason whatsoever (except in such circumstances as are set out in paragraph (b) above), the affected FCM Exchange-Contract may at the Clearing House's option thereupon be closed by invoicing back at a price determined by Clearing House (and, in respect of FCM Exchange Contracts, after consultation with the relevant the Exchange Board), and such price shall be binding on all affected parties. Accounts shall be made up by the Clearing House in accordance with the FCM Procedures.
- (d) If an Exchange determines in accordance with its Exchange Rules that an excessive position or unwarranted speculation or any other undesirable situation or practice is developing or has developed which is affecting or capable of affecting a market in a commodity, the Clearing House may take such action as is requested of it by such Exchange in respect of one or more FCM Exchange Contracts for such commodity in an FCM Clearing Member's name as may be provided by Exchange Rules, or as may be agreed between the Exchange and the Clearing House.
- (e) Any formal announcement made under this FCM Regulation shall be made by notice posted by the Exchange or the Clearing House (or by other means as determined by the Clearing House) or as prescribed by the FCM Procedures.

## REGULATION 30 FORCE MAJEURE

- (a) Neither the Clearing House (nor any other member of the LCH.Clearent Group) nor an FCM Clearing Member shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the terms of these FCM Regulations or of any FCM Contract if such failure, hindrance or delay arises out of events or circumstances beyond its control. Such events or circumstances may include, but are not limited to, acts of God or the public enemy, acts of a civil or military authority other than the acts referred in FCM Regulation 29(b)(i), Regulation 29(b)(ii) or Regulation 29(b)(iii) above, terrorist or other criminal action, sabotage, civil unrest, embargoes, blockades, fire, flood, earthquake, tornado, tsunami, other natural disasters, explosion, epidemics or plagues, labor dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, failures of software or communications systems, and any other causes beyond the parties reasonable control including, without prejudice to the foregoing, any causes specified in Exchange Rules or the rules of an FCM Approved Trade Source System.
- (b) On the happening of any one or more of the events or circumstances referred to in paragraph (a) above, which shall immediately be notified by the party prevented, hindered or delayed from performing any of the obligations referred to in paragraph (a) above to the other:
- (i) in respect of affected FCM Exchange Contracts or FCM Contracts subject to the rules of an FCM Approved Trade Source System, the Clearing House shall be entitled at the time prescribed in the relevant Exchange Rules or the rules of a relevant FCM Approved Trade Source System or if no such time is prescribed at any time after receipt of such notice, to invoice back in accordance with FCM Regulation 31, some or all such FCM Exchange Contracts or such FCM Contracts in the FCM Clearing Member's name at a price determined by the relevant Exchange or FCM Approved Trade Source System, or where Exchange Rules or the rules of an FCM Approved Trade Source System permit, to take such other action as it deems necessary or desirable in respect of some or all such FCM Exchange Contracts or FCM Contracts in the FCM Clearing Member's name or require the FCM Clearing Member to take such action as the Clearing House may direct in respect of the same; and
- (i) in respect of affected FCM Contracts that are not FCM Exchange Contracts or subject to the rules of an FCM Approved Trade Source System, the Clearing House shall be entitled to require any of the affected FCM Contracts to be performed in accordance with directions issued by the Clearing House or invoiced back in accordance with FCM Regulation 31, or shall be entitled to require the FCM Clearing Member to take such action as the Clearing House may direct in respect of such FCM Contracts.

## CHAPTER VIII - INVOICING BACK AND CURRENCY CONVERSION

### REGULATION 31 INVOICING BACK

- (a) Invoicing back of an FCM Clearing Member's FCM Contracts, pursuant to FCM Regulation 29, FCM Regulation 30, the Default Rules (in the case of FCM Exchange Contracts or FCM Listed Interest Rates Contracts) or otherwise, shall be carried out by the Clearing House effecting and registering pursuant to the FCM Procedures opposite contracts between itself and the FCM Clearing Member at the price referred to in the relevant FCM Regulation or, where applicable, in paragraph (d) below, and thereupon settling such FCM Contracts against such opposite contracts.
- (b) The Clearing House shall, in addition to carrying out the procedures referred to in paragraph (a) above, register opposite contracts between itself and such other FCM Clearing Members as the Clearing House may select in its absolute discretion in proportion to the net position of FCM Contracts in their names for the same commodity and Delivery Month or Prompt Date as the FCM Contracts invoiced back under paragraph (a) above to the nearest whole number of Lots, or in the case of FCM Option Contracts on the terms of the relevant underlying contracts specified in the FCM Procedures (if applicable), for the same Expiry Month and Strike Price as the FCM Contracts invoiced back under paragraph (a) above, or in the case of FCM Contracts that are not FCM Exchange Contracts on the same FCM Contract Terms as the FCM Contracts invoiced back under paragraph (a) above, and thereupon settling such FCM Contracts against such opposite contracts.
- (c) Where Open FCM Contracts are invoiced back pursuant to FCM Regulation 29 or FCM Regulation 30 the Clearing House shall credit or debit (as the case may be) the FCM Clearing Member's accounts affected by such invoicing back in accordance with FCM Regulation 29 or FCM Regulation 30, as applicable. Where an FCM Contract is invoiced back under the Default Rules, the account of such other FCM Clearing Member as may be affected under paragraph (b) above shall be made up in accordance with that paragraph.
- (d) Opposite FCM Contracts effected and registered by the Clearing House pursuant to ~~paragraph~~paragraphs (a) and (b) above shall, subject to FCM Regulation 29, be at a price determined by the Clearing House, and shall be binding as a final settlement upon the parties affected by invoicing back or, in the case of FCM Exchange Contracts, at a price or (where applicable) Premium fixed or determined by the relevant Exchange Board. This paragraph shall be without prejudice to any further liability of the defaulting FCM Clearing Member to the Clearing House or to any additional rights which the Clearing House may have against the defaulting FCM Clearing Member whether under these FCM Regulations, at law or otherwise.
- (e) In this FCM Regulation 31:
- (i) “**net position**” means: (A) in respect of FCM Contracts in a Product for which there are Economic Terms (as set forth in the definition of “Economic Terms” in these FCM Regulations), one or more of such FCM Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM Contracts on the same Economic Terms and (B) in

respect of FCM Contracts in all other Products not specified in (A) above, one or more such FCM Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM Contracts for the same Delivery Month, Expiry Month or Prompt Date; and

- (ii) **“opposite contract”** means an FCM Contract on the same terms (except as to price), as the FCM Contract to be invoiced back in accordance with this FCM Regulation 31, but where an FCM Clearing Member has position “X” in respect of an FCM Contract to be invoiced back (where such FCM Contract consists of positions “X” and “Y”), such FCM Clearing Member shall have position “Y” in respect of the opposite contract and vice versa.

## CHAPTER X - NETTING AND DISTRIBUTION

### REGULATION 37 NETTING

- (a) If at any time the Clearing House fails to make a payment to an FCM Clearing Member, other than a Defaulter, under an FCM Contract for a period of 30 days from the date when the obligation to pay fell due, then that FCM Clearing Member may exercise its rights under paragraph (c) below.
- (b) If at any time the Clearing House commences a voluntary case or other procedure seeking or proposing liquidation, administration, receivership, voluntary arrangement or a scheme of arrangement, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing cases or procedures is commenced in relation to the Clearing House by any other person which results in liquidation or winding up of the Clearing House, or if the Clearing House takes corporate action to authorize any of the foregoing, in any such case other than for the purposes of corporate restructuring (including any consolidation, amalgamation or merger), then an FCM Clearing Member, other than a Defaulter, may exercise the right given to it under paragraph (c) below.
- (c) An FCM Clearing Member entitled to exercise rights under this paragraph may, at any time while any of the circumstances referred to in paragraph (a) or (b) above giving rise to such rights continue, by notice in writing to the Clearing House, specify a Termination Date for the termination and liquidation of all FCM Contracts to which it is a party in accordance with paragraph (d) below.
- (d) Upon the occurrence of a Termination Date:
  - (i) neither the Clearing House nor the FCM Clearing Member shall be obliged to make any further payments under any FCM Contract between them which would, but for this FCM Regulation 37, have fallen due for performance on or after the Termination Date, and any obligations to make further payments which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set-off or otherwise) of the Termination Amount;
  - (ii) the FCM Clearing Member shall (on, or as soon as reasonably practicable after, the Termination Date) determine (discounting if appropriate) in respect of each FCM Contract its total loss or, as the case may be, gain, in each case expressed in the lawful currency of the United States or the currency of the relevant FCM Contract where agreed by the Clearing House and the FCM Clearing Member (the “**Base Currency**”), (and, if appropriate, including any loss of bargain, cost of funding or, without duplication, loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position), as a result of the termination, pursuant to this agreement, of each payment which would otherwise have been required to be made under such FCM Contract; and
  - (iii) the FCM Clearing Member shall treat each loss to it, determined as above, as a positive amount and each gain by it, so determined, as a negative amount and, subject to paragraph (iv) below, shall aggregate all of such amounts to produce

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

- (iv) Where an FCM Clearing Member has a Proprietary Account and one or more FCM 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 FCM Omnibus Foreign Futures Client Accounts with LCH on a combined basis; and (4) 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 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)).

- (e) If an FCM Clearing Member is a Defaulter and either:
- (i) no default management process has been commenced by the Clearing House in respect of such FCM Clearing Member within 3 business days following a Default Notice being issued in respect of that FCM Clearing Member; or
  - (ii) such default management process has been commenced within such period but that FCM Clearing Member determines (acting reasonably) that the relevant default management process is unlikely to be completed,

then, provided that an event or circumstance as described in paragraph (a) or (b) above has also occurred, the relevant Member shall be entitled to exercise the rights provided under paragraph (c) above notwithstanding that it is a Defaulter.

- (f) Interpretation in Relation to FDICIA. The Clearing House and each FCM Clearing Member intend that certain provisions of the FCM Rulebook (including this FCM Regulation 37) be interpreted in relation to certain terms that are defined in FDICIA, as follows:

- (i) The Clearing House is a “clearing organization”.
- (ii) An obligation of an FCM Clearing Member to make a payment to the Clearing House, or of the Clearing House to make a payment to an FCM Clearing Member, subject to a netting contract, is a “covered clearing obligation” and a “covered contractual payment obligation”.
- (iii) An entitlement of an FCM Clearing Member to receive a payment from the Clearing House, or of the Clearing House to receive a payment from an FCM Clearing Member, subject to a netting contract, is a “covered contractual payment entitlement”.
- (iv) The Clearing House is a “member”, and each FCM Clearing Member is a “member”.
- (v) The amount by which the covered contractual payment entitlements of an FCM Clearing Member or the Clearing House exceed the covered contractual payment obligations of such Clearing Member or the Clearing House after netting under a netting contract is its “net entitlement”.
- (vi) The amount by which the covered contractual payment obligations of an FCM Clearing Member or the Clearing House exceed the covered contractual payment entitlements of such Clearing Member or the Clearing House after netting under a netting contract is its “net obligation”.
- (vii) The FCM Regulations and the FCM Procedures, including this Regulation 37, constitute a “netting contract”.
- (viii) The provisions of this Regulation and the FCM Procedures providing for the use and liquidation of Collateral, including Regulation 37 each

constitute a “security agreement of arrangement or other credit enhancement related to one or more netting contracts between any 2 members of a clearing organization”.

- (ix) For purposes of this Regulation 37, the term “payment” means “a payment of United States dollars, another currency, or a composite currency, and a noncash delivery, including a payment or delivery to liquidate an unmatured obligation”.



## REGULATION 38 DISTRIBUTION OF ASSETS

- (a) Where (after the netting and set-off provided for in FCM Regulation 37 and FCM Regulation 9(i)) the Clearing House has insufficient assets available to it to pay all Termination Amounts (determined in accordance with FCM Regulation 37 and General Regulation 45 (under the UK General Regulations)) in full, the claims of the Clearing Members shall be met first to those Clearing Members who are FCM Clearing Members and SwapClear Clearing Members and/or ForexClear Clearing Members in an amount equal to the outstanding SwapClear Contributions and Listed Interest Rates Contributions, where applicable, of such FCM Clearing Members and SwapClear Clearing Members and/or the outstanding ForexClear Contributions of such FCM Clearing Members and ForexClear Clearing Members (as applicable) and, thereafter, *pro rata* to each Clearing Member's respective claim (and in respect of FCM Clearing Members and SwapClear Clearing Members who have received an amount relating to their outstanding SwapClear Contributions and Listed Interest Rates Contributions, where applicable, their respective claims shall be reduced by such amounts so received; and in respect of FCM Clearing Members and ForexClear Clearing Members who have received an amount relating to their outstanding ForexClear Contributions, their respective claims shall be reduced by such amounts so received). To the extent the Clearing House does not have sufficient assets available to it to pay each FCM Clearing Member and SwapClear Clearing Member and/or ForexClear Clearing Member the amount equal to its outstanding SwapClear Contribution and Listed Interest Rates Contributions, where applicable, and/or its outstanding ForexClear Contribution (as applicable), the Clearing House shall distribute the assets available to it to each such FCM Clearing Member and SwapClear Clearing Member and/or ForexClear Clearing Member (as applicable) in an amount equal to the proportion that the outstanding SwapClear Contribution and Listed Interest Rates Contributions, where applicable, of the relevant FCM Clearing Member or SwapClear Clearing Member and/or the outstanding ForexClear Contribution of the relevant FCM Clearing Member or ForexClear Clearing Members bears to the aggregate of: (i) the sum of the outstanding SwapClear Contributions of all relevant FCM Clearing Members and SwapClear Clearing Members and (ii) the sum of the outstanding ForexClear Contributions of all relevant FCM Clearing Members and ForexClear Clearing Members.
- (b) Notwithstanding anything to the contrary in these FCM Regulations or the FCM Rulebook, this FCM Regulation 38 shall be governed by and construed in accordance with the governing law provided for in paragraph (a) of General Regulation 51 (under the UK General Regulations).
- (c) For the purposes of this FCM Regulation 38, the term "Clearing Member" shall include FCM Clearing Members and all other Clearing Members (as defined in the UK General Regulations) of the Clearing House.

## REGULATION 42 VALIDITY OF FCM REGULATIONS AND ACTION

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

(b) Action taken by the Clearing House pursuant to Exchange Rules may not be questioned on the ground that the Exchange Rules are to any extent invalid or ultra vires or that a determination or request made by the Exchange, or any agreement made by the Exchange, is ultra vires, incompatible with Exchange Rules or otherwise questionable.

## REGULATION 43 GOVERNING LAW AND JURISDICTION

- (a) These FCM Regulations, the FCM Procedures and each FCM Contract shall be governed by and construed in accordance with the laws of the State of New York, without regard to any conflicts of laws principles, and ~~IN ACCORDANCE WITH~~in accordance with the laws of the United States of America, including the CEA and applicable bankruptcy and insolvency laws.
- (b) The Other Specific Regulations shall be governed by and construed in accordance with the laws of England and Wales.
- (c) The Clearing House and every FCM Clearing Member hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of America, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any claim or matter arising from or in relation to any FCM Contract, these FCM Regulations, the FCM Procedures or to the Other Specific Regulations (in the case of the Other Specific Regulations, only with respect to a claim or matter arising from or in relation to an FCM Contract, FCM Clearing Services or these FCM Regulations), and each FCM Clearing Member irrevocably submits to such jurisdiction and waives any objection which it might otherwise have to such courts being a convenient and appropriate forum, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of America, the United States District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the taking of action in any other jurisdiction, whether concurrently or not.
- (d) The Clearing House and each FCM Clearing Member hereby irrevocably waives any right to a trial by jury in any litigation directly or indirectly arising out of or relating to any FCM Contract, the FCM Procedures, the Other Specific Regulations or to these FCM Regulations.
- (e) Each FCM Clearing Member irrevocably waives, with respect to itself and its revenues and assets, all immunity on the grounds of sovereignty or other similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets (whether before or after judgment) and execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees that it will not claim any such immunity in any proceedings.

## REGULATION 44 EXCLUSION OF LIABILITY

- (a) Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to an FCM Clearing Member or any other person in respect of any dispute arising from or in relation to any FCM Contract, including but not limited to, any dispute as to the validity or otherwise of such FCM Contract, the terms of such FCM Contract or whether any alleged agreement or arrangement constitutes an FCM Contract.
- (b) The Clearing House shall not be liable for any obligations of or to a person who is not an FCM Clearing Member (including an FCM Client of an FCM Clearing Member), nor any obligations of an FCM Clearing Member to another FCM Clearing Member who is acting as a broker for the first FCM Clearing Member, nor shall the Clearing House become liable to make deliveries or accept ~~delivers~~deliveries from an FCM Client of an FCM Clearing Member.
- (c) Without prejudice to the provisions of FCM Regulation 2 and ~~FCM—paragraph (e)~~, neither the Clearing House nor any other member of the LCH.Clearnet Group shall be liable whatsoever to any FCM Clearing Member, or to any other person in contract, tort (including negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of ~~ANY—NATURE~~any nature whatsoever suffered or incurred as a result of: any suspension of clearing services, whether for a temporary period or otherwise, a step taken by the Clearing House under FCM Regulation 29, Regulation 30, Regulation 46 or Regulation 49(e) or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the FCM Regulations, or any decision by the Clearing House not to exercise any such discretion.
- (d) Without prejudice to FCM Regulation 44(c) and ~~FCM—paragraph (e)~~, unless otherwise expressly provided in the FCM Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall be liable under any circumstances (including as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives) to any FCM Clearing Member or any other Executing Party for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such FCM Clearing Member or other Executing Party and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.
- (e) Nothing in this FCM Regulation 44 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or willful default on the part of the Clearing House. The Clearing House accepts liability for

any personal injury or death caused by the negligence of the Clearing House and for any fraud or willful default on the part of the Clearing House.

- | (f) Without prejudice to the provisions of FCM Regulation 2 and ~~FCM-paragraph (e)~~, neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member or to any other person (including any FCM Client) in contract, tort (including negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by an FCM Clearing Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology.
  
- | (g) Without prejudice to FCM Regulation ~~12~~ and ~~FCM-Regulation 44(d), paragraph (e)~~, neither the Clearing House, nor any other member of the LCH.Clearnet Group, shall have any liability whatsoever to any FCM Clearing Member or to any other person (including, without limitation, any FCM Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by an FCM Clearing Member or any other person as the case may be, as a result of any service failure, whether complete or partial, of any payment or securities services provider, including (without limitation) any Securities System Operator, custodian, settlement agent, securities depository, securities settlement system, settlement facility or central bank.

## REGULATION 45 SOLVENCY THREATENING TREASURY DEFAULT LOSS

(a) In this FCM Regulation:

“**Calculation Period**” means, in respect of a type of Business, a period of the number of days specified in the “Combined Loss Value” calculation in relation to the Fund Amount of that type of Business and ending on the business day preceding the date on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has occurred (and the terms “Business”, “Combined Loss Value” and “Fund Amount” have the meanings set out in the Default Fund Rules);

“**Margin Weight**” means:

(i) the aggregate of an FCM Clearing Member’s total margin requirement (in respect of all of its Proprietary Accounts and all of its Client Accounts) for each type of Business undertaken by the FCM Clearing Member averaged over the relevant Calculation Period preceding a determination of a Solvency Threatening Treasury Default Loss under Regulation 45(b) below;

divided by

(ii) the total average margin requirement of all FCM Clearing Members and “Clearing Members” under the UK General Regulations during the same period; and

“**Treasury Default**” means, in connection with the Clearing House’s treasury management activities, the default of: (A) an issuer of a debt instrument underlying a treasury management contract; and/or (B) a counterparty to a treasury management contract; and/or ~~(C) (including a deposit-taking institution);~~ as determined by the Clearing House in its sole discretion.

(b) In the event of a Treasury Default, the Clearing House may determine in its sole discretion that a loss has been caused by or arises out of a Treasury Default. If the Clearing House so determines, it must determine the quantum of that loss by ascertaining the gross amount of the loss and reducing it by EUR 15 million. The result is referred to as a “**Solvency Threatening Treasury Default Loss**”.

(c) The Clearing House will, in respect of each FCM Clearing Member, determine an amount of the Solvency Threatening Treasury Default Loss to be allocated to that FCM Clearing Member based on that FCM Clearing Member’s Margin Weight (an “**Allocated Loss**”). The day on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has taken place shall be the determination day for the purposes of establishing the Calculation Period.

(d) The maximum Allocated Loss that each FCM Clearing Member can be allocated is equal to: (i) the total Clearing House treasury investment portfolio immediately prior to the Solvency Threatening Treasury Default Loss, reduced by EUR 15 million; multiplied by (ii) that FCM Clearing Member’s Margin Weight. For the

purpose of the calculation of Margin Weight, the margin requirements for any FCM Clearing Member who has become a defaulter at any point prior to the date of allocation, shall be disregarded.

- (e) Each FCM Clearing Member shall pay to the Clearing House within an hour of demand a cash amount equal to its Allocated Loss. The Clearing House shall be entitled to debit such cash amount from the PPS account associated with that FCM Clearing Member's Proprietary Account.
- (f) Any determination made by the Clearing House, and any action taken by the Clearing House, pursuant to this Regulation is binding on a FCM Clearing Member and may in no circumstances be challenged or called into question.
- (g) If, after exercising its rights under this Regulation, the Clearing House makes a recovery in respect of the Treasury Default, the Clearing House will (after replenishing its ~~own losses and~~ expenses) distribute the net proceeds of such recovery pro rata to the amount of the Allocated Loss paid by each FCM Clearing Member and each "Clearing Member" under the UK General Regulations in respect of that Treasury Default by crediting the relevant FCM Clearing Member's Proprietary Account. Nothing in this Regulation 45(g) obliges the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.

**Chapter II—[RESERVED]**

**Regulation 2—[RESERVED]**



**Regulation 3 [RESERVED]**

**Regulation 4 [RESERVED]**

## CHAPTER XIV - FCM ~~NODAL~~LISTED INTEREST RATES REGULATIONS

### ~~Regulation 5 - PRESENTATION, ALLOCATION OF NODAL TRANSACTIONS AND REGISTRATION OF NODAL CONTRACTS; TREATMENT OF FCM CLIENT FUNDS IN CONNECTION WITH FCM NODAL TRANSACTIONS AND FCM NODAL CONTRACTS~~

#### REGULATION 52 REGISTRATION OF FCM LISTED INTEREST RATES CONTRACTS

~~(a)~~(a) In order to utilize the FCM Nodal Listed Interest Rates Clearing Services an FCM Nodal Listed Interest Rates Clearing Member must cause particulars of ~~an FCM Nodal~~each Rates Exchange Match and each FCM Listed Interest Rates Novation Transaction to which it is party to be submitted for registration as an FCM Nodal Listed Interest Rates Contract, through such means as shall be prescribed by the FCM Procedures.

~~(a)~~—An FCM Nodal Transaction submitted for registration must meet the eligibility criteria prescribed in the FCM Procedures (and these FCM Regulations) at the time the particulars of such FCM Nodal Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as two FCM Nodal Contracts (or, if applicable, one FCM Nodal Contract and one Non FCM Nodal Contract). An FCM Nodal Clearing Member may not revoke, cancel or transfer an FCM Nodal Transaction unless permitted by Nodal's Rules or the FCM Rulebook, or with the consent of the Clearing House and Nodal.

~~(b)~~(b) An FCM Nodal Listed Interest Rates Clearing Member shall not allow the submission for registration of a match which is not a Rates Exchange Match or a transaction which is not an FCM Nodal Listed Interest Rates Novation Transaction in connection with the FCM Nodal Listed Interest Rates Clearing Service.

~~(b)~~—The Clearing House may require FCM Nodal Transactions presented for registration in the name of an FCM Nodal Clearing Member to be confirmed by or on behalf of such FCM Nodal Clearing Member, in which case it shall specify the manner, form and time of such confirmation in the FCM Procedures.

~~(c)~~(c) The Clearing House may decline to register an FCM ~~Nodal Transaction~~Listed Interest Rates Contract in the name of an FCM Nodal Listed Interest Rates Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any FCM ~~Nodal Transaction~~Listed Interest Rates Contract subject to any conditions stipulated by the Clearing House including the furnishing of Margin by ~~both~~the FCM Nodal Listed Interest Rates Clearing ~~Members~~Member(s) in whose name any such FCM ~~Nodal Transaction~~Listed Interest Rates Contract is to be registered.

~~(d)~~ The Clearing House shall register an FCM Listed Interest Rates Contract in respect of a Rates Exchange Match or an FCM Listed Interest Rates Novation Transaction in the name of an FCM Listed Interest Rates Clearing Member at the Registration Time for that type of FCM Listed Interest Rates Contract in accordance with FCM Regulation 53 or FCM Regulation 54, as applicable, provided that, in the case of an FCM Listed

Interest Rates Contract registered by the Clearing House pursuant to Rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 52 will take effect.

~~(e)~~ Without prejudice to the Clearing House's rights under paragraph ~~(h) of this FCM~~, an FCM ~~Nodal~~Listed Interest Rates Clearing Member shall be bound by an FCM ~~Nodal~~Listed Interest Rates Contract registered in its name pursuant to the presentation of particulars of ~~an FCM Nodal Transaction~~.

~~(i)(e)~~ The Clearing House shall be deemed to register an FCM Nodal Contract in relation to an FCM Nodal Rates Exchange Match or of an FCM Listed Interest Rates Novation Transaction in the name of an FCM Nodal Clearing Member at the Registration Time for that type of FCM Nodal Contract in accordance with FCM.

~~(d)~~ For the avoidance of doubt, any transaction of which details have been submitted for registration as FCM Nodal Contracts which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of their common participation in the Nodal Trading Facility through or on which the transaction was executed or by which it was registered), but subject in all cases to Nodal's Rules, and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.

~~(f)~~ Without prejudice to the Clearing House's rights under paragraph (g), a Rates Exchange Match or FCM Listed Interest Rates Novation Transaction submitted for registration must meet the eligibility criteria prescribed in the FCM Procedures (and these FCM Regulations) at the time such particulars are presented to the Clearing House and must continue to meet such criteria at all times thereafter up to and including the Registration Time in order to be registered as two FCM Listed Interest Rates Contracts (or, if applicable, one FCM Listed Interest Rates Contract and one Non-FCM Listed Interest Rates Contract). An FCM Listed Interest Rates Clearing Member may not revoke, cancel or transfer a Rates Exchange Match or an FCM Listed Interest Rates Novation Transaction unless permitted by the FCM Rulebook and FCM Procedures or with the consent of the Clearing House.

~~(i)(g)~~ If at any time after registration of an FCM ~~Nodal~~Listed Interest Rates Contract the Clearing House determines that the corresponding ~~transaction of which details~~Rates Exchange Match or FCM Listed Interest Rates Novation Transaction of which particulars were submitted for registration did not, at the Registration Time, meet the eligibility criteria for registration as an FCM ~~Nodal~~Listed Interest Rates Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such FCM ~~Nodal~~Listed Interest Rates Contract. Upon the purported FCM ~~Nodal~~Listed Interest Rates Contract being set aside under this ~~FCM~~,paragraph (g), the particulars ~~of the transaction~~ in question shall be deemed never to have been registered. Any payment made under, or in respect of, an FCM ~~Nodal~~Listed Interest Rates Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 44 and its obligations under this ~~FCM~~ paragraph (g), the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a contract as an FCM ~~Nodal~~Listed Interest Rates Contract in respect

of a ~~transaction~~Rates Exchange Match or FCM Listed Interest Rates Novation Transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an FCM ~~Not a~~Listed Interest Rates Contract.

**Regulation 6 – NODAL CONTRACTS**

**REGULATION 53 FCM LISTED INTEREST RATES OPEN OFFER FOR RATES EXCHANGE MATCHES**

- (a) This FCM Regulation 53 applies to Rates Exchange Matches arising pursuant to Rates Exchange Particulars submitted by or on behalf of an FCM Listed Interest Rates Clearing Member. In the event of any inconsistency between the FCM Regulations (including the terms of any agreement entered into between the FCM Listed Interest Rates Clearing Member and the Clearing House) and any relevant Rates Exchange Rules, the FCM Regulations shall prevail.
- (b) If an FCM Listed Interest Rates Clearing Member has been given approval by the Clearing House to clear eligible Rates Exchange Matches in respect of the Rates Exchange specified in such approval and such approval has not been withdrawn by the Clearing House, the Clearing House will enter into FCM Listed Interest Rates Contracts with that FCM Listed Interest Rates Clearing Member pursuant to such approval in accordance with and subject to the following provisions of this FCM Regulation 53. The terms of a registered FCM Listed Interest Rates Contract shall be as received by the Clearing House, or its relevant approved agent, from the relevant Rates Exchange or the relevant FCM Listed Interest Rates Clearing Member, as applicable, and otherwise subject to the FCM Regulations (and the Clearing House and the FCM Listed Interest Rates Clearing Member party to the registered FCM Listed Interest Rates Contract shall be obliged to perform their obligations thereunder in accordance with such terms and the FCM Regulations).
- (c) The Clearing House makes an open offer to FCM Listed Interest Rates Clearing Members to enter into a FCM Listed Interest Rates Contract in respect of a Rates Exchange Match in accordance with paragraph (e), pursuant to the submission of Rates Exchange Particulars by or on behalf of those FCM Listed Interest Rates Clearing Members provided that the following requirements (“**FCM Listed Interest Rates Open Offer Eligibility Criteria**”) shall have been satisfied:
- (i) at the relevant times the FCM Listed Interest Rates Clearing Member was party to a valid and subsisting FCM Clearing Membership Agreement;
  - (ii) at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under subparagraph (iv) of this paragraph (c) the FCM Listed Interest Rates Clearing Member had not been declared a Defaulter, by default notice or otherwise, by the Clearing House or the Rates Exchange, where applicable;
  - (iii) the financial instruments the subject of the Rates Exchange Matches are FCM Listed Interest Rate Eligible Products;
  - (iv) all necessary details as required by the Clearing House from time to time in respect of the Rates Exchange Matches shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete,

must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;

(v) the FCM Listed Interest Rate Eligible Product, which is the subject of the Rates Exchange Match, is not subject to any trading halts, suspension of dealings or any other action having equivalent effect published by the relevant Rates Exchange;

(vi) at the relevant times, the FCM Listed Interest Rates Clearing Service or any relevant part of the FCM Listed Interest Rates Open Offer in respect of Rates Exchange Matches made on such Rates Exchange has not been suspended or withdrawn; and

(vii) the FCM Listed Interest Rates Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the FCM Listed Interest Rates Clearing Service.

(d) For the avoidance of doubt, Rates Exchange Particulars are deemed to have been submitted by or on behalf of the FCM Listed Interest Rates Clearing Member if the details of the Rates Exchange Matches received by the Clearing House identify, in accordance with any relevant Rates Exchange Rules, the FCM Regulations or the FCM Procedures, the Rates Exchange Matches as having been made by or on behalf of that FCM Listed Interest Rates Clearing Member.

(e) If Rates Exchange Particulars have been input into the relevant Rates Exchange by or on behalf of an FCM Listed Interest Rates Clearing Member, as seller (the “**selling FCM Listed Interest Rates Clearing Member**”) or buyer (the “**buying FCM Listed Interest Rates Clearing Member**”) and have been matched by, or in accordance with the Rates Exchange Rules with Rates Exchange Particulars input into such Rates Exchange by or on behalf of another FCM Listed Interest Rates Clearing Member or Listed Interest Rates Clearing Member, as buyer (the “**buying FCM Listed Interest Rates Clearing Member**” or “**buying Listed Interest Rates Clearing Member**”, respectively) or seller (the “**selling FCM Listed Interest Rates Clearing Member**” or “**selling Listed Interest Rates Clearing Member**”, respectively), and the resulting Rates Exchange Match satisfies the FCM Listed Interest Rates Open Offer Eligibility Criteria, either two FCM Listed Interest Rates Contracts or one FCM Listed Interest Rates Contract and one Non-FCM Listed Interest Rates Contract shall arise immediately on the Rates Exchange Match being made, as follows:

(i) the Clearing House shall be the buyer under, as relevant: (A) an FCM Listed Interest Rates Contract to a selling FCM Listed Interest Rates Clearing Member; or (B) a Non-FCM Listed Interest Rates Contract to a selling Listed Interest Rates Clearing Member; and

(ii) the Clearing House shall be the seller under, as relevant: (A) an FCM Listed Interest Rates Contract to a buying FCM Listed Interest Rates Clearing Member; or (B) a Non-FCM Listed Interest Rates Contract to a buying Listed Interest Rates Clearing Member.

(f) FCM Listed Interest Rates Contracts shall be on the terms received by the Clearing House pursuant to paragraph (c)(iv) and otherwise on the relevant FCM Listed

Interest Rates Contract Terms and any other terms specified in these FCM Regulations and the FCM Procedures. The Clearing House and the FCM Listed Interest Rates Clearing Member party to an FCM Listed Interest Rates Contract shall be obliged to perform their obligations thereunder in accordance with such terms and the FCM Regulations.

- (g) If the details required by the Clearing House pursuant to paragraph (c)(iv) are not provided to the Clearing House in accordance with the Clearing House's requirements, by the time prescribed by the Clearing House from time to time, or the Clearing House is not able to access such details, the Clearing House may decree that neither the Clearing House nor the FCM Listed Interest Rates Clearing Member(s) party thereto shall be obliged to perform their respective obligations under the FCM Listed Interest Rates Contracts in question. If the Clearing House so decrees, such FCM Listed Interest Rates Contracts shall be performed in accordance with any directions given by the Clearing House which may, without limitation, impose a change to the terms of an affected FCM Listed Interest Rates Contract. Any directions given by the Clearing House under this paragraph (g) shall be binding on all affected FCM Listed Interest Rates Clearing Members.
- (h) Without prejudice to FCM Regulation 44, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall not be liable to any FCM Listed Interest Rates Clearing Member or anyone else for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any FCM Listed Interest Rates Contract to which this FCM Regulation 53 applies if the Clearing House does not receive the relevant details referred to in paragraph (c)(iv) by the time referred to in such paragraph (c)(iv) in respect of such FCM Listed Interest Rates Contract.
- (i) Subject to its rights to suspend the FCM Listed Interest Rates Open Offer and/or the FCM Listed Interest Rates Clearing Service generally or in respect of one or more Rates Exchanges or to withdraw the FCM Listed Interest Rates Clearing Service in whole or in part, as set out in these FCM Regulations or the FCM Procedures, the Clearing House undertakes to keep open the offer made by it in this FCM Regulation 53 until such FCM Listed Interest Rates Clearing Member is no longer eligible to have FCM Listed Interest Rates Contracts registered in its name or has withdrawn from trading through each Rates Exchange notified to the Clearing House under paragraph (b). Any such intended withdrawal from trading through an Rates Exchange must be notified to the Clearing House in accordance with the applicable provisions of FCM Regulation 5.
- (j) Notwithstanding any other provision in this FCM Regulation 53, the Clearing House may with the agreement of the FCM Listed Interest Rates Clearing Member(s) party to corresponding FCM Listed Interest Rates Contracts set aside or take such other steps with respect to such contracts on such terms as may be agreed if either or both FCM Listed Interest Rates Clearing Members consider that they have entered into a contract in error or that certain terms of the contract have been agreed by them, or on their behalf, in error.



## REGULATION 54 FCM LISTED INTEREST RATES NOVATION TRANSACTIONS

- (a) Details of any FCM Listed Interest Rates Novation Transaction which is to be submitted for registration must be submitted in accordance with the FCM Procedures by or on behalf of the FCM Listed Interest Rates Clearing Member who is party to, or is providing clearing services to a party to, such FCM Listed Interest Rates Novation Transaction. For the avoidance of doubt, where the particulars of a FCM Listed Interest Rates Novation Transaction submitted by or on behalf of an FCM Listed Interest Rates Clearing Member and received by the Clearing House identify, in accordance with the relevant Rates Exchange Rules or the FCM Procedures, that FCM Listed Interest Rates Clearing Member as buyer or seller, or as acting as clearing member for the buyer or seller, in respect of the FCM Listed Interest Rates Novation Transaction, the Clearing House will enter into an FCM Listed Interest Rates Contract with that FCM Listed Interest Rates Clearing Member in accordance with and subject to the following provisions of this FCM Regulation 54.
- (b) Without prejudice to the Clearing House's rights under FCM Regulation 52(g), an FCM Listed Interest Rates Novation Transaction, particulars of which are submitted for registration as described in paragraph (c), must meet the following eligibility criteria at the time when the particulars of such FCM Listed Interest Rates Novation Transaction are presented to the Clearing House and must continue to meet such criteria at all times thereafter up to and including the Registration Time (each such time, for the purposes of this FCM Regulation 54, the "relevant times") in order to be registered as an FCM Listed Interest Rates Contract:
- (i) the financial instruments the subject of the FCM Listed Interest Rates Novation Transaction are, at the relevant times, FCM Listed Interest Rate Eligible Products;
  - (ii) all necessary details as required by the Clearing House from time to time in respect of the FCM Listed Interest Rates Novation Transaction shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;
  - (iii) the FCM Listed Interest Rates Clearing Eligible Product, which is the subject of the FCM Listed Interest Rates Novation Transaction, is not subject to any trading halts, suspension of dealings or any other action having equivalent effect published by or on behalf of the Rates Exchange;
  - (iv) at the relevant times, the FCM Listed Interest Rates Clearing Services for the relevant Rates Exchange has not been suspended or withdrawn, generally or in relation to the relevant FCM Listed Interest Rates Clearing Eligible Product or FCM Listed Interest Rates Clearing Member; and
  - (v) the FCM Listed Interest Rates Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the FCM Listed Interest Rates Clearing Service.
- ~~(c)~~ An FCM ~~Not a~~ Listed Interest Rates Novation Transaction presented for registration

to, and accepted by, the Clearing House shall be registered by the Clearing House as either two FCM Nodal Listed Interest Rates Contracts or as one Non-FCM Nodal Listed Interest Rates Contract and one FCM Nodal Listed Interest Rates Contract, one between the First Nodal Listed Interest Rates Clearing Member as the seller and the Clearing House as the buyer, and the other between the Clearing House as the seller and the Second Nodal Listed Interest Rates Clearing Member as the buyer (as the case may be). For the purposes of this ~~FCM Regulation~~ paragraph (c):

- (i) “**First Nodal Listed Interest Rates Clearing Member**” is an FCM Nodal Listed Interest Rates Clearing Member or a ~~Nodal Service~~ Listed Interest Rates Clearing Member who was, before registration of the FCM Nodal Listed Interest Rates Contract or Non-FCM Nodal Listed Interest Rates Contract, as the case may be, party to the corresponding FCM Nodal Listed Interest Rates Novation Transaction or Listed Interest Rates Novation Transaction, respectively, as the seller; and
- (ii) “**Second Nodal Listed Interest Rates Clearing Member**” is an FCM Nodal Listed Interest Rates Clearing Member (who may also be the same as the First FCM Nodal Listed Interest Rates Clearing Member) or ~~Nodal Service~~ Listed Interest Rates Clearing Member who was, before registration of the FCM Nodal Listed Interest Rates Contract or Non-FCM Nodal Listed Interest Rates Contract, as the case may be, party to the corresponding ~~Nodal Transaction~~ FCM Listed Interest Rates Novation Transaction or Listed Interest Rates Novation Transaction, respectively, as the buyer.

~~(d)~~ With effect from registration of an FCM Nodal Listed Interest Rates Novation Transaction as either two FCM Nodal Listed Interest Rates Contracts or one FCM Nodal Listed Interest Rates Contract and one Non-FCM Nodal Listed Interest Rates Contract, as the case may be, under ~~FCM~~ paragraph (c):

- (i) the parties to the corresponding FCM Nodal Listed Interest Rates Novation Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;
- ~~(i)~~ each FCM Nodal Listed Interest Rates Contract registered under paragraph ~~(a)~~ of this FCM Regulation shall be governed by the relevant FCM Nodal Listed Interest Rates Contract;
- (ii) Terms applicable to that FCM Nodal Listed Interest Rates Contract;
- (iii) subject always to sub-paragraph (ii) above, the First Nodal Listed Interest Rates Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM Nodal Listed Interest Rates Contract or Non-FCM Nodal Listed Interest Rates Contract, as the case may be, to which it (or the party on whose behalf it is clearing) is a party as the seller had and owed in respect of its counterparty under the corresponding FCM Nodal Listed Interest Rates Novation Transaction; and
- (iv) subject always to sub-paragraph (ii) above, the Second Nodal Listed Interest Rates Clearing Member shall have the same rights against, and owe the same obligations to the Clearing House under the FCM Nodal Listed Interest Rates

Contract or Non-FCM ~~Not a~~Listed Interest Rates Contract, as the case may be, to which it (or the party on whose behalf it is clearing) is party as the buyer had and owed in respect of its counterparty under the corresponding FCM ~~Not a~~Listed Interest Rates Novation Transaction.

In sub-paragraphs (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the corresponding FCM ~~Not a~~Listed Interest Rates Novation Transaction (it being assumed, for this purpose, that such FCM ~~Not a~~Listed Interest Rates Novation Transaction was a legal, valid, binding and enforceable obligation of the parties thereto), notwithstanding the change in the person entitled to them or obliged to perform them.

- ~~(e)~~ If an FCM ~~Not a~~ Every FCM Listed Interest Rates Novation Transaction presented for registration in the name of an FCM Listed Interest Rates Clearing Member in accordance with paragraph (c) above shall be confirmed by or on behalf of such FCM Listed Interest Rates Clearing Member, in such manner and form and by such times as are prescribed by the FCM Procedures or, where the Clearing House has so agreed with a Rates Exchange, as prescribed in the Rates Exchange Rules.
- ~~(f)~~ Notwithstanding paragraph (e) above, an FCM Listed Interest Rates Novation Transaction may, subject to the FCM Regulations and the FCM Procedures, be allocated by or on behalf of an FCM Listed Interest Rates Clearing Member to another FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not a FCM Listed Interest Rates Clearing Member and shall thus be confirmed pursuant to FCM Regulation 55(a) instead of paragraph (e) above.
- ~~(g)~~ If an FCM Listed Interest Rates Novation Transaction is not confirmed by or on behalf of an FCM Listed Interest Rates Clearing Member pursuant to paragraph (e) above, or is not allocated by or on behalf of such FCM Listed Interest Rates Clearing Member within the prescribed time pursuant to FCM Regulation 55 the Clearing House may in accordance with the FCM Procedures deem such contract as having been confirmed pursuant to paragraph (e) above.
- ~~(h)~~ Any changes to the prescribed methods, forms and times set out in the FCM Procedures in respect of presentation of particulars of FCM Listed Interest Rates Novation Transactions and confirmation of such FCM Listed Interest Rates Novation Transactions shall be made by the Clearing House only after consultation with the relevant Rates Exchange(s), save that the Clearing House may at its absolute discretion make such changes without such consultation where it deems it necessary in the circumstances then prevailing.
- ~~(i)~~ Confirmation of an FCM Listed Interest Rates Novation Transaction by or on behalf of an FCM Listed Interest Rates Clearing Member pursuant to this FCM Regulation or FCM Regulation 55 and the FCM Procedures shall be effective immediately (unless otherwise specified in the FCM Procedures) and shall constitute the consent of the FCM Listed Interest Rates Clearing Member to such contract being registered in his name in accordance with these FCM Regulations.
- ~~(m)~~(j) If an FCM Listed Interest Rates Novation Transaction is revoked, avoided or

otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM ~~Nodal~~Listed Interest Rates Contract, unless otherwise determined by the Clearing House.

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

**Regulation 7—DAILY SETTLEMENT OR MARKING TO MARKET**

- ~~(a) — Where the FCM Procedures so provide, the Clearing House may effect the daily settlement to market or daily marking to market of those open FCM Nodal Contracts in accordance with the FCM Procedures. Daily settlement to market shall not apply to such open FCM Nodal Contracts which are for the account of an FCM Nodal Clearing Member's FCM Clients.~~
- (k) For the avoidance of doubt, any FCM Listed Interest Rates Novation Transaction of which details have been submitted for registration as a FCM Listed Interest Rates Contract which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of their common participation in the Rates Exchange through or on which the transaction was executed or by which it was registered), but subject in all cases to the relevant Rates Exchange Rules, and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.

**REGULATION 55 ALLOCATION OF FCM LISTED INTEREST RATES  
NOVATION TRANSACTIONS**

- (a) Any FCM Listed Interest Rates Clearing Member proposing to allocate an FCM Listed Interest Rates Novation Transaction to another FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member shall do so in such manner and form and by such time as may be prescribed by the FCM Procedures. Allocation of an FCM Listed Interest Rates Novation Transaction by or on behalf of an FCM Listed Interest Rates Clearing Member pursuant to the FCM Procedures shall constitute confirmation of the FCM Listed Interest Rates Novation Transaction by such FCM Listed Interest Rates Clearing Member.
- (b) Unless it is intended that an FCM Listed Interest Rates Novation Transaction be allocated in accordance with the FCM Procedures to another FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member, any FCM Listed Interest Rates Novation Transaction allocated to an FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member shall be confirmed or, where the FCM Procedures so prescribe, shall be deemed to have been confirmed to the Clearing House by or on behalf of such FCM Listed Interest Rates Clearing Member or, as the case may be, the FCM Listed Interest Rates Clearing Member who acts as the clearing member for such member of the Rates Exchange, in such manner and form and by such time as may be prescribed by the FCM Procedures. If such FCM Listed Interest Rates Novation Transaction is allocated on by or on behalf of such FCM Listed Interest Rates Clearing Member to another FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member, such act of allocation shall constitute confirmation of the FCM Listed Interest Rates Novation Transaction by such FCM Listed Interest Rates Clearing Member.
- (c) Where an FCM Listed Interest Rates Novation Transaction is allocated to an FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member pursuant to paragraph (a) or (b) above and the Clearing House does not receive confirmation of such FCM Listed Interest Rates Novation Transaction from that FCM Listed Interest Rates Clearing Member or the FCM Listed Interest Rates Clearing Member acting as clearing member for such member, as the case may be, within the relevant time prescribed by the FCM Procedures, the Clearing House shall, subject to FCM Regulation 52, register an FCM Listed Interest Rates Contract in the name of the FCM Listed Interest Rates Clearing Member who sought to allocate the FCM Listed Interest Rates Novation Transaction.
- (d) Notwithstanding paragraph (c) above, an FCM Listed Interest Rates Clearing Member may from time to time agree in writing with the Clearing House that he shall accept for registration in his name any FCM Listed Interest Rates Novation Transaction allocated to him in accordance with paragraphs (a) or (b) above and such FCM Listed Interest Rates Clearing Member shall be deemed to have confirmed such FCM Listed

Interest Rates Novation Transaction in accordance with the FCM Procedures.

- (e) Notwithstanding the provisions of the FCM Procedures, the Clearing House may, without assigning any reason, make any allocation of an FCM Listed Interest Rates Novation Transaction subject to any conditions stipulated by it.

## REGULATION 56 DAILY SETTLEMENT TO MARKET

~~(a)~~(a) The Clearing House shall, in accordance with the FCM Procedures, in respect of each open FCM ~~Nodal~~Listed Interest Rates Contract in an FCM ~~Nodal~~Listed Interest Rates Clearing Member's name ~~which is subject to daily settlement to market or daily marking to market~~, effect and register a settlement contract, being a contract on the same terms (except as to price or ~~Premium~~premium), including the ~~Strike Price, strike price~~ where applicable, as the open FCM ~~Nodal~~ Contract, save that where ~~an~~the FCM ~~Nodal~~Listed Interest Rates Clearing Member is ~~the seller~~a buyer under the terms of the open FCM ~~Nodal~~ Contract ~~that~~the FCM ~~Nodal~~Listed Interest Rates Clearing Member shall be ~~the buyer~~a seller under the terms of the settlement contract and vice-versa, such settlement contract to be effected in accordance with the FCM Procedures at the relevant Official Quotation or Reference Price for that day. The Clearing House shall thereupon settle each ~~open~~Open FCM ~~Nodal~~ Contract against the respective settlement contract in accordance with the FCM Procedures.

~~(b)~~(b) The Clearing House shall, upon completion of the ~~procedure~~process set out in paragraph ~~(b) above, a)~~, calculate the daily settlement amounts in accordance with the FCM Procedures and shall thereafter ~~make up debit or credit (as the case may be)~~ the FCM ~~Nodal~~Listed Interest Rates Clearing Member's account and upon the Clearing House so doing, ~~that~~the FCM ~~Nodal~~Listed Interest Rates Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising as follows:

- (i) any profit arising to an FCM ~~Nodal~~Listed Interest Rates Clearing Member shall: (A) be credited to the applicable account; and, (B) subject to the Clearing House's right to retain such profit pursuant to these FCM Regulations, such profit shall be paid to that FCM Nodal Clearing the Member on its the Member's request; and
- (ii) any loss arising to an FCM ~~Nodal~~Listed Interest Rates Clearing Member shall be debited ~~to~~from the applicable account of ~~that FCM Nodal Clearing the Member to the extent that there is an available balance in such account and (subject to, in accordance with these FCM Regulations) that FCM Nodal Clearing, the Member shall pay the amount of any shortfall in respect~~ of such loss to the Clearing House forthwith on demand.

~~(b)~~—The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph ~~(e)(b) above,~~ in the manner prescribed by the FCM Procedures:

- ~~(i)~~—, in respect of those open FCM ~~Nodal~~ Contracts in an FCM ~~Nodal~~Listed Interest Rates Clearing Member's name which have been settled pursuant to paragraph ~~(b) above and which are subject to daily settlement to market~~(a) above, register at the relevant Official Quotation or Reference Price referred to in paragraph (a) above, contracts in the FCM Procedures, FCM Nodal Contracts in that FCM Nodal Clearing Member's name as openOpen FCM ~~Nodal~~ Contracts on the same terms (except as to price or ~~Premium~~premium), including the ~~Strike Price, strike price~~ where applicable, as the settled



~~open~~Open FCM ~~Nodal~~ Contracts, save that no ~~FCM Nodal Contract~~contract for the purchase and no contract for the sale of the same commodity or other reference asset, for the same ~~Delivery Month, or Expiry Month and price~~, shall be registered in that FCM Nodal Clearing Member's name; and

~~(p)~~(c) ~~in respect of those open FCM Nodal Contracts in an FCM Nodal Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily marking to market as prescribed by the FCM Procedures, register at the relevant Reference Price referred to in the FCM Procedures, FCM Nodal Contracts in the FCM Nodal Clearing Member's name as open FCM Nodal Contracts on the same terms (except as to delivery month, or expiry month and strike price or Premium) including the Strike Price, where applicable, as the settled open FCM Nodal Contracts shall be registered in the Member's name.~~

~~(e)~~—An FCM Nodal Clearing Member may, in respect of all open FCM Nodal Contracts in its name which are subject to daily marking to market, request the Clearing House within the time and in the manner prescribed by the FCM Procedures, to settle such FCM Nodal Contracts being the same number of contracts for the purchase and sale of the same commodity for the same Delivery Month or, where applicable, for the same Expiry Month and Strike Price. Such a request, once made, shall be irrevocable unless the Clearing House otherwise consents. Where such a request is made, the Clearing House shall as soon as practicable after the close of trading on that market day (but not necessarily on that day, and provided documentation has been supplied by the FCM Nodal Clearing Member in accordance with the FCM Procedures) make up the FCM Nodal Clearing Member's account.

~~(d)~~—In respect of those open FCM Nodal Contracts of which settlement might have been requested by an FCM Nodal Clearing Member under paragraph (e) above, the Clearing House may, if no request for settlement has been received by the cessation of trading for the Delivery Month applicable to those FCM Nodal Contracts, at any time thereafter proceed as if settlement had been requested and make up and render the FCM Nodal Clearing Member's accounts accordingly.

**REGULATION 57 TERMINATION OF FUNGIBLE FCM LISTED INTEREST RATES CONTRACTS**

- (a) The Clearing House may from time to time designate a Rates Exchange in respect of one or more FCM Listed Interest Rates Eligible Products for purposes of these FCM Regulations (such Rates Exchange, a “**Designated Rates Exchange**”). A Rates Exchange seeking designation as a Designated Rates Exchange must submit a written request to the Clearing House in the form and manner required by the Clearing House. Such designation, once made effective by the Clearing House, shall remain in effect until such time as the Clearing House agrees, in its sole and absolute discretion, to terminate, modify, or suspend such designation.
- (b) The Clearing House may from time to time determine that FCM Listed Interest Rates Eligible Products listed for trading on two or more Designated Rates Exchanges have substantially the same economic terms. Such determination may be made where the Clearing House Risk Committee considers, in its sole discretion and in accordance with applicable risk governance requirements, that such FCM Listed Interest Rates Eligible Products have substantially the same fundamental economic attributes. Following such determination, the Clearing House shall designate each FCM Listed Interest Rates Contract registered in respect of such FCM Listed Interest Rates Eligible Products as a “**Designated FCM Listed Interest Rates Contract**”.
- (c) Notwithstanding any other provision of these FCM Regulations, where:
- (i) two or more Designated FCM Listed Interest Rates Contracts are registered for the account of an FCM Listed Interest Rates Clearing Member; and
  - (ii) all such FCM Listed Interest Rates Contracts are registered in the FCM Listed Interest Rates Clearing Member’s FCM Omnibus Listed Interest Rates Client Account with LCH on behalf of the same FCM Client (other than an FCM Client which is a customer omnibus account of another futures commission merchant);

then the Clearing House shall compress and combine all such Designated FCM Listed Interest Rates Contracts by terminating the relevant existing Designated FCM Listed Interest Rates Contracts and compressing them into one Designated FCM Listed Interest Rates Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of such original Designated FCM Listed Interest Rates Contracts. For the avoidance of doubt, in no circumstances can a Designated FCM Listed Interest Rates Contract registered in the Proprietary Account of an FCM Listed Interest Rates Clearing Member be compressed pursuant to this FCM Regulation 57 with a Designated FCM Listed Interest Rates Contract registered in the FCM Omnibus Listed Interest Rates Client Account with LCH of such FCM Listed Interest Rates Clearing Member.

## **REGULATION 58 LIMITATION ON LIABILITY**

Without prejudice to the generality of FCM Regulation 44 or any other provision of the FCM Regulations or FCM Procedures concerning liability of the Clearing House, any liability of the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) to a Member or to any other person (including, without limitation, any FCM Client which might otherwise arise in connection with the FCM Listed Interest Rates Clearing Service shall, if and to the extent such liability arises out of any act or omission of any third party upon whom the Clearing House is reliant in any material respect in its provision of the FCM Listed Interest Rates Clearing Service (including, without limitation, a Rates Exchange or any provider of transaction routing functionality), be limited to such amounts as the Clearing House is entitled to recover and is successful in recovering from that third party in respect of that party's acts and/or omissions.

## **REGULATION 59 DELIVERY FAILURE**

- (a) Without prejudice to the Default Rules and the FCM Procedures, if an FCM Listed Interest Rates Clearing Member as seller fails to deliver securities or other instruments to the Clearing House under an FCM Listed Interest Rates Contract by the due time therefor, the Clearing House may issue directions, in accordance with the FCM Procedures, to the seller and to an FCM Listed Interest Rates Clearing Member or Listed Interest Rates Clearing Member as buyer under a corresponding FCM Listed Interest Rates Contract or Listed Interest Rates Contract, respectively, regarding the performance of such contracts and such directions shall be binding on such members.
- (b) The Clearing House shall be entitled to demand Collateral from an FCM Listed Interest Rates Clearing Member where it has failed to deliver instrument or pay the Price under an FCM Listed Interest Rates Contract by the due time therefor in such amounts and in such form as it may require in accordance with the FCM Procedures.
- (c) An FCM Listed Interest Rates Clearing Member who has failed to deliver securities or other instruments to the Clearing House under an FCM Listed Interest Rates Contract or to pay the Price shall indemnify the Clearing House in respect of all losses, costs, taxes and expenses suffered or incurred by the Clearing House in taking any steps under this FCM Regulation 59.
- (d) Without prejudice to the Default Rules, if a selling FCM Listed Interest Rates Clearing Member acts in such a manner (which could, without limit, include persistent failure to deliver securities to the Clearing House under FCM Listed Interest Rates Contracts (other than in circumstances where FCM Regulation 29 and/or FCM Regulation 30 apply)), and the Clearing House in its reasonable opinion determines that the reputation of the FCM Listed Interest Rates Clearing Service is being, or has been, undermined, the Clearing House shall be entitled to terminate, on written notice, either summarily or at the expiry of the period specified in the notice, the FCM Listed Interest Rate Clearing Member's ability to have FCM Listed Interest Rates Contracts registered in his name and to require him to liquidate or transfer under FCM Regulation 13 open FCM Listed Interest Rates Contracts registered in his name.

**REGULATION 60 SUSPENSION OF THE FCM LISTED INTEREST RATES  
CLEARING SERVICE OR THE FCM LISTED INTEREST RATES OPEN  
OFFER**

The Clearing House may, from time to time, in its absolute discretion suspend the FCM Listed Interest Rates Clearing Service and/or the FCM Listed Interest Rates Open Offer in respect of Rates Exchange Matches and/or its service in respect of any FCM Listed Interest Rates Novation Transactions on one or more Rates Exchanges for such period of time as it may determine.

**REGULATION 61 REJECTION OF RATES EXCHANGE MATCHES AND OF FCM LISTED INTEREST RATES NOVATION TRANSACTIONS**

- (a) Any Rates Exchange Match, particulars of which are submitted to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an FCM Listed Interest Rates Contract, which does not meet the relevant FCM Listed Interest Rates Open Offer Eligibility Criteria as published on the Clearing House's website, or which the Clearing House declines to register under any other provision within these FCM Regulations will, subject to paragraph (c), be rejected by the Clearing House and no FCM Listed Interest Rates Contracts shall be deemed to have arisen. Without prejudice to the generality of FCM Regulation 44, or any other provision of the FCM Regulations or FCM Procedures concerning liability of the Clearing House, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any FCM Listed Interest Rates Clearing Member or any other person with regard to the rejection by it of any such Rates Exchange Match.
- (b) Any FCM Listed Interest Rates Novation Transaction, particulars of which are submitted to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an FCM Listed Interest Rates Contract, which does not meet the applicable eligibility criteria as published on the Clearing House's website, or which the Clearing House declines to register under any other provision within these FCM Regulations will, subject to paragraph (c), be rejected by the Clearing House and no FCM Listed Interest Rates Contracts shall be deemed to have arisen. Without prejudice to the generality of FCM Regulation 44, or any other provision of the FCM Regulations or FCM Procedures concerning liability of the Clearing House, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any FCM Listed Interest Rates Clearing Member or any other person with regard to the rejection by it of any such FCM Listed Interest Rates Novation Transaction.
- (c) The Clearing House may, in its absolute discretion, agree to register an FCM Listed Interest Rates Contract, notwithstanding that it does not meet the relevant FCM Listed Interest Rates Open Offer Eligibility Criteria or the eligibility criteria as published on the Clearing House's website (as applicable) or it contains invalid or incomplete message data, in accordance with provisions prescribed by the Clearing House from time to time in the FCM Procedures.

**Appendix IV  
FCM Procedures**



**FCM PROCEDURES OF  
THE CLEARING HOUSE**

**LCH.CLEARNET LIMITED**



## 1.7 Additional Requirements

### 1.7.1 *Notification of Changes of Ownership*

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

1.7.2 Each FCM Clearing Member shall maintain current written risk management policies and procedures which address the risks that the relevant FCM Clearing Member may pose to the Clearing House, including any policies and procedures that the Clearing House may reasonably request to be incorporated therein. Upon the request of the Clearing House, an FCM Clearing Member shall promptly provide the Clearing House with a copy of its current policies and procedures for review by the Clearing House.

1.7.3 Pursuant to, and in accordance with, FCM Regulation 14(n) (*Margin and Collateral*), where an FCM Client enters into an FCM Transaction that is non-hedging in nature, the relevant FCM Clearing Member shall collect from that FCM Client additional FCM Client Funds with a value that is:

- (a) in respect of FCM SwapClear Contracts, 10 per cent. above the amount that the Clearing House would normally require for such contracts; and
- (b) in respect of FCM ForexClear Contracts, 10 per cent. above the amount that the Clearing house would normally require for such contracts; ~~and~~
- ~~(c) in respect of FCM Nodal Contracts, 10 per cent above the amount that the Clearing House would normally require for such contracts.~~

For the avoidance of doubt, FCM Regulation 14(n) (*Margin and Collateral*) and this Section 1.7.3 do not require that FCM Clearing Members furnish the Clearing House with Excess Margin.

## 1.8 Other Conditions

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

## 2. PRODUCT-SPECIFIC PROCEDURES

Section 2 of these FCM Procedures contains certain requirements and procedures that are specific to individual Products cleared by the Clearing House. The clearing of FCM SwapClear Contracts is discussed in Section 2.1, the clearing of FCM ForexClear Contracts is discussed in Section 2.2 ~~and the clearing of FCM Nodal Contracts is discussed in Section 2.4~~ and the clearing of FCM Listed Interest Rates Contracts is discussed in Section 2.3.

### 2.1 SWAPCLEAR

#### 2.1.1 *The Clearing Process*

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

##### (a) *FCM SwapClear Service Functions*

The following functions are performed within the FCM SwapClear Service:

- (i) processing and settlement of coupon payments;
- (ii) processing and settlement of consideration (fee) payments;
- (iii) calculation of initial and variation margin requirements;
- (iv) calculation of MER amounts and SwapClear Tolerance Limits;
- (v) calculation of Price Alignment Interest;
- (vi) adjustment of cash payments to conform with opening days and the SwapClear calendars;
- (vii) allocation and designation of trades to a position-keeping account; and
- (viii) reporting of registered trades.

FCM SwapClear Transactions submitted via an FCM Approved Trade Source System (i.e., new trades submitted for intra-day registration or existing trades submitted for overnight registration – see Section 2.1.3(e)) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the FCM SwapClear clearing system. Information regarding FCM SwapClear Contracts and margin reporting will be disseminated via the Clearing House's FCM Clearing Member Reporting (see Section 2.1.1(c)).

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

(d) *Legal Documentation*

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

(e) *Notification*

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

2.1.15 *Default Management*

(a) *Portfolio Splitting:*

As part of the [SwapClearRates Service](#) 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 [SwapClearRates Service](#) 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 [SwapClearRates Service](#) 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 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.

(c) *Affiliate Bidding*

SwapClear Clearing Members are entitled to bid for an Auction Portfolio on behalf of an affiliated SwapClear Clearing Member or affiliated FCM Clearing Member. Where a SwapClear Clearing Member makes a bid and that SwapClear Clearing Member has an affiliated SwapClear Clearing Member or FCM 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 SwapClear Clearing Member has made the relevant bid on behalf of a non-bidding, affiliated SwapClear Clearing Member or affiliated FCM Clearing Member.

A SwapClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated SwapClear Clearing Member or affiliated FCM Clearing Member. Where it wishes to do so, the SwapClear Clearing Member should contact the Clearing House's Membership Department at +44 (0)207 426 7891/7627/7063 or via e-mail at [membership@lhclearnet.com](mailto:membership@lhclearnet.com).

Upon the request of an FCM Clearing Member that has successfully bid in an Auction (or in respect of which an LCH Approved Outsourcing Party or an affiliated SwapClear Clearing Member has made a successful bid on its behalf), the Clearing House shall transfer the rights and obligations arising out of the applicable Auction Portfolio to an affiliated SwapClear Clearing Member of such FCM Clearing Member, subject to such affiliate consenting to such transfer and meeting all the requirements imposed by the Clearing House from time to time in relation to accepting such rights and obligations (including executing any documents reasonably requested by the Clearing House), and subject to the Clearing House's determination in its reasonable discretion that the transfer would not be likely to result in a material and adverse impact on the Clearing House, the SwapClear Service or another SwapClear Clearing Member. Until such time as such transfer has been effected, the FCM Clearing Member shall remain liable to perform its obligations (including in respect of the Auction Portfolio to be transferred) under the FCM Rulebook.

(d) *Outsourcing*

Pursuant to FCM Regulation 4(c)(vii) and 4(c)(viii) (*FCM Clearing Member Status and Application of LCH Regulations*), an FCM Clearing Member may appoint a third party to fulfill one or both of the Clearing House's Membership requirements to: (i) participate in a SwapClear "fire drill" run by the Clearing House; and (ii) participate in the [SwapClear Rates Service](#) DMP operated by the Clearing House. Where an FCM Clearing Member chooses to outsource one or both of these functions it must appoint and maintain at least three LCH Approved Outsourcing Agents.

The following entities are eligible for appointment as an LCH Approved Outsourcing Agent:

- (i) A SwapClear Clearing Member
- (ii) An FCM Clearing Member
- (iii) An FCM Client
- (iv) Any other entity that the Clearing House deems appropriate in its sole discretion.

Where an FCM Clearing Member wishes to appoint a third party to carry out any obligation on its behalf, it should contact the Clearing House's Membership Department with the:

- (A) details of the third party entity that the FCM Clearing Member wishes to appoint as an LCH Approved Outsourcing Agent. Such information should include details of the applicant's regulatory status;

- (B) evidence of the existence of a legally binding agreement between the FCM Clearing Member and the third party; and
- (C) such other information that the Clearing House reasonably considers necessary for the purposes of determining whether an entity should be approved as an LCH Approved Outsourcing Agent.

Following the receipt of all of the information above, the Clearing House shall determine in its sole discretion, whether to approve the third party as an LCH Approved Outsourcing Agent. In making its determination, the Clearing House shall consider the third party's ability to demonstrate that it has the necessary operational infrastructure and appropriate asset class expertise.

Where an FCM Clearing Member successfully appoints an LCH Approved outsourcing Agent, that FCM Clearing Member may be subject to increased margin requirements to cater for the additional time required to invoke an outsourcing process in the event of a default

FCM Clearing Members should note that LCH Approved Outsourcing Agents may be subject to a more rigorous driving test and fire-drill than FCM Clearing Members (*i.e.*, required to demonstrate an ability to price and bid a greater number of trades at tighter pricing tolerances and within more onerous timeframes). In addition, the Clearing House may require an FCM Clearing Member, that has appointed an LCH Approved Outsourcing Agent, to participate in an ad-hoc fire-drill or driving test with such notice as the Clearing House deems appropriate in its sole discretion.

The Clearing House reserves the right to revoke an entity's status as an LCH Approved Outsourcing Agent, in its sole discretion and without notice. In the event of such a revocation, the relevant FCM Clearing Member shall be required to assume those responsibilities that were previously outsourced. Such revocation may occur where the Clearing House considers that there is an insufficient number of third party entities that are providing outsourced default management services (usually a minimum of five providers at any one time).

Other than in exceptional circumstances and in the Clearing House's sole discretion, an LCH Approved Outsourcing Agent may not act on behalf of more than three clearing members.

The appointment of an LCH Approved Outsourcing Agent does not absolve an FCM Clearing Member of its obligations under the [SwapClearRates Service](#) DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the [SwapClearRates Service](#) DMP on behalf of an FCM Clearing Member, in the event of a default, shall not extend

beyond the provision of operational and other ancillary support to that FCM Clearing Member.

(e) ~~SwapClear~~Rates Service DMG

The necessary involvement of FCM Clearing Members and the ~~SwapClear~~Rates Service DMG in the ~~SwapClear~~Rates Service DMP entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure that such potential conflicts are demonstrably contained, Schedule 2.1E establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on FCM Clearing Members (and their executives or directors who participate from time to time in the ~~SwapClear~~Rates Service DMG) and on the Clearing House.

Each FCM Clearing Member who makes available a representative to serve on the ~~SwapClear~~Rates Service DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the ~~SwapClear~~Rates Service DMG complies with Schedule 2.1E covering confidentiality, non-disclosure and other terms.

(f) *Procedures for Liquidation of FCM ~~SwapClear~~Rates Contracts of FCM Clients*

Upon the default of an FCM Rates Clearing Member, the Clearing House has the power and authority, pursuant to the FCM Rulebook, the CEA and the CFTC Regulations, to liquidate the FCM ~~SwapClear~~Rates Contracts of FCM Clients which, pursuant to the FCM Rulebook, would be conducted in accordance with the ~~SwapClear~~Rates Service DMP Annex. This section sets forth certain supplementary procedures (in addition to the Default Rules and other applicable provisions of the FCM Rulebook) that will apply under such circumstances.

In certain circumstances the Clearing House may deem, in its sole discretion, that ~~one or more of the FCM ~~SwapClear~~Rates Contracts attributable to an of one or more FCM Client's ~~FCM Client Sub-Account~~Clients should be liquidated. Such determination may result from factors including: (i) the Clearing House determining that the FCM Client poses too great a risk to the Clearing House and should therefore be liquidated, (ii) the Clearing House becoming aware of the FCM Client becoming insolvent or otherwise failing in its obligations to the defaulting FCM Clearing Member, (iii) the relevant FCM Client requesting that it be liquidated, or (iv) a request or instruction from a Regulatory Body, whether orally or in writing. In the event of such liquidation the Clearing House shall ~~transfer (either physically or by book entry)~~establish a notional account reflecting such FCM Client's FCM ~~SwapClear~~Rates Contracts ~~to be liquidated into an account at the Clearing House established~~ for purposes of liquidating the FCM ~~SwapClear~~Contracts allocating losses arising from the liquidation of~~

~~FCM Clients of the defaulter~~such contracts (such account, a “**Hedged Account**”). The Clearing House ~~shall~~may establish ~~a one or more~~ separate Hedged Account(s) for ~~each currency of~~ FCM ~~SwapClearRates~~ Contracts that are non-transferable and will be subject to liquidation and ~~will, if applicable, may include reference~~ in each such Hedged Account the FCM ~~SwapClearRates~~ Contracts ~~in the applicable currency~~ that are to be liquidated, regardless of the FCM Clients for which such FCM ~~SwapClearRates~~ Contracts are held. The provisions of this section shall apply equally to any such Hedged Account. Additionally, no FCM Contracts other than FCM ~~SwapClearRates~~ Contracts will be ~~transferred into~~referenced in a Hedged Account established for liquidating FCM ~~SwapClearRates~~ Contracts.

An FCM Client whose FCM ~~SwapClearRates~~ Contracts are ~~transferred into~~referenced in a Hedged Account is referred to as a “**Non-Porting Client**”. The Clearing House shall hold the relevant Collateral in respect of: (a) the FCM SwapClear Contracts of Non-Porting Clients (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in the relevant FCM Omnibus SwapClear Client Account with LCH; and (b) the FCM Listed Interest Rates Contract of Non-Porting Clients in the relevant FCM Omnibus Listed Interest Rates Client Account with LCH, in each case until the liquidation of the entire relevant Hedged Account and all FCM ~~SwapClearRates~~ Contracts and other positions therein, as described below. At the time that the FCM ~~SwapClearRates~~ Contracts of a Non-Porting Client are ~~transferred into~~first referenced in a Hedged Account, any outstanding and accrued but unpaid Variation Margin in respect of such FCM ~~SwapClearRates~~ Contracts shall be discharged as of the time such FCM ~~SwapClearRates~~ Contracts are ~~transferred into the~~referenced in such Hedged Account, by (i) in the event that Variation Margin is accrued but unpaid in favor of the Clearing House, debiting (x) the FCM Client Sub-Account of such FCM Client; (in respect of FCM SwapClear Contracts) or (y) the FCM Omnibus Listed Interest Rates Client Account with LCH (in respect of FCM Listed Interest Rates Contract), or (ii) in the event that Variation Margin is accrued but unpaid in favor of the FCM Client, crediting (x) the FCM Client Sub-Account of such FCM Client; (in respect of FCM SwapClear Contracts) or (y) the FCM Omnibus Listed Interest Rates Client Account with LCH (in respect of FCM Listed Interest Rates Contract).

- (i) Administration of a Hedged Account. The Clearing House may enter into hedge transactions and liquidate and/or auction the FCM ~~SwapClearRates~~ Contracts and hedges for the account of the Hedged Account, and may take related actions with respect to a Hedged Account (and the positions ~~held~~referenced therein), in its sole discretion as permitted by the FCM Rulebook, the CEA and the CFTC Regulations, or as directed by an applicable Regulatory Body.



- (ii) Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients. The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs including the gains and losses associated with hedging transactions, and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:
- (A) At the time an FCM Client becomes a Non-Porting Client, such Non-Porting Client is assigned a separate risk factor ~~(a “in respect of its FCM SwapClear Contracts (if any) and its set of FCM Listed Interest Rates Contracts (if any) (each, an “Account Class Risk Factor”) which”)~~. The value of each Account Class Risk Factor is ~~equal to~~ calculated as the proportion of such Non-Porting Client's hypothetical (where applicable) Required Margin ~~with respect to its FCM SwapClear Contracts in respect of each set of contracts in a given currency bears to the aggregate hypothetical Required Margin of all contracts that are transferred into~~ referenced in the Hedged Account in that currency at the time such FCM Client became a Non-Porting Client (*i.e.*, at the time ~~of transfer into the~~ such contracts are first referenced in such Hedged Account).
- (B) On the first day that FCM Clients become Non-Porting Clients, gains and losses in ~~the~~ Hedged Account on such day shall be allocated on a *pro rata* basis among such Non-Porting Clients based on their individual Account Class Risk Factors. The allocation of gains and losses on subsequent days shall be made in the same manner until the occurrence of a day (if applicable) in which additional Non-Porting Clients are ~~included~~ referenced in ~~the~~ such Hedged Account. Additional Non-Porting Clients ~~that whose positions~~ are ~~included~~ referenced in ~~the~~ such Hedged Account on a subsequent day, until the positions of further additional Non-Porting Clients are ~~included~~ referenced in ~~the~~ such Hedged Account on a further subsequent day, are referred to as “**New Non-Porting Clients**”.
- (C) On a day when one or more New Non-Porting Clients are ~~included~~ referenced in ~~the~~ such Hedged Account, the Clearing House shall calculate a combined risk factor (the “**Existing Non-Porting Clients Combined Account Class Risk Factor**”) in respect of the FCM SwapClear Contracts and FCM Listed Interest Rates Contracts, respectively, of the Non-Porting Clients that were previously ~~included~~ referenced in ~~the~~ such Hedged Account and are not New Non-Porting Clients (such

existing Non-Porting Clients, “**Existing Non-Porting Clients**”). The Existing Non-Porting Clients Combined Account Class Risk Factor~~Factors~~ shall be based on the amount of Required Margin associated with the relevant Hedged Account with respect to ~~all(x) all FCM SwapClear contract~~ positions (including all FCM SwapClear Contracts, hedges or other positions) ~~held in the Hedged Account, and (y) all FCM Listed Interest Rates Contract positions (including all FCM Listed Interest Rates Contracts, hedges or other positions), respectively, referenced in the Hedged Account~~ at the beginning of the day on which New Non-Porting Clients are ~~included~~referenced in ~~the~~that Hedged Account (i.e., at a time prior to ~~the transfer of the FCM SwapClear Contracts of~~when New Non-Porting Clients ~~into the~~Clients’ FCM SwapClear Contracts and FCM Listed Interest Rates Contracts are first referenced in that Hedged Account). For the avoidance of doubt, the Existing Non-Porting Clients Combined Account Class Risk Factor is calculated without respect to the Required Margin applicable to the ~~transferred~~-FCM SwapClear Contracts and FCM Listed Interest Rates Contacts of the New Non-Porting Clients.

- (D) On any day on which the position of New Non-Porting Clients are ~~included~~referenced in ~~the~~a Hedged Account, gains and losses in ~~the~~that Hedged Account that are incurred on that day will be allocated among the Existing Non-Porting Clients (as a group) and the New Non-Porting Clients (individually) on a *pro rata* basis based on the Existing Non-Porting Clients Combined Account Class Risk Factor~~Factors~~ (with respect to the Existing Non-Porting Clients as a group) and the individual Account Class Risk Factors of each New Non-Porting Client (with respect to each such New Non-Porting Client individually). The gains and losses allocated in such manner to the Existing Non-Porting Clients as a group shall be further allocated to each individual Existing Non-Porting Client on a *pro rata* basis based on the Account Class Risk Factor of each such Existing Non-Porting Client. The allocation of gains and losses on subsequent days shall occur in the same manner as set forth in this paragraph (D) until the occurrence of a day (if applicable) in which the positions of additional Non-Porting Clients are referenced included in ~~the~~such Hedged Account and thus become the New Non-Porting Clients. In such a case, (A) the Existing Non-Porting Clients shall continue to be treated as Existing Non-Porting Clients, (B) the Non-Porting Clients previously constituting the

New Non-Porting Clients shall then constitute Existing Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (B) above), (C) the additional Non-Porting Clients ~~included~~ referenced in ~~the~~ such Hedged Account constitute the New Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (B) above), and (D) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Account Class Risk Factor and the allocation of gains and losses shall be in accordance with paragraph (C) above and this paragraph (D).

- (E) Upon the liquidation of the contracts referenced in a Hedged Account and all FCM ~~SwapClearRates~~ Contracts and other positions therein, by auction or otherwise, any gains or losses associated with such auction/liquidation shall be allocated among all Non-Porting Clients on a *pro rata* basis based on the “**unit value**” of each FCM ~~SwapClearRates~~ Contract of each Non-Porting Client ~~transferred~~ referenced in such into the Hedged Account, as adjusted by a “**auction value adjustment**”. For purposes of this clause (~~¶E~~), (1) “**unit value**” means, in respect of FCM SwapClear Contracts, the value applied to each FCM SwapClear Contract, based on the net present value and outstanding notional value associated with each such FCM ~~SwapClearRates~~ Contract, and in respect of FCM Listed Interest Rates Contracts, the net present value and outstanding notional value associated with such FCM Listed Interest Rates Contracts (being the Contract Price times the number of Contracts), and (2) “**auction value adjustment**” means a ratio applied to an FCM ~~SwapClearRates~~ Contract based on the aggregate auction/liquidation costs incurred in auctioning/liquidating the contracts referenced in such Hedged Account and the aggregate notional value of all FCM ~~SwapClearRates~~ Contracts referenced in the ~~such~~ Hedged Account, each of clauses (1) and (2) as determined by the Clearing House. The allocations described in this clause (~~¶E~~) are without reference to any Account Class Risk Factor or Existing Non-Porting Clients Accounts Class Combined Risk Factor.
- (iii) Settlement of Non-Porting Clients Following Liquidation of a Hedged Account. Following the liquidation of ~~the~~ contracts referenced in Hedged Account, the Clearing House shall allocate the appropriate gains and losses (as determined in accordance with the above provisions) to each Non-Porting Client's relevant FCM Client Sub-Account (in respect of FCM SwapClear Contracts) or to the FCM Omnibus Listed Interest

[Rates Client Account with LCH \(in respect of FCM Listed Interest Rates Contracts\).](#)

The Clearing House shall allocate gains and losses to FCM SwapClear Contracts registered in the FCM SwapClear Suspension Sub-Account in the same manner as it allocates to an individual FCM Client and as described above.

[\(g\) FCM Rates Service Default Management Disclosure Notice](#)

[Each FCM Rates Service Clearing Member must ensure that each FCM Client to which it offers FCM SwapClear Clearing Services is provided with, or is directed to a copy of, the FCM Rates Service Default Management Disclosure Notice and further must provide confirmation, in the form and manner reasonably required by the Clearing House, that it has discharged this obligation in respect of each such FCM Client.](#)

[\(e\)\(h\) Contact Information](#)

Each FCM [Rates](#) Clearing Member is required to provide the Clearing House with contact details for those persons that the Clearing House should contact in the event of a Clearing Member Default. FCM [Rates](#) Clearing Members are required to ensure that contact details remain up to date and to notify the Clearing House of any changes in such details.

2.1.16 **Payment of Stamp Tax**

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

2.1.17 **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 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.

2.1.19 ***FCM Portfolio Margining Service***

(a) ***Introduction***

The Clearing House offers FCM Clients of FCM Clearing Members an optional service (“**FCM Portfolio Margining Service**”) that provides portfolio-margining functionality in respect of pairs of accounts that are held in the FCM SwapClear Clearing Service and FCM Listed Interest Rates Clearing Services by transferring Eligible FCM Listed Interest Rates Contracts between accounts in each Service (such

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transferred Eligible FCM Listed Interest Rates Contracts, “**FCM Portfolio Margined Contracts**”).

A list of Eligible FCM Listed Interest Rates Contracts is set out in the FCM Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time.

An FCM Joint Rates Service Clearing Member must opt-in to the FCM Portfolio Margining Service in accordance with the procedure set out in paragraph 2.1.19(b) below and meet the FCM Portfolio Margining Eligibility Criteria (as defined below) in order to benefit from the portfolio-margining functionality provided by the service. However it should be noted that, regardless of whether or not an FCM Joint Rates Service Clearing Member opts in, the FCM SwapClear Clearing Service and the FCM Listed Interest Rates Clearing Services share a common default fund. Accordingly, the risk profile of participating in either one of such Services may be impacted by other FCM Clearing Members participating in the other such Service. In particular, the resources of an FCM Clearing Member that is a member of the FCM SwapClear Clearing Service and the FCM Listed Interest Rates Clearing Services will be made available to cover the Clearing House's losses in a different manner to those of an FCM Clearing Member that is only a member of one of those Services, regardless of whether that FCM Clearing Member opts-in to the FCM Portfolio Margining Service. FCM Clearing Members should therefore familiarise themselves with the provisions of the FCM Rulebook and the Default Rules.

(b) *Opt-In Procedure*

(i) FCM Clearing Member Status – Opt In. An FCM Joint Rates Service Clearing Member wishing to opt-in to the FCM Portfolio Margining Service in respect of one or more FCM Clients (each, a “**Nominated FCM Client**”) must submit a written request to the Clearing House, using the appropriate form which can be obtained from the Clearing House's Membership team (an “**FCM Portfolio Margining Request**”). For the avoidance of doubt, the FCM Joint Rates Service Clearing Member must submit a further FCM Portfolio Margining Request when it wishes the FCM Portfolio Margining Service to apply in respect of additional Nominated FCM Clients.

(ii) Assessment of the FCM Portfolio Margining Request. Upon receipt of an FCM Portfolio Margining Request, the Clearing House will assess whether the eligibility criteria set out at paragraph 2.1.19(c) below (the “**FCM Portfolio Margining Eligibility Criteria**”) are met. The FCM Joint Rates Service Clearing Member will provide such information to the Clearing House as the Clearing House may, in its absolute discretion, request, including such information as is required to enable the

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Clearing House to make the necessary assessments in respect of an FCM Portfolio Margining Request.

(iii) Activation of the FCM Portfolio Margining Service. Following a determination by the Clearing House that the FCM Portfolio Margining Eligibility Criteria are met, the Clearing House shall:

(A) notify the FCM Joint Rates Service Clearing Member; and

(B) activate the FCM Portfolio Margining Arrangements described in paragraph 2.1.19(d) below in respect of the Nominated FCM Clients.

The Clearing House will endeavour to activate the FCM Portfolio Margining Arrangements within five business days following the determination by the Clearing House that the FCM Portfolio Margining Eligibility Criteria are met, but owes no duty or obligation to the FCM Clearing Member to do so.

Furthermore, notwithstanding the foregoing, the Clearing House may, in its sole discretion, refuse to provide the FCM Portfolio Margining Service (i) to an FCM Joint Rates Service Clearing Member or (ii) in respect of one or more Nominated FCM Clients where it considers it appropriate to do so.

(iv) Opt-Out Procedure. In the event that an FCM Clearing Member wishes to terminate the FCM Portfolio Margining Service in respect of one or more Nominated FCM Clients, it may do so by giving written notice to the Clearing House. The FCM Clearing Member shall identify clearly the Nominated FCM Client(s) to which the termination is intended to apply. The termination shall become effective on the date on which the Clearing House confirms to the relevant FCM Clearing Member that the FCM Portfolio Margining Service has been terminated in respect of the relevant Nominated FCM Client(s). In this regard, the Clearing House will endeavour to terminate the FCM Portfolio Margining Arrangements within five business days following receipt of written notice from the FCM Clearing Member, but owes no duty or obligation to the relevant FCM Clearing Member to do so.

In order to prevent abuse of the FCM Portfolio Margining Service, following the termination of the FCM Portfolio Margining Service in respect of an FCM Client, an FCM Clearing Member will not be entitled to submit an FCM Portfolio Margining Request respect of the same FCM Client for a period of 30 calendar days following termination of the FCM Portfolio Margining Service in respect of such FCM Client.

(c) FCM Portfolio Margining Eligibility Criteria

- (i) Eligible FCM Clearing Members. For an FCM Clearing Member to offer FCM Portfolio Margining Service to its FCM Clients, the FCM Clearing Member must be approved to participate in both the FCM SwapClear Clearing Service and the FCM Listed Interest Rates Clearing Services.
- (ii) Eligible FCM Clients. In order to be eligible for the FCM Portfolio Margining Service, a Nominated FCM Client must receive FCM SwapClear Clearing Services and FCM Listed Interest Rates Clearing Services from the same FCM Clearing Member.
- (iii) FCM Client Consent. The FCM Joint Rates Service Clearing Member must confirm to the Clearing House (in the form of a written representation) that each Nominated FCM Client has provided its informed consent to the operation of the FCM Portfolio Margining Service in respect of its positions in FCM SwapClear Contracts and FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts.
- (iv) Recent Termination. FCM Portfolio Margining Arrangements in respect of the FCM Client have not, in the last 30 calendar days, been terminated in accordance with paragraph 2.1.19(b)(iv) above.
- (v) Restrictions. For the avoidance of doubt, it is not possible to apply the FCM Portfolio Margining Service:
  - (A) to Nominated FCM Clients that are not the same legal entity (e.g., to affiliated Nominated FCM Clients); or
  - (B) between positions held in an FCM Joint Rates Service Clearing Member's Proprietary Account and any positions recorded in any FCM Omnibus Client Account with LCH of such FCM Clearing Member.

(d) FCM Portfolio Margining Arrangements

- (i) FCM Portfolio Margining Calculation Tool. The Clearing House has developed a risk management tool that identifies portfolio-margining opportunities as between FCM SwapClear Contracts and FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts held on behalf of the same Nominated FCM Client ("**Portfolio Margining Calculation Tool**"). FCM Joint Rates Service Clearing Members participating in the FCM Portfolio Margining Service will receive certain information in relation to the operation of the Portfolio Margining Service, as described in more detail in paragraph 2.1.19(e) below.



A list of FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts is set out in the in the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

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(ii) FCM Portfolio Margining Process.

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(A) At a predetermined time following the close of the FCM Listed Interest Rates Clearing Services on each business day, the Clearing House will run the FCM Portfolio Margining Calculation Tool. The FCM Portfolio Margining Calculation Tool will identify, in respect of each Nominated FCM Client, any off-setting positions between FCM SwapClear Contracts and FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts, including any FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts that are FCM Portfolio Margined Contracts (the “**Identified Off-Setting FCM Listed Interest Rates Contracts**”).

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(B) The FCM Portfolio Margining Calculation Tool is a risk management tool that is not designed to provide FCM Joint Rates Service Clearing Members participating in the FCM Portfolio Margining Service with optimal margining treatment or reduce margin calls. Accordingly, the Clearing House makes no representations or assurances as to the impact of the FCM Portfolio Margining Calculation Tool on a participating FCM Clearing Member’s margin calls. Furthermore, the Clearing House accepts no liability in respect of the operation of the FCM Portfolio Margining Service of the FCM Portfolio Margining Calculation Tool. The provision and operation of the FCM Portfolio Margining Calculation Tool is subject to FCM Regulation 44.

(iii) Transfer of Identified Off-Setting FCM Listed Interest Rates Contracts. Once identified in accordance with subparagraph (d)(i)(A) above:

(A) any Identified Off-Setting FCM Listed Interest Rates Contracts that are not FCM Portfolio Margined Contracts will be transferred from the relevant FCM Omnibus Listed Interest Rates Client Account with LCH to the relevant FCM Client Sub-Account of the FCM Omnibus SwapClear Client Account with LCH, at which point they will become FCM Portfolio Margined Contracts;

(B) any FCM Portfolio Margined Contracts that are not identified as Identified Off-Setting FCM Listed Interest Rates Contracts as part of the relevant cycle, will be

transferred from the relevant FCM Client Sub-Account of the FCM Omnibus SwapClear Client Account with LCH to the relevant FCM Omnibus Interest Rates Client Account with LCH, at which point they will cease to be FCM Portfolio Margined Contracts; and

(C) the Clearing House's records will evidence the time of the transfers referred to in (A) and (B) above.

(iv) Treatment of FCM Portfolio Margined Contracts in the FCM Client Sub-Account of the FCM Omnibus SwapClear Client Account with LCH.

(A) FCM Portfolio Margined Contracts will continue to be treated as FCM Listed Interest Rates Contracts. For the avoidance of doubt, the payment of variation margin in respect of FCM Portfolio Margined Contracts shall continue to represent a daily settlement amount as opposed to a collateralisation amount.

(B) For the avoidance of doubt, FCM Portfolio Margined Contracts are not eligible for compression runs.

(C) For so long as an FCM Listed Interest Rates Contract is an FCM Portfolio Margined Contract, any lifecycle events in connection with such FCM Portfolio Margined Contract, including trade transfer, position transfer and give-ups) shall be suspended.

(D) FCM Portfolio Margined Contracts and associated offsetting FCM SwapClear Contracts are not eligible for transfer. An FCM Clearing Member that wishes to transfer an FCM Portfolio Margined Contract and associated off-setting FCM SwapClear Contract must reverse the FCM Portfolio Margining Process for such Contracts prior to, and as a precondition to, the transfer of such Contracts.

(e) *Portfolio Margining Reports*

The Clearing House will provide each FCM Joint Rates Service Clearing Member participating in the FCM Portfolio Margining Service details of the transfers described in paragraph 2.1.19(d)(iii) above once each business day.

**SCHEDULE 2.1E**  
**CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN**  
**THE DEFAULT MANAGEMENT GROUP**

**1. Definitions**

- 1.1 “**Confidential Material**” means data (including but not limited to portfolio data) and documents, which are not in the public domain and which are disclosed to the FCM Clearing Member, its associated companies and advisers, or to which the FCM Clearing Member, its associated companies and advisers obtains or otherwise has access as a result of participation in the [SwapClearRates Service](#) DMP, (which, for the avoidance of doubt, does not include any information, data or documents provided to the Clearing House by the FCM Clearing Member).
- 1.2 “**DMG Member**” means an individual appointed by a Nominating FCM Clearing Member.
- 1.3 “**Nominating FCM Clearing Member**” means a SwapClear Member who, through their obligations under the [SwapClearRates Service](#) DMP, makes available a representative to serve on the [SwapClearRates Service](#) DMG.
- 1.4 “**Permitted Purpose**” means proper fulfillment by the FCM Clearing Member of its duties under the [SwapClearRates Service](#) DMP Annex and includes, after the completion of the Auction, the use by the FCM Clearing Member, its associated companies and advisers (to be determined by it at its discretion) of any data or documents related to portfolios successfully won through the Auction, for the purposes of its own on-going portfolio management and to enable it to comply with on-going legal or regulatory requirements.
- 1.5 References denoting the masculine (including “his” and “he”) shall be construed as the feminine if the DMG Member is female.
- 1.6 All other terms have the meaning ascribed to them in the FCM Rulebook, which includes the Default Rules (including the [SwapClearRates Service](#) DMP Annex).

**Confidentiality and Non-Disclosure: General Obligations of the FCM Clearing Member**

**2. Confidentiality**

- 2.1 The FCM Clearing Member agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of this Schedule in respect thereof and, subject to paragraph 2.3, will not disclose it to any person without the prior written permission of the Managing Director, Risk of the Clearing House or a Director of Risk Management of the Clearing House, providing always that the FCM Clearing Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if:
- 2.1.1 it comes into the public domain other than through a breach by the FCM Clearing Member of this Schedule; or

- 2.1.2 the FCM Clearing Member is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in connection with any inquiry or other request by a regulatory authority or self-regulatory authority asserting jurisdiction over the FCM Clearing Member.
- 2.2 The FCM Clearing Member further agrees that it will not use any Confidential Material for any purpose other than the Permitted Purpose. In this regard the FCM Clearing Member expressly acknowledges and agrees that the Confidential Material may contain commercially sensitive information which if used inappropriately or otherwise than in accordance with this Schedule might result in the gaining of an unfair commercial advantage by the FCM Clearing Member over other members of the Clearing House SwapClear Service.
- 2.3 Subject to paragraph 2.5, the FCM Clearing Member may disclose any Confidential Material to any of its employees, representatives, associated companies and advisers on a “strictly need to know” basis, in the event that any such person needs that Confidential Material for the Permitted Purpose (and to that extent only).
- 2.4 The FCM Clearing Member agrees to establish and adhere to adequate procedures (including, without limitation, the establishment of appropriate Chinese walls) to ensure that any employee or representative to whom any Confidential Material is disclosed shall not use any part or all of that Confidential Material for any proprietary purpose outside the scope of the Permitted Purpose.
- 2.5 This paragraph and the duties hereunder shall survive the termination of this Agreement and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Material was first provided to the FCM Clearing Member.
3. **Secrecy**
- 3.1 Except in accordance with the terms of this Annex, the FCM Clearing Member agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:
- 3.1.1 Confidential Material;
- 3.1.2 the fact that it has received any Confidential Material;
- 3.1.3 the existence of any discussions or negotiations between the parties in this matter;
- 3.1.4 details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the forgoing. Subject only to the FCM Clearing Member being relieved of such an obligation because of the circumstances covered in paragraphs 2.1.1 and 2.1.2.
- 3.2 The Clearing House undertakes to ensure that the FCM Clearing Member is fully apprised of information on the [SwapClearRates Service](#) DMP that it makes public and which is accordingly of relevance to the FCM Clearing Member's obligations.

**4. Property**

- 4.1 The parties acknowledge that the property in the Confidential Material (or any part of it) shall not pass to the FCM Clearing Member or any FCM Clearing Member, and the property in the media on which it is conveyed to the receiving party shall not pass to the FCM Clearing Member or any FCM Clearing Member unless expressly so agreed by the Clearing House in writing.

**5. Return of Confidential Material**

- 5.1 Upon request by the Clearing House, and in any event upon fulfillment of the Permitted Purpose, the FCM Clearing 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 its possession or control or that of its employees or representatives, including all 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 FCM Clearing Member is permitted to retain copies of any Confidential Material which it requires as part of its portfolio management or otherwise for legal or regulatory reasons.

**6. No Representations or Warranties; No Conflict of Interest**

- 6.1 Subject to paragraph 7, the Confidential Material is disclosed by the Clearing House without any representation or warranty whatsoever as to its accuracy or completeness or otherwise.
- 6.2 The Clearing House acknowledges and agrees that, subject to compliance with the terms of this Schedule by the FCM Clearing Member and any of its employees or representatives to whom Confidential Material is provided in accordance with this Schedule, the FCM Clearing Member's participation in the [SwapClearRates Service DMP](#) shall not prevent the FCM Clearing Member from carrying out any transaction, or otherwise providing investment services in respect of, investments that the FCM Clearing Member may subsequently learn are the subject of Confidential Material and, furthermore, the Clearing House agrees that it shall not be able to assert that the FCM Clearing Member has a conflict of interest in doing so nor shall the Clearing House have a claim or action in respect of the foregoing against the FCM Clearing Member or any of its directors, employees or other representatives.

**7. Liability**

- 7.1 Subject to FCM Regulation 44 (*Exclusion of Liability*), the parties agree and acknowledge that neither the Clearing House nor any of its employees or representatives shall have any liability whatsoever to the FCM Clearing Member or any of its employees or representatives, for any loss or damage of whatsoever kind howsoever arising directly or indirectly out of or in connection with the disclosed Confidential Material or its use.
- 7.2 The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and any fraud or willful default on the part of the Clearing House, for any actions that it may take on the basis of advice given to it by the [SwapClearRates Service](#) DMG, and for the accuracy of the information

(confidential material as defined in the Annex to this Agreement) that it distributes to the FCM Clearing Member in connection with the [SwapClearRates Service](#) DMP.

- 7.3 Under no circumstances shall the Clearing House have any liability to the FCM Clearing Member for (a) any consequential loss or other indirect loss of whatsoever kind or (b) loss of anticipated profit (whether direct or indirect).

## 8. Remedies

- 8.1 Without affecting any other rights or remedies that the Clearing House may have, the FCM Clearing Member acknowledges that the Clearing House may be irreparably harmed by any breach of the terms of this Schedule and that damages alone may not necessarily be an adequate remedy. Accordingly, the Clearing House will be entitled to the remedies of injunction, specific performance and other equitable relief, or any combination of these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce this Schedule.

## Confidentiality and Non-Disclosure and General Terms of Participation in [SwapClearRates Service](#) DMG

### 9. Conflict of interest

- 9.1 The FCM Clearing Member shall procure that, in the event that a DMG Member takes the view that a possible conflict of interest may arise with regard to any matter forming part of the business of the [SwapClearRates Service](#) DMG, he shall promptly report his view to the Chairman of the [SwapClearRates Service](#) DMG, who shall act accordingly, taking the advice of other [SwapClearRates Service](#) DMG Members as appropriate.

### 10. Confidentiality

- 10.1 Subject to paragraph 10.3 below, the FCM Clearing Member shall procure that the [SwapClearRates Service](#) DMG Member shall keep all Confidential Material strictly confidential to himself and will not disclose it to any person who is not a [SwapClearRates Service](#) DMG Member (including, for the avoidance of doubt, the FCM Clearing Member who recommended his appointment to the [SwapClearRates Service](#) DMG (“the Nominating FCM Clearing Member”) or his employer (if different) or any other employee, adviser, officer or fellow worker of that FCM Clearing Member or his employer) without the prior written permission of the Managing Director, Risk of the Clearing House or his properly authorized delegate, providing always that the [SwapClearRates Service](#) DMG Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if it comes into the public domain in the circumstances covered in paragraphs 2.1.1 and 2.1.2.
- 10.2 Subject to paragraph 10.3 below, the FCM Clearing Member shall procure that the [SwapClearRates Service](#) DMG Member shall not use any Confidential Material for any purpose other than the proper fulfillment of his duties as a [SwapClearRates Service](#) DMG Member.

- 10.3 The parties acknowledge that, in the event that a Default Notice is issued by the Clearing House in respect of any SwapClear Clearing Member, the [SwapClearRates Service](#) DMG Member may be required by the Nominating FCM Clearing Member and/or his employer (if different) to provide certain services to the Clearing House in the management of the default. In such event, and only in such event, the parties acknowledge that the [SwapClearRates Service](#) DMG Member shall be entitled to disclose any part or parts of the Confidential Material as may be agreed by the Clearing House, in such manner and form and in accordance with such procedures as may be prescribed by the Clearing House and/or the [SwapClearRates Service](#) DMG with regard to the management of that default.
- 10.4 Upon request by the Clearing House, and in any event upon termination of the membership of the [SwapClearRates Service](#) DMG Member of the [SwapClearRates Service](#) DMG, the FCM Clearing Member shall procure that the [SwapClearRates Service](#) 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 [SwapClearRates Service](#) DMG Member is permitted to retain a copy thereof to comply with applicable legal or regulatory requirements.

## 11. Warranty and Representation

- 11.1 The FCM Clearing Member represents and warrants that it will procure that:
- 11.1.1 the Nominating FCM Clearing Member and the [SwapClearRates Service](#) DMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this Agreement; and
- 11.1.2 nothing in this Schedule will cause the [SwapClearRates Service](#) DMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Nominating FCM Clearing Member or to his employer, if different, or any other contract counterparty of the [SwapClearRates Service](#) 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 Annex to the Agreement, confining use to the [SwapClearRates Service](#) DMP, 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 Annex shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

## ~~2.4—NODAL~~

### ~~2.4.1—Introduction~~

#### ~~(a)—Background~~

~~This Section 2.4 of the FCM Procedures is referred to as the “FCM Nodal Procedures”. FCM Nodal Clearing Members must inform themselves fully of their obligations under the FCM Rulebook, and under the other relevant documentation, such as the FCM Clearing Membership Agreement and the terms of any approval by the Clearing House to extend clearing activities. FCM Nodal Clearing Members should also familiarize themselves with Nodal’s Rules.~~

~~The Clearing House provides the FCM Nodal Clearing Service in respect of cash settled FCM Nodal Contracts only. Hence, it does not cover options contracts and there are no physical deliveries under this service. There is no provision for allocation or give ups.~~

~~Please note that each of the FCM Rulebook and Nodal’s Rules are subject to change from time to time. Enquiries regarding these FCM Nodal Procedures or any other aspects of the operation of the FCM Nodal Clearing Service should be directed to the Clearing House’s Operations Department at +44 (0)20 7426 7689. Enquiries regarding FCM Nodal Clearing Member status should be directed to the Clearing House’s Membership Department at +44 (0)20 7426 7949 or [membership@lchclearnet.com](mailto:membership@lchclearnet.com). Enquiries relating to Nodal’s Rules should be directed to Nodal.~~

~~Full details of contact points may be found on the Clearing House website (<http://www.lchclearnet.com>) and Nodal website (<http://www.nodalexchange.com>).~~

#### ~~(b)—Interpretation~~

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

### ~~2.4.2—Membership~~

~~An FCM Nodal Clearing Member may submit an FCM Nodal Transaction for registration by the Clearing House. Note that a transaction in a Nodal Eligible Derivative Product that will be cleared on one side by an FCM Nodal Clearing Member and on the other side by a Nodal Service Clearing Member is both an FCM Nodal Transaction (with respect to the FCM Nodal Clearing Member) and a Nodal Transaction, as such term is defined in the UK General Regulations (with respect to the Nodal Service Clearing Member). An FCM Nodal Transaction may also be submitted for registration on behalf of the applicable FCM Nodal Clearing Member by a Nodal Non-Clearing Participant (“Nodal NCP”) as set out in Section 2.4.4(b).~~



~~FCM Nodal Clearing Members must comply with all Clearing House requirements and with any Nodal requirements relating to participation in the relevant Nodal Trading Facility.~~

~~It is the responsibility of each FCM Nodal Clearing Member to keep any report, including, but not limited to, the NODAL Service CM Report, required for its own historic, audit or legal purposes.~~

~~Details of how to be approved as an FCM Nodal Clearing Member can be obtained from the Clearing House Membership Department at +44 (0)20 7426 7949 or membership@lchclearnet.com.~~

~~(a) *Submission of Nodal Transactions for Registration*~~

~~An FCM Nodal Clearing Member that wishes to register an FCM Nodal Transaction with the Clearing House must comply with all requirements of Nodal and Nodal's Rules.~~

~~2.4.3 *General*~~

~~(a) *Operating Times*~~

~~(i) *Opening Days.* Details of the days on which the FCM Nodal Clearing Service is operational will be published by the Clearing House by circular to FCM Nodal Clearing Members. Details of the days on which the Nodal Trading Facility is operational are available from Nodal.~~

~~(ii) *Opening Hours.* The FCM Nodal Clearing Service will be operational from 01:00 to 17:30 hours, Eastern Prevailing Time (the "**Opening Hours**").~~

~~2.4.4 *Nodal Transactions*~~

~~(a) *Eligible Transactions*~~

~~Only the transactions referenced in this Section 2.4.4 in Nodal Eligible Derivative Products that are executed or registered through a Nodal Trading Facility in accordance with Nodal's Rules will be designated as FCM Nodal Transactions eligible for registration by the Clearing House.~~

~~Any such FCM Transactions must satisfy the Clearing House's requirements as set out in these FCM Nodal Procedures and in the FCM Regulations, and the requirements of Nodal and Nodal's Rules.~~

~~**Presentation for Registration.**~~

~~An FCM Nodal Transaction will be presented to the Clearing House for registration as either two FCM Nodal Contracts or one FCM Nodal Contract and one Non FCM Nodal Contract, as applicable, with the Clearing House (i) as seller to the buying FCM Nodal Clearing~~

~~Member or Nodal Service Clearing Member (as applicable) and (ii) as buyer to the selling FCM Nodal Clearing Member or Nodal Service Clearing Member (as applicable).~~

~~Where two Nodal NCPs both clear through the same FCM Nodal Clearing Member, then each side of the trade will be presented to the Clearing House for registration as a separate FCM Nodal Contract:~~

- ~~• with one in which such FCM Nodal Clearing Member is Buyer and the Clearing House is the Seller; and~~
- ~~• with the other in which such FCM Nodal Clearing Member is the Seller and the Clearing House is the Buyer.~~

~~(b) FCM Nodal Contracts and Nodal Contracts – Eligibility Criteria~~

~~It is part of the eligibility criteria for registration as an FCM Nodal Contract, that the particulars of an FCM Nodal Transaction presented to the Clearing House must include matched information in respect of the following:~~

- ~~(1) Seller and the Buyer;~~
- ~~(2) the Nodal Eligible Derivatives Product which is the subject of the FCM Nodal Transaction; and~~
- ~~(3) the transaction specific information in respect of the Nodal Eligible Derivative Product.~~

~~2.4.5 Clearing for Nodal Non-Clearing Participants~~

~~(a) Nodal NCPs~~

~~Certain FCM Nodal Clearing Members may clear for one or more Nodal NCPs. In order to do so, the following conditions must be satisfied at all times:~~

- ~~(1) the Nodal NCP is a participant of Nodal; and~~
- ~~(2) the FCM Nodal Clearing Member and the Nodal NCP are party to a valid and enforceable agreement under which the FCM Nodal Clearing Member agrees to clear FCM Nodal Transactions on behalf of such person. Such agreement must confer rights on the FCM Nodal Clearing Member and the FCM Nodal Clearing Member must lawfully be entitled at all times to pass to the Clearing House, in accordance with FCM Regulation 33 (*Disclosure and Reporting*), such information and data relating to the Nodal NCP as the Clearing House may in its sole discretion deem appropriate.~~

~~The static data form executed by both the Nodal NCP and the FCM Nodal Clearing Member shall be definitive proof of the FCM Nodal Clearing Member clearing for such Nodal NCP.~~

~~THE CLEARING HOUSE CONTRACTS WITH THE FCM NODAL CLEARING MEMBER ALONE AND, TO THE FULLEST EXTENT PERMITTED BY LAW, DISCLAIMS ANY DUTIES OR OBLIGATIONS TO ANY NODAL NCP.~~

~~Further details regarding clearing for Nodal NCPs can be obtained from the Clearing House's Membership Department at +44 (0) 207426 7949 or membership@lchclearnet.com.~~

~~(b) — Termination~~

~~The FCM Nodal Clearing Member may terminate its agreement with a Nodal NCP at any time by giving 21 days written notice to Nodal and the Clearing House. For the avoidance of doubt, (i) the Clearing House need not receive any notice of or any confirmation of such termination from the Nodal NCP and (ii) termination by the FCM Nodal Clearing Member of its agreement with a Nodal NCP will be without prejudice to the FCM Nodal Clearing Member's obligations arising from or in relation to any FCM Nodal Transaction or FCM Nodal Contracts arising prior to such termination.~~

~~2.4.6 — Registration of FCM Nodal Transactions~~

~~(a) — General~~

~~The Clearing House may require an FCM Nodal Clearing Member in whose name an FCM Nodal Transaction is to be registered to provide it with cover for Initial Margin and Variation Margin as a condition of registration as an FCM Nodal Contract.~~

~~(b) — Registration~~

~~All matched transactions which have been presented for registration and comply with the Clearing House requirements for registration of an FCM Nodal Transaction, are deemed to have been registered by the Clearing House immediately upon receipt by the Nodal Clearing System (NCS).~~

~~(c) — Novation~~

~~Upon registration, each FCM Nodal Transaction is novated and replaced with either two separate FCM Nodal Contracts or one FCM Nodal Contract and one Non FCM Nodal Contract, as applicable, one between the selling FCM Nodal Clearing Member or Nodal Service Clearing Member (as applicable) and the Clearing House and the other between the buying FCM Nodal Clearing Member or Nodal Service Clearing Member (as applicable) and the Clearing House. Novation is described in more detail in the FCM Regulations.~~

~~(d) — Notification~~

~~With respect to an individual FCM Nodal Clearing Member, all FCM Nodal Contracts arising from its FCM Nodal Transactions are listed on its Nodal Service Clearing Statement (CMS) report available via LCH.C's Member Reporting website.~~

~~2.4.7 — Position and Financial Accounts~~~~(a) — Position Keeping Accounts~~

~~(i) — Types of Account. Positions with regard to FCM Nodal Contracts are recorded within NCS in position keeping accounts at Individual Trader Mnemonic ("ITM") level, which are not FCM Nodal Clearing Member accounts as described in FCM Regulation 7. The account types are as follows:~~

~~H — House (excluding FCM Clients)~~

~~C — Segregated FCM Client~~

~~The requirement to open an H account and a C account is compulsory.~~

~~(ii) — Basis of Position Keeping. The ITM represents a trading desk within the NCP. As such, the ITM is the basis for the position keeping account and NCPs can have several ITMs.~~

~~Note also that the position keeping accounts are held net at the ITM level. Netting is permitted with respect to the positions of an individual FCM Client of an FCM Nodal Clearing Member (e.g., a position of bought one lot and sold two lots will be reported as sold one).~~

~~(b) — Financial Accounts~~

~~FCM Nodal Clearing Member position keeping accounts have financial accounts associated with them. These are, among other things, used to record cash balances, securities/documentary credits and unrealized margin.~~

~~Where appropriate, an FCM Nodal Clearing Member's financial accounts are identified by a single character code: C for segregated client business; H for house business.~~

~~Information contained within position keeping accounts is consolidated into financial accounts, as follows:~~

~~(i) — Relationship with Position keeping accounts~~

~~Position keeping accounts~~

~~Financial account~~

<del>H</del> House	<del>H</del>
<del>C</del> Segregated FCM Client (used for Initial Margin flows)	<del>C</del>

~~The C Account is a segregated futures customer account which is part of the Futures Account Class.~~

~~By permitting a transaction to be allocated to a position-keeping account, an FCM Nodal Clearing Member is also deemed to be designating that transaction for the associated financial account.~~

- ~~(ii) Other Financial Accounts. Subject to approval by the Clearing House, further financial accounts, used only to record financial balances, may be opened as follows:~~

	Code
<del>Additional Margin accounts, used for holding additional deposits in relation to House Business (FCM Nodal Clearing Members only)</del>	<del>B</del>
<del>Additional Margin account (FCM Client), used for holding additional cash in relation to FCM Client business.</del>	<del>E</del>
<del>LCH client segregated account (used for Variation Margin flows)</del>	<del>L</del>

~~The E account is a segregated futures customer account which is part of the Futures Account Class.~~

- ~~(iii) Default Fund (DF) Account. Each FCM Nodal Clearing Member's Contribution is held on a separate financial account, in accordance with the Default Fund Rules. The Default Fund account code is F.~~

~~2.4.8 Fees~~

- ~~(a) General~~

~~Fees arising for the provision of the FCM Nodal Clearing Service will be collected monthly from an FCM Nodal Clearing Member's financial account.~~

~~Details of tariffs and any changes thereto will be notified to FCM Nodal Clearing Members by FCM Clearing Member circular.~~

~~For further details (including details of how information regarding charges made for FCM Nodal Contracts registered by the Clearing House is communicated to applicable FCM Nodal Clearing Members) please see Section 3.6 of these FCM Procedures.~~

~~(b) — Execution Fees~~

~~Members should note that, in respect of FCM Nodal Contracts, fees charged to FCM Nodal Clearing Members by the Clearing House will include execution fees which the Clearing House will collect on behalf of Nodal in respect of the underlying trades executed through the Nodal Trading Facility.~~

~~Details of execution fees and any changes thereto will be notified to FCM Nodal Clearing Members by Nodal.~~

~~2.4.9 — Margin~~

~~For the purposes of the FCM Nodal Clearing Service only, a “Reference Price” includes daily Settlement Price and final Settlement Price as used in Nodal’s Rules.~~

~~(a) — Variation Margin~~

~~Certain FCM Nodal Contracts are settled to market daily by the Clearing House. Profits or losses are either credited to or debited from FCM Nodal Clearing Member’s relevant financial accounts (realized margin). Realized margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant daily Settlement Price with the value of positions recorded (i.e., the Traded Price for new trades and the previous day’s daily Settlement Price for other positions). The currency of this margin amount will be the same as the currency denomination of the contract’s Reference Price.~~

~~Separate Variation Margin calculations are performed in respect of an FCM Nodal Clearing Member’s house “H” account and in respect of an FCM Clearing Member’s client “C” account. No offset between the “C” and the “H” accounts is permitted. The Clearing House shall make or receive a separate Variation Margin payment in respect of each house “H” account and each client “C” account (subject to the Default Rules) of each FCM Nodal Clearing Member.~~

~~(b) — Initial Margin~~

~~Separate Initial Margin calculations are performed for an FCM Nodal Clearing Member’s house “H” and client “C” accounts; **no offset between these accounts is allowed.** “H” accounts are margined net, meaning that if long and short positions are held in the same delivery month/prompt date, Initial Margin is charged on the net position. “C” accounts are margined gross on an FCM Client by FCM Client basis, meaning that if long and short positions with the same Delivery~~

~~Month/Prompt Date are attributable to the same FCM Client, Initial Margin is charged on the net position, whereas no netting of positions may occur between positions attributable to distinct FCM Clients. A list of acceptable collateral to cover Initial Margin requirements can be found at the following location:~~

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

- ~~(i) Initial Margin Parameters. Initial Margin parameters are set by the Clearing House. However, in accordance with the FCM Regulations, the Clearing House retains the discretion to vary the rates for the whole market or for an FCM Nodal Clearing Member's "H" and/or "C" accounts.~~

~~FCM Nodal Clearing Members will be notified by the Clearing House of alterations to Initial Margin parameters no later than the day before calls are made based on the new rates.~~

- ~~(ii) Intra day Margin Calls. In accordance with the FCM Regulations, the Clearing House is entitled to make additional margin calls for payment the same day (intra day margin calls) where it considers it necessary. Intra day margin calls will be made through the protected payments system ("PPS") in London ("London PPS") or the USA ("US PPS") (see Section 3.2 of these FCM Procedures).~~

- ~~(iii) Calculation of Initial Margin VaR. Initial Margin is recalculated at the close of each business day using a VaR algorithm developed to margin Nodal exchange contracts.~~

~~Technical questions about this algorithm should be directed to the Clearing House Risk Management Department at +44 (0)20 7426 7520.~~

#### ~~2.4.10 Tax~~

~~FCM Nodal Clearing Members should rely on their own advice or the advice of their outside advisors regarding any taxation liabilities in any country in which a liability to pay tax may arise.~~

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

#### ~~2.4.11~~ ~~Settlement of FCM Nodal Contracts~~

~~FCM Nodal Contracts are settled depending upon their terms, as set out in the relevant FCM Nodal Contract Terms.~~

##### ~~(a) Cash Settlement~~

~~Cash settlement is a final settlement derived from the difference between the final Settlement Price and the previous trading day's daily Settlement Price or such other quotation as is specified in Nodal's Rules. This amount is debited from or credited to the FCM Nodal Clearing Member's financial accounts.~~

##### ~~(b) Reference Prices for daily settlement to market~~

~~Should Nodal fail to determine Reference Prices, the Clearing House will itself determine these as necessary. This will be done at the Clearing House's discretion and be announced as soon as possible following such determination.~~

#### ~~2.4.12~~ ~~Position Transfers~~

~~An FCM Clearing Member may effect a transfer only in accordance with FCM Regulation 13 (Transfer). The Clearing House will effect such transfer (in conjunction with Nodal) within two days of receiving a request for such transfer from the relevant Receiving Clearing Member; **provided**, that the FCM Clearing Member completes to the satisfaction of the Clearing House any documentation as required and provided by the Clearing House.~~

## 2.3 LISTED INTEREST RATES

### 2.3.1 Introduction

#### (a) Background

These Procedures apply to the clearing of FCM Listed Interest Rate Eligible Products listed for trading on Rates Exchanges, and form part of the FCM Rulebook and must be read in conjunction with the other parts of the FCM Rulebook.

FCM Listed Interest Rates Clearing Members must inform themselves fully of their obligations under the FCM Rulebook and other relevant documentation, such as the FCM Clearing Membership Agreement and the terms of any approval by the Clearing House to extend clearing activities. FCM Listed Interest Rates Clearing Members should also familiarise themselves with the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms.

Please note that both the FCM Rulebook (including these FCM Procedures) and the FCM Listed Interest Rates Contract Terms are subject to change from time to time. Enquiries regarding these Procedures or any other aspects of the operation of the FCM Listed



Interest Rates Clearing Service should be directed to the Listed Rates Clearing House Client Services Department on +44 7426 7651 or ListedRates.Ops.UK@lch.com.. Enquiries regarding FCM Listed Interest Rates Clearing Member status should be directed to the Onboarding Department on +44 (0) 20 7426 7949 or membership@lch.com.

In the event of any conflict between any provision of these FCM Procedures and any requirement or provision of any third party (including but not limited to any requirement or provision in any Rates Exchange Rules), these FCM Procedures shall prevail.

Enquiries relating to: (i) trading FCM Listed Interest Rates Contracts; (ii) Rates Exchange Rules; or (iii) the FCM Listed Interest Rates Contract Terms of any FCM Listed Interest Rates Contract other than a Designated FCM Listed Interest Rates Contract should be directed to the relevant Rates Exchange. Enquiries relating to (i) clearing FCM Listed Interest Rates Contracts; (ii) the FCM Rulebook or Default Rules; or (iii) the FCM Listed Interest Rates Contract Terms of any Designated FCM Listed Interest Rates Contracts should be directed to the Clearing House.

(b) Interpretation

Capitalised terms used in these FCM Procedures not otherwise defined herein have the meanings ascribed to them in the FCM Rulebook.

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

(c) FCM Listed Interest Rates Eligible Products

FCM Listed Interest Rates Clearing Members are advised for the purposes of the FCM Regulations and these FCM Procedures, that the eligibility criteria for FCM Listed Interest Rate Eligible Products are set out in the FCM Product Specific Contract Terms and Eligibility Criteria Manual, which is available on the Clearing House's website ([www.lch.com](http://www.lch.com)).

(d) Use of the FCM Listed Rates Clearing Service

(i) Where any FCM Clearing Member wishes to participate in any part of the FCM Listed Interest Rates Clearing Service, it must first seek appropriate authorisation from the Clearing House. Members seeking authorisation to participate in the FCM Listed Interest Rates Clearing Service will be required to seek separate authorisation for business undertaken in relation to the Service provided each Rates Exchange.

Details of how to obtain such authorisations may be obtained from the Clearing House's Onboarding Department. The FCM

Clearing Member must comply with all membership and other requirements of the Clearing House, including requirements relating to settlement. Specifically with regard to settlement each Member must at all times ensure:

(A) that it has PPS accounts in all relevant currencies to enable clearing and settlement; and

(B) that it has settlement accounts with all relevant central securities depositories identified in these FCM Procedures as relevant such Member's FCM Listed Interest Rates Clearing Business.

(ii) Failure to meet the requirements set out in sub-paragraph (d)(i)(A)-(B) above (and other applicable requirements) will result in that FCM Clearing Member not having appropriate settlement arrangements in place and, as a result, any trades submitted by that Member or on its behalf will not fulfil the relevant eligibility criteria for registration of FCM Listed Interest Rates Contracts (see FCM Regulation 59(c) and FCM Regulation 60(b)). In such a case, such trades may be rejected by the Clearing House and no FCM Listed Interest Rates Contracts would arise. The trade would then be governed by any applicable Rates Exchange Rules.

(e) Suspension of Trading

For the avoidance of doubt, any action by a Rates Exchange to suspend, de-list or take any other action with regard to an FCM Listed Interest Rate Eligible Product shall not affect any obligations that an FCM Listed Interest Rates Clearing Member may have to the Clearing House with regard to any open FCM Listed Interest Rates Contracts in such Listed Interest Rate Eligible Product.

(f) Liability

(i) FCM Listed Interest Rates Clearing Members are asked to note that any statements set out in these Procedures regarding the liability of the Clearing House are made without prejudice to the generality of the provisions set out in FCM Regulation 44.

(ii) The Clearing House does not seek to limit or exclude any liability for personal injury or death caused by its negligence, or for fraud or wilful default on the part of the Clearing House.

(g) Rates Exchange Status

Application for Rates Exchange status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of Rates Exchanges currently approved by the Clearing House, as well as an indication of whether FCM Listed Interest Rates

Eligible Products listed on such Rates Exchange are registered by the Clearing House through an open offer or through novation, shall be made available by the Clearing House. Where the Clearing House approves additional Rates Exchanges, it will notify FCM Listed Interest Rates Clearing Members via a member circular.

### 2.3.2 General Information

#### (a) Service Operation

##### (i) Trading and Clearing System Functions

The respective functions of a Rates Exchange's trading system and the Clearing House's clearing system are contained in the relevant Service Description. All enquiries regarding the FCM Listed Interest Rates Clearing Service should be directed to Client Services on +44 7426 7651 or ListedRates.Ops.UK@lch.com.

##### (ii) Operating Times

The Clearing House will publish by Clearing Member circular and on its website details of the days and times during which the FCM Listed Interest Rates Clearing Service will be operational.

##### (iii) Trade Acceptance Hours

The trade acceptance hours of a given Rates Exchange are set out in the relevant Service Description.

##### (iv) System Requirements

FCM Clearing Members must have in their office, at a minimum, a PC configured to access the Clearing System GUI, a printer and back-up connectivity to the Clearing System as required by the Clearing House.

#### (b) Member Reporting

The Clearing House makes available appropriate clearing information via reports, real time confirmations and other means. Full details are contained in the relevant Service Description documentation.

#### (c) 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 an FCM Listed Interest Rates 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.

(d) Static Data

Prior to submission of any FCM Listed Interest Rate Eligible Product for registration as an FCM Listed Interest Rates Contract, an FCM Listed Interest Rates Clearing Member is required to provide sufficient information in respect of the Rates Exchange from which such trade will be submitted. This applies also to any FCM Listed Interest Rate Eligible Product traded pursuant to any agency arrangements permitted by the rules of that Rates Exchange.

The format, contents and completion process of the Static Data Form in respect of each Rates Exchange is prescribed from time to time by the Clearing House. Copies of the prescribed forms, for each Rates Exchange, are available from the Clearing House Onboarding Department.

Failure to provide the correct information in respect of the particular Rates Exchange and in respect of the particular type of FCM Listed Interest Rate Eligible Product may result in the rejection of trades.

2.3.3 Registration

(a) General

Trade data is presented for registration to the Clearing House. Such presentation constitutes confirmation in accordance with the Regulations by the FCM Listed Interest Rates Clearing Member in whose name the data is presented. However, the Clearing House will only accept for registration as FCM Listed Interest Rates Contracts those particulars submitted from a Rates Exchange in a message format and manner acceptable to the Clearing House.

Each FCM Listed Interest Rates Clearing Member authorised to participate in the FCM Listed Interest Rates Clearing Service must be familiar with the operating procedures and deadlines of each Rates Exchange in respect of which it has been approved by the Clearing House.

(b) Intra-Day Registration

The Clearing House registers all FCM Listed Interest Rates Contracts on an intra-day basis.

(c) Risk Pending Trades

Except as otherwise required by applicable law and regulation, trades presented to the Clearing House for registration can be validated against a number of risk parameters, including: quantity, price, premium, strike price, trade value or mark-to-market profit/loss

parameters (“Risk Parameters”). Any trades that fall outside of the validation parameters will enter a pending state (the “Risk Pending Queue”) and require validation by Risk Management before being accepted or rejected by the Clearing House.

The Risk Parameter ranges are set by Risk Management and can be amended during periods of low or high volatility to capture or avoid suspension of trades which are within the day’s trading range.

(d) Conditions for Acceptance of Risk Pending Trades

Except as otherwise required by applicable law and regulation, registration of trades held in the Risk Pending Queue is conditional on the transfer of sufficient Collateral to the Clearing House. The Clearing House will first consider any surplus Collateral held, any surplus Collateral in respect of credit variation margin, and any net credit Collateral in respect of variation margin for new business, before requesting additional Collateral from an FCM Clearing Member. Margin in this case is net debit variation margin in respect of the pending trades, calculated automatically by the system with reference to the previous day's closing price or premium.

If the Clearing House decides that additional Collateral is required it will advise the FCM Listed Interest Rates Clearing Member as soon as possible. The currency and method of funds transfer, or type of Collateral to be provided, will be agreed between the Clearing House and the FCM Listed Interest Rates Clearing Member. Only when the Clearing House has received the Collateral or has received confirmation from the transferring bank that the cash Collateral has been, or is, in the process of being transferred will it accept the pending trade.

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

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

(e) Rejected FCM Listed Interest Rates Novation Transactions

Except as otherwise required by applicable law and regulation, FCM Listed Interest Rate Novation Transactions submitted for registration which:

- (i) do not meet the relevant eligibility criteria for FCM Listed Interest Rate Eligible Products or other registration criteria where applicable;
- (ii) contain invalid or incomplete message data; or
- (iii) for any other reason are not eligible for registration,

will be held pending clarification by the Clearing House.

The Clearing House will then contact the FCM Listed Interest Rates Clearing Members concerned and/or the operator of the relevant Rates Exchange in order to seek to rectify the problem. It may be the case that the problem can be resolved and the trade re-submitted for registration. If, however, the trade still falls within any of paragraphs (a) to (c) above, and the Clearing House does not register that trade, the submitting FCM Listed Interest Rates Clearing Members will be contacted and notified of the reason for rejection.

FCM Listed Interest Rate Novation Transactions must be executed, matched and submitted for registration prior to the relevant Rates Exchange deadline for registration. Any FCM Listed Interest Novation Transactions submitted after that time will be rejected.

FCM Listed Interest Rates Clearing Members should note that when a trade is rejected by the Clearing House, no FCM Listed Interest Rates Contracts arise between the Clearing House and the FCM Listed Interest Rates Clearing Members concerned. Subject to FCM Regulation 44(e), the Clearing House has no liability in respect of such rejection.

(f) *Novation / Open Offer*

Novation replaces each FCM Listed Interest Rate Novation Transaction executed between FCM Listed Interest Rates Clearing Members with two separate contracts, one between the FCM Listed Interest Rates Clearing Member-seller and the Clearing House and the other between the FCM Listed Interest Rates Clearing Member-buyer and the Clearing House.

The Clearing House may also provide an open offer in respect of FCM Listed Interest Rate Eligible Products listed for trading on one or more Rates Exchanges. Pursuant to this "open offer", once particulars in respect of any such Product are matched on the Rates Exchange and submitted to the Clearing House, then, subject to the requirements for acceptance set out in the FCM Listed Interest Rates Regulations, an FCM Listed Interest Rates Contract will be registered between the

FCM Listed Interest Rates Clearing Member-seller and the Clearing House as buyer and a second FCM Listed Interest Rates Contract will be registered between the FCM Listed Interest Rates Clearing Member-buyer and the Clearing House as seller.

Novation is described in FCM Regulation 3(b) and FCM Regulation 60; the Clearing House’s open offer arrangements are described in FCM Regulation 59.

2.3.4 Accounts

(a) Position Accounts

(i) **FCM Accounts.** For identification purposes, each FCM Listed Interest Rates Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to FCM Listed Interest Rates Contracts. An FCM Listed Interest Rates Clearing Member’s position and financial information are further identified by a single character code: “C” for 30.7 customer business. The requirement to open a C account is compulsory.

(ii) **Position-Keeping Accounts.** The account type is “C” for a 30.7 customer account (an FCM Omnibus Listed Interest Rates Client Account with LCH). An FCM Listed Interest Rates Clearing Member’s FCM Listed Interest Rates Contract positions are also recorded within the FCM Listed Interest Rates Clearing System in Listed Interest Rates accounts. The FCM Listed Interest Rates Clearing Member reporting functionality also allows each FCM Listed Interest Rates Clearing Member to identify all FCM Listed Interest Rates Contracts registered in its name.

(b) Financial Accounts

FCM Listed Interest Rates Clearing Member position-keeping accounts have financial accounts associated with them. These are, among other things, used to record cash balances, securities/documentary credits and unrealized margin.

An FCM Listed Interest Rates Clearing Member’s financial accounts are identified by a single character code: “C” for 30.7 customer business.

Information contained within position-keeping accounts is consolidated into financial accounts, as follows:

(i) Relationship with Position-Keeping Accounts

<u>Position-keeping accounts</u>	<u>Financial account</u>
----------------------------------	--------------------------

<u>C</u> <u>30.7 customer (used for Initial Margin flows)</u>	<u>C</u>
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The C Account is a 30.7 customer account which is part of the Foreign Futures Account Class.

By permitting a transaction to be allocated to a position-keeping account, an FCM Listed Interest Rates Clearing Member is also deemed to be designating that transaction for the associated financial account.

- (ii) Other Financial Accounts. Subject to approval by the Clearing House, further financial accounts, used only to record financial balances, may be opened as follows:

	<u>Code</u>
<u>Additional Margin account (FCM Client), used for holding additional cash in relation to FCM Client business.</u>	<u>E</u>
<u>LCH 30.7 customer secured account (used for Variation Margin flows)</u>	<u>L</u>

The E account is a 30.7 customer account which is part of the Foreign Futures Account Class.

- (iii) Default Fund (DF) Account. Each FCM Listed Interest Rates Clearing Member's Contribution is held on a separate financial account, in accordance with the Default Fund Rules. The Default Fund account code is F.

### 2.3.5 Margin and Collateral

#### (a) Initial Margin

The Clearing House will require FCM Listed Interest Rates Clearing Members to furnish it with Initial Margin. Initial Margin requirements in respect of an FCM Listed Interest Rates Clearing Member's FCM Omnibus Listed Interest Rates Client Account with LCH are calculated on a gross basis for each FCM Client equal to the sum of the Initial Margin that would be required by the Clearing House as if each such FCM Client was an FCM Listed Interest Rates Clearing Member. The Clearing House reserves the right to require additional amounts of Margin from a specific FCM Listed Interest Rates Clearing Member or from all FCM Listed Interest Rates Clearing Members in accordance with FCM Regulation 14.

#### (i) Initial Margin Parameters

Initial margin parameters are set by the Clearing House after consultation with the relevant Rates Exchange. However, in



accordance with the FCM Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for an FCM Listed Interest Rates Clearing Member's accounts.

FCM Listed Interest Rates Clearing Members will be notified by the Clearing House of alterations to initial margin parameters no later than the day before PPS Calls are made based on the new rates.

(ii) Intra-Day Margin Calls

In accordance with the FCM Regulations the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it considers necessary. Intra-day margin calls will be made via the Protected Payments System (see FCM Procedure 3.2).

(iii) Calculation of Initial Margin

Value at Risk (VaR). Initial margin obligations are re-calculated at the close of each business day using a VaR algorithm developed to calculate margin requirements on FCM Listed Interest Rates Contracts.

Technical questions about this algorithm should be directed to the Clearing House Risk Management Department on +44 (0)20 7426 7520.

(b) Variation Margin

All open contracts are marked to market daily by the Clearing House in accordance with the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms. The official quotation is used as the market price. Profits or losses are either credited to or debited from an FCM Listed Interest Rates Clearing Member's FCM Omnibus Listed Interest Rates Client Account with LCH (realised margin) or they form non-realised contingent liabilities or credits.

(i) Realised Margin

Realised margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant official quotations with the value of positions recorded in the Clearing System - i.e. the trade price for new trades and the previous day's official quotation for other positions. Variation margin for the following types of contract is realised into postings to the FCM Omnibus Listed Interest Rates Client Account with LCH.

(ii) Contingent Variation Margin

Contingent variation margin is calculated with reference to the official quotation at which a contract went to delivery and the underlying asset value or the next nearest futures delivery month official quotation, dependent on the terms of the FCM Listed Interest Rates Contract or these FCM Procedures. Contingent variation margin is calculated for FCM Listed Interest Rates Contracts which are subject to delivery of an underlying asset.

(iv) Option Variation Margin

Option variation margin is the value of unexpired options, calculated with reference to the official quotation. Bought and sold options generate credit and debit option variation margin respectively.

(c) Additional Margin

In accordance with FCM Regulation 14 (*Margin and Collateral*), the Clearing House may call additional amounts of Collateral (on top of the amounts of Collateral previously transferred to the Clearing House in respect of initial margin and variation margin obligations) as security for the performance by an FCM Listed Interest Rates Clearing Member of its obligations to the Clearing House in respect of contracts registered in his name as open contracts. This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in positions held by the FCM Listed Interest Rates Clearing Member is not adequately covered by the Collateral in respect of the initial or variation margin obligations. This may cover instances where stress losses under various scenarios are larger than the pre-defined thresholds of the default fund. The Clearing House may only apply such additional Collateral against the positions generating such losses, and may not apply it as a credit in respect of initial margin obligations generally.

(d) Official Quotations

Official Quotations are based on the "Daily Settlement Price (DSP)" and are supplied by the relevant Rates Exchange (or, in respect of Designated FCM Listed Interest Rates Contracts, by the Clearing House) at the close of business each day. Should the relevant Rates Exchange fail to determine DSPs, the Clearing House will determine these as necessary. This will be done at the Clearing House's discretion and announced as soon as possible.

(e) Settlement

(i) Cash Settlement

Cash settlement is a final settlement derived from the difference between the expiry price and the previous business

day's official quotation or such other quotation as is specified in the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms. This is debited from or credited to the FCM Omnibus Listed Interest Rates Client Account with LCH.

(ii) Delivery

Deliverable contracts, as specified by the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms, remaining open at expiry, or as notified via early delivery notice, are settled by physical delivery of the underlying at the Final Settlement Price (FSP), as determined by the relevant FCM Listed Interest Rates Contract Terms.

2.3.6 Trade and Position Management

(a) Allocations

FCM Listed Interest Rates Novation Transactions and Rates Exchange Matches can be allocated to an FCM Listed Interest Rates Clearing Member's Position Keeping Accounts in a number of different ways based on the information provided:

- (i) by including the Position Account Owner and the Position account type (e.g., House or Client);
- (ii) by giving-up the trade to another FCM Listed Interest Rates Clearing Member (GUI or message function);
- (iii) by carrying out an internal give-up (GUI or message) to move the trade between an FCM Listed Interest Rates Clearing Member's own accounts; and
- (iv) by modifying the trade or particulars (GUI only).

(b) Give-Ups

An FCM Listed Interest Rates Novation Transaction or Rates Exchange Match that has been accepted can be given up, either to another Position Account Owner within a different FCM Listed Interest Rates Clearing Member's accounts ("**External Give-up**"), or to a different Position Account within the same FCM Listed Interest Rates Clearing Member's accounts ("**Internal Give-up**"). A "partial give-up" is achieved by a splitting the FCM Listed Interest Rates Novation Transaction or Rates Exchange Match followed by a Give-up.

An Internal Give-up is actioned immediately after the give-up instruction is successfully validated and the trade is allocated to the target Position Account Owner specified in the instruction. Once an External Give-up instruction is successfully validated it is marked as

“Alleged”. The target Position Account Owner will be informed of the alleged Give-up.

A Give-up that is still in an Alleged status can be cancelled, in which case the give-up instruction will be marked as cancelled and a confirmation sent to both the source and target Position Account Owners.

Give-ups are also passed through the risk validation checks described in Section 2.3.3(c) and (d) above.

Give-ups are permitted up until the close of trading on the day following the date on which a contract is executed (“Position Management Window”). Give-ups on expiring contracts are only permitted until the end of the Position Management Window of the expiry process.

(c) Take-Ups

Any “Alleged” external Give-up instruction can either be Taken-up or Rejected by the target Position Account Owner, which must enter the position account it wishes the trade to be allocated to if it accepts the give-up. The trade is then re-allocated to the new position account and the Give-up and Take-up transactions are marked as Transferred.

If the Take-up is rejected the trade will remain in the source position account and the Give-up and Take-up transactions marked as Rejected.

Take-ups are permitted up until the end of the Position Management Window. Take-ups on expiring contracts are only permitted until the end of the Position Management Window of the expiry process.

(d) Position Transfers

Without prejudice to any approval that may be required under the relevant Rates Exchange Rules, FCM Listed Interest Rates Clearing Members wishing to effect a position transfer to another FCM Listed Interest Rates Clearing Member approved to participate in the FCM Listed Interest Rates Clearing Service may do so directly through Synapse, provided that, where a transfer would exceed any applicable Risk Parameters, such transfer will be subject to the validation process described in Section 2.3.3(c) and (d) above before being accepted or rejected by the Clearing House.

Otherwise, FCM Listed Interest Rates Clearing Members wishing to effect a position transfer should submit a written request by sending an email to derivatives.ops.uk@lchclearnet.com.

Provided they relate to valid positions and adequate Collateral is available from both FCM Listed Interest Rates Clearing Members, the transfer will normally be authorised. Should insufficient Collateral be

available, the transfer may not be authorised until additional Collateral is transferred to the Clearing House.

### 2.3.7 Option Exercise and Expiry

#### (a) General

Each contract is exercised through the Clearing System. Exercise Rules are specified by the relevant Rates Exchange Rules and/or the relevant FCM Listed Interest Rates Contract Terms, which determine the form and manner in which exercise notifications must be given, and the time frames for doing so. Exercise may be automatic or manual.

Options are exercised manually except on the last trading day when a combination of auto exercise and manual exercise is used and open futures contracts are created.

When exercised against, the Clearing House will select sellers against which to exercise, based on their open position. The method of allocation used for options is random scatter. The allocation process randomly determines each lot to be assigned in such a way that its selection is independent of either the preceding lot or of the subsequent lot in the selection process.

An option shall be deemed to be exercised at such time as confirmed by the Clearing House on the FCM Clearing System.

Exercised Index Option contracts are settled in cash. The settlement amount is the difference between the strike price of the contract and the relevant Final Settlement Price (FSP).

FCM Listed Interest Rates Clearing Members should consult the Service Description for more information and refer any enquiries to Client Services on +44 7426 7651 or ListedRates.Ops.UK@lch.com. to the 'Synopsis Derivatives Member User Guide' for operating instructions and full details.

#### (b) Options Exercise Instructions

##### (i) Manual Exercise

Exercise instructions are submitted via the Options Exercise screen on the FCM Clearing System, between times as specified by relevant Rates Exchange Rules and/or the relevant FCM Listed Interest Rates Contract Terms on any business day from the business day following the day of trade until the expiry day.

Exercise instructions can be cancelled via the Options Exercise screen up until the exercise deadline on the day the exercise instruction is input to the FCM Clearing System.

Warning messages will be displayed on the following conditions:

- when an exercise is performed on Out-of-the-Money options;
- when a cancel is performed on In-the-Money options;
- the number of lots exceed the lot limit, if the lot limit parameter is set by the FCM Clearing Member in the BP Exercise Limit screen; and
- early exercise, i.e. non-spot month, if this parameter is set by the Clearing Member in the BP Exercise Limit screens

An option exercise maker-checker facility ensures exercise instructions are authorised by another authorised person before being submitted. FCM Listed Interest Rates Clearing Members should ensure that they allow sufficient time for submitting instructions within contract deadlines, if this facility is switched on.

(ii) Automatic Exercise on Expiry Day

Preset limits within the FCM Clearing System define which options will be subject to automatic exercise at expiry.

Buyers of options may, in accordance with the relevant FCM Listed Interest Rates Contract Terms, choose not to exercise option series that would be subject to automatic exercise. FCM Listed Interest Rates Clearing Members that wish not to exercise such options must have done so by the exercise deadline of the expiring options. Failure to do so will result in the automatic exercise of the series.

(c) Expiry Day

Options expire at the time specified by relevant FCM Listed Interest Rates Contract Terms on the expiry date. FCM Listed Interest Rates Clearing Members who wish to exercise positions for strike prices which are not subject to automatic exercise for the expiring series, must do so by this time.

**It is not possible for FCM Listed Interest Rates Clearing Members to input exercise or exercise cancellation instructions after the expiry time.**

(d) Unavailability of System for Options Exercise

In the event that the FCM Clearing System option exercise facilities are unavailable (in particular if an expiry or exercise deadline is

imminent), it is essential that the FCM Listed Interest Rates Clearing Member contacts Client Services on +44 7426 7651.

2.3.8 [Reserved]

2.3.9 Deliverable Bond Futures – Delivery Procedures

**These delivery procedures should be read in conjunction with the rest of this document, the FCM Rulebook, the relevant Rates Exchange Rules and the relevant FCM Listed Interest Rates Contract Terms. FCM Listed Interest Rates Clearing Members must be fully aware of their obligations under the relevant contracts.**

**In the event of any conflict between the Rulebook and the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms, the Rulebook shall prevail.**

Enquiries concerning the procedures in this Section should be directed to Client Services on +44 7426 7651.

(a) Common Delivery Procedures

(i) Allocation Method

For all deliverable bond contracts the following method is used by the Clearing House to allocate stock delivered by Sellers to Buyers:

- (A) Buying FCM Clearing Members' accounts are listed in mnemonic sequence and numbered sequentially;
- (B) a number is chosen at random;
- (C) the allocation of the lowest coupon bond commences with the selected mnemonic and progresses through the list referred to in (a) above; and
- (D) when no further allocation of the lowest coupon bond can be made, the allocation continues with the next lowest coupon bond and so on, until the process is completed with the allocation of the highest coupon bond.

If bonds of equal coupon but with different maturity dates have been nominated then the bond with the earliest maturity will be allocated first.

For the purpose of settlement efficiency the results of the allocation will be subject to settlement shaping with each instruction not exceeding a nominal value of GBP 50 million for Gilts or EUR 50 million for Bund, Bobl and Schatz.

(ii) Clearing Accounts

FCM Clearing Members' position keeping accounts, following any applicable netting, are aggregated to settlement account level for deliveries. FCM Clearing Members must submit separate notifications (Seller's Delivery Notices, etc) to the Clearing House for each settlement account.

(iii) Final Settlement Prices (FSP)

The FSP for bond deliveries will be determined in accordance with the relevant FCM Listed Interest Rates Contract Terms. This is published as soon as possible after it has been set.

(iv) Days and Times

All days are London business days unless otherwise stated.

All times are London times unless otherwise stated.

(v) Margin

The Clearing House continues to require Collateral in respect of initial and contingent variation margin requirements on open delivery contracts.

(vi) Delivery System

The "Delivery System" is the Clearing House Delivery System for deliverable FCM Listed Interest Rates Contracts, which allows users to send and receive data to and from the Clearing House.

FCM Clearing Members must submit delivery information using the Delivery System GUI.

When using the Delivery System GUI, FCM Clearing Members must always ensure that they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action. Clearing Members experiencing connection difficulties should contact Client Services on +44 7426 7651.

(vii) Seller's Delivery Notice

Sellers must submit a *Delivery Notice* to the Clearing House via the Delivery System.

(viii) Delivery Failure – Designated FCM Listed Interest Rates Contracts Only



**This paragraph 2.3.9(a)(viii) applies only in respect of Designated FCM Listed Interest Rates Contracts. For all other FCM Listed Interest Rates Contracts, the treatment of delivery failures is set out in the relevant Rates Exchange Rules.**

Where the seller does not make delivery, or the buyer make payment, this will constitute a “delivery failure” within the meaning of FCM Regulation 65. A delivery failure may occur for any reason whatsoever, including, without limitation:

- (A) the failure of the Clearing House’s clearing system to effect settlement of such delivery or payment;
- (B) any error, failure, closure or suspension of the Clearing House’s clearing system;
- (C) a failure by any third party to make any required transfer of such deliverable bonds to seller or any settlement agent for seller in time to enable seller to make delivery to buyer; or
- (D) any failure by either buyer or seller, or any settlement agent for either buyer or seller, to input any necessary instructions required by the Clearing House’s clearing system or pursuant to the Regulations to effect settlement, including as a result of any fault or failure of any computer or communication system.

Where a delivery failure occurs, any decision as to alternative settlement procedures made by the Clearing House shall be binding on buyer and seller. The Clearing House may, but is not required to, require the buyer to pay an amount (“**Settlement Adjustment Amount**”) equal to the product of: (i) the settlement payment required under the contract; (ii) the average of the Clearing House’s base rate as at the close of each business day during the period that settlement is delayed; and (iii) the number of calendar days in the settlement delay period over 365.

In addition, if a delivery failure occurs and any dividend or coupon is paid on the deliverable bonds during the delayed settlement period, the Clearing House may, but is not required to, require the seller to pay an amount (“**Dividend Adjustment Amount**”) equal to the gross amount of such dividend (without any withholding or deduction on account of any tax).

The delivery failure shall be “cured” on the business day on which the delivery has been made by the seller (including, where applicable, any Dividend Adjustment Amount) and the

buyer to make payment (including, where applicable, any Settlement Adjustment Amount).

(b) Long Gilt

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Gilts, against payment of the consideration amount specified in the Gilt contract terms; and
- Euroclear UK and Ireland - The Euroclear UK and Ireland System.

(i) Delivery Mechanism

Deliveries under the Gilt contract must be made or taken via an account at Euroclear UK and Ireland (EUI).

Clearing House Delivery Account Details. Details of the Clearing House's account at Euroclear UK and Ireland (EUI) are as follows: Clearing House account number 5172.

(ii) Delivery Communication and the Delivery System

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, FCM Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action. FCM Clearing Members experiencing difficulties should contact Client Services on +44 7426 7651.

(iii) Consideration Value Calculation

The amount due to Sellers and payable by Buyers is calculated in accordance with the Gilt contract terms (all values in GBP):

Consideration value per lot = (1000 x FSP x Price Factor) + Initial Accrued + (Daily Accrued x Delivery Days in Month)

Consideration Calculation Example

<u>FSP(N)</u>	<u>=</u>	<u>107.41</u>
<u>Price Factor</u>	<u>=</u>	<u>1.2554334</u>
<u>Initial Accrued</u>	<u>=</u>	<u>1746.58</u>
<u>Daily Accrued</u>	<u>=</u>	<u>17.1233</u>

<u>Delivery Days in Month</u>	≡	<u>10</u>
<u>Single lot value</u>	≡	$(1000 \times 107.41 \times 1.2554334) + 1746.58 + (17.1233 \times 10)$
	≡	<u>136,763.914494</u>
<u>Consideration value per lot</u>	≡	<u>136,763.91</u>

The Clearing House establishes the consideration amount by calculating the full value of **1 lot** using the formula (i.e. up to 7 decimal places on the price factor and 5 on the FSP) and rounding to the nearest whole penny (.5 rounded down). This **per lot** value is then multiplied by the number of lots to establish the total consideration value.

(iv) Delivery Timetable (Except for Last Notice Day)

<u>DAY</u>	<u>TIME LONG GILT</u>	<u>ACTION</u>	
		<u>SELLERS</u>	<u>BUYERS</u>
<u>Notice Day</u>	<u>By 11:00</u>	<u>Sellers submit Seller's Delivery Notices in Synapse and the Delivery System</u>	
	<u>By 11:30</u>	<u>Synapse position keeping deadline</u> <u>FSP established</u>	<u>Synapse position keeping deadline</u> <u>FSP established</u>
	<u>By 12:00</u>		<u>Allocation of lots to Buyers</u>
	<u>By 15:00</u>	<u>Delivery Positions for Futures Report available</u>	<u>Delivery Positions for Futures Report available</u> <u>Deliverable gilts allocated to Buyers</u>
<u>Notice Day + 1</u>	<u>By 05:00</u>	<u>The Clearing House makes Account Sales and Delivery Instructions report available</u>	<u>The Clearing House makes Invoices and Delivery Instructions report available</u>
	<u>From 09:00</u>	<u>Seller to commence matching</u>	<u>Buyer to commence matching</u>
	<u>By 12:30</u>	<u>All deliveries must be matched in Euroclear UK &amp; Ireland</u>	<u>All deliveries must be matched in Euroclear UK &amp; Ireland</u>

<u>DAY</u>	<u>TIME LONG GILT</u>	<u>ACTION</u>	
		<u>SELLERS</u>	<u>BUYERS</u>
Settlement Day (Notice day + 2)	By 13:00	Gilts delivered against payment	Gilts received against payment
S + 1		The Clearing House releases Collateral in respect of initial and variation margin	The Clearing House releases Collateral in respect of initial and variation margin

(v) Delivery Timetable (Last Notice Day)

<u>DAY</u>	<u>TIME LONG GILT</u>	<u>ACTION</u>	
		<u>SELLERS</u>	<u>BUYERS</u>
Last Notice Day (the business day following the last trading day)	By 10:00	Sellers submit <i>Seller's Delivery Notices</i> to The Delivery System  Synapse position keeping deadline	Synapse position keeping deadline
	By 11:00		Allocation of lots and gilts to Buyers
	By 15:00  By 17:30	The Clearing House makes Account Sales and Delivery Instructions report available  Seller to commence matching  All deliveries must be matched in Euroclear UK & Ireland	The Clearing House makes Invoices and Delivery Instructions report available  Buyer to commence matching  All deliveries must be matched in Euroclear UK & Ireland
Settlement Day (Last Notice Day + 1)	By 13:00	Gilts delivered against payment	Gilts received against payment
S + 1		The Clearing House releases Collateral in respect of initial and variation margin	The Clearing House releases Collateral in respect of initial and variation margin

(vi) Long Gilt Delivery Procedures

(A) Last Trading, Notice and Settlement Day Definitions

The First and Last Notice Day, and Settlement Day, are defined in the FCM Listed Interest Rates Contract Terms for the Long Gilt contract.

(B) Notice Day

By 11:00 hours - Long Gilt

Deliverable positions are based on FCM Clearing Members' positions at the close of business the previous day. The positions may be transferred or settled to establish the deliverable.

On each business day during the notice period, a Seller may input an 'Early Delivery Notification' to Synapse and must then, in addition, submit to the Clearing House the corresponding *Seller's Delivery Notice*. The input of a delivery notification to Synapse without the corresponding *Seller's Delivery Notice* (or vice versa) will not constitute a valid notification to the Clearing House. Any notices submitted after this deadline will be rejected and Sellers must submit on the following business day if they still wish to deliver early (if the next business day is the Last Notice Day, then the Last Notice Day procedures apply).

By 11:30 hours (approx.)

The Final Settlement Price (FSP) is announced.

By 12:00 hours (approx) – Long Gilt

A Delivery Positions for Futures report indicating the number of lots allocated to Buyers is made available on Synapse.

By 15:00 hours

The Clearing House allocates Gilts to Buyers.

(C) Business Day Following Notice Day

By 05:00 hours

- Delivery Instructions for Sellers
- Delivery Instructions for Buyers

The instructions as described **must** be utilised by Clearing Members in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The times stipulated below are the latest possible times for pre-matching.

From 09:00 hours

Details of the delivery contracts must be submitted and matched in Euroclear UK & Ireland.

All entries **must** be made with the necessary fields completed in order to match with the Clearing House instruction.

By 12:30 hours

FCM Clearing Members must have successfully matched all trades with the Clearing House in Euroclear UK & Ireland.

**Failure to match with the Clearing House contravenes Clearing House Procedures.**

The Clearing House informs the operations personnel of the relevant Rates Exchange of any outstanding matching problems after this time.

(D) Last Trading Day (LTD)

At 11:00 hours

Trading ceases two business days prior to the last business day in the delivery month.

(E) Last Notice Day

The Last Notice Day is the business day following the Last Trading Day.

By 10:00 hours - Long Gilt

Sellers holding open positions **must** submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System. FCM Clearing Members are not required to give notification via Synapse. FCM Clearing Members with open positions in the expired delivery month are obliged to make or take delivery.

By 15:00 hours - Long Gilt

The Clearing House makes the following available:

- Account Sales
- Invoices
- Delivery Instructions for Sellers
- Delivery Instructions for Buyers

FCM Clearing Members commence matching with the Clearing House.

By 17:30 hours

FCM Clearing Members must have successfully matched all trades with the Clearing House in Euroclear UK & Ireland.

**Failure to match with the Clearing House contravenes Clearing House Procedures.**

The Clearing House informs the operations personnel of the relevant Rates Exchange of any outstanding matching problems after this time.

(F) Settlement Day

Settlement day means the second business day after the notice day or, where the notice day is the Last Notice Day, settlement day will be the next business day after the Last Notice Day.

The Seller must ensure that their Euroclear UK & Ireland priority settings and cap permit their trades to settle before the Clearing House settlement deadline.

By 13:00 hours

Gilts will have passed from the Seller's Euroclear UK & Ireland account to the Clearing House's Euroclear UK & Ireland account (5172) and subsequently to the Buyer's Euroclear UK & Ireland account on Settlement Day.

The Buyers and the Clearing House's settlement bank will effect payment by the end of the day across Real Time Gross Settlement (RTGS) accounts at the Bank of England.

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

(c) German Government Bond (Euro Bund)

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Bunds, against payment of the consideration amount specified in the FCM Listed Interest Rates Contract Terms for German Government Euro Bund Contracts;
- Euroclear - The Euroclear System; and
- Securities correspondent - Euroclear, Clearstream Luxembourg SA or Clearstream Frankfurt.

(i) Delivery Mechanism

Deliveries under the Euro Bund contract must be made or taken via accounts at one or more of the following delivery systems:

- Clearstream Frankfurt;
- Euroclear; and
- Clearstream Luxembourg.

Clearing House Delivery Account Details. The Clearing House's delivery agents and account details at Clearstream Frankfurt are as follows:

Deutsche Bank AG  
Securities & Custody Services  
PO Box 65755  
Eschborn  
Germany

Clearing House account number : 7077

Details of the Clearing House's accounts at Euroclear and Clearstream Luxembourg are as follows:

<u>Euroclear</u>	<u>:</u>	<u>Clearing House account number 10167</u>
<u>Clearstream</u>	<u>:</u>	<u>Clearing House account number 18764</u>



Luxemburg

**The Clearing House retains the right to amend the above list without prior notification to FCM Clearing Members.**

For each Euro Bund delivery, FCM Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

(ii) Delivery Communication and the Delivery System

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, FCM Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action. FCM Clearing Members experiencing difficulties should contact Client Services on +44 7426 7651.

(iii) Consideration Valuation Calculation

The amounts due to Sellers from Buyers are calculated in accordance with the Euro Bund contract terms.

Consideration value per lot  $\equiv$   $(1000 \times \text{FSP} \times \text{Price Factor}) + \text{Accrued Interest}$

Consideration Calculation Example

FSP  $\equiv$  113.41  
Price Factor  $\equiv$  0.950491  
Accrued Interest  $\equiv$  2258.22

$(1000 \times 113.41 \times 0.950491) + 2258.22$

$\equiv$  EUR  
110,053.40431

Consideration Value  $\equiv$  EUR 110,053.40

The consideration value is calculated using the full extent of decimal places for each component of the formula.

The invoice value of 1 lot is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This per lot value is then multiplied by the number of lots to establish the total invoice value.

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## (iv) Delivery Timetable

<u>DAY</u>	<u>TIME</u> <u>LONDON</u>	<u>TIME</u> <u>CET*</u>	<u>ACTION</u>	
			<u>SELLERS</u>	<u>BUYERS</u>
<u>Last trading day</u> <u>(LTD)</u>	<u>11:30</u>	<u>12:30</u>	<u>Trading ceases</u>	<u>Trading ceases</u>
	<u>12:00</u>	<u>13:00</u>	<u>FSP established</u>	<u>FSP established</u>
	<u>17:00</u>	<u>18:00</u>	<u>Synapse Position Keeping deadline</u> <u>Sellers submit <i>Sellers Delivery Notice</i></u>	<u>Synapse Position Keeping deadline</u>
	<u>17:30</u>	<u>18:30</u>	<u>The Clearing House performs delivery allocation</u>	<u>The Clearing House performs delivery allocation</u>
	<u>18:00</u>	<u>19:00</u>	<u>The Clearing House makes Account Sales and Delivery Instruction Report available.</u>	<u>The Clearing House makes Invoices and Delivery Instruction Report available.</u>
<u>S - 1</u> <u>(LTD + 1)</u>	<u>10:00</u>	<u>11:00</u>	<u>Sellers submit DVP instructions to their custodian bank</u>	<u>Buyers submit RVP instructions to their custodian bank</u>
	<u>14:00</u>	<u>15:00</u>	<u>Sellers match the Clearing House instruction entered into delivery centre</u>	<u>Buyers match the Clearing House instruction entered into delivery centre</u>
<u>S</u> <u>(LTD + 2)</u>	<u>Following standard delivery cycles</u>	<u>Following standard delivery cycles</u>	<u>The Clearing House receives confirmation of delivery</u>	<u>The Clearing House receives confirmation of delivery</u>
<u>S + 1</u> <u>(LTD + 3)</u>			<u>The Clearing House releases Collateral in respect of initial and variation margin</u>	<u>The Clearing House releases Collateral in respect of initial and variation margin</u>

\* CENTRAL EUROPEAN TIME INCLUDES FRANKFURT TIME WHERE QUOTED IN THE FCM LISTED INTEREST RATES CONTRACT TERMS, RELEVANT RATES EXCHANGE RULES AND CLEARING HOUSE DELIVERY PROCEDURES.

(v) Transaction Cut Off Times and Clearing House Deadlines

FCM Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each FCM Clearing Member's responsibility to ensure that they and their agents are aware of, and adhere to, the Clearing House deadlines.

(vi) Delivery Procedures

(A) Deliverable Bonds

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the FCM Listed Interest Rates Contract Terms for the Bund Futures Contracts. The initial list of bonds will be available from the Delivery System until such time as the final list is published.

(B) Last Trading, Notice and Settlement Day Definition

The Last Trading Day, Notice Day and Settlement Day are as defined in the FCM Listed Interest Rates Contract Terms for the Bund Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a Frankfurt working day, in which case the Frankfurt working day immediately following it is the Settlement Day.

(C) Last Trading Day (LTD)

At 11:30

Trading ceases in the delivery month.

By 12:00

The FSP is announced.

By 17:00 hours - Delivery Notice Deadline

FCM Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 17:00 hours deadline. FCM Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a Seller's Delivery Notice to the Clearing House via the Delivery System.

At 17:30 hours

The Clearing House allocates Bunds to Buyers.

By 18:00 hours

The Clearing House makes the following available:

- Account Sales
- Invoices
- Delivery Instructions for Sellers
- Delivery Instructions for Buyers

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

The FCM Clearing Member shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*. The instructions as described **must** be utilised by FCM Clearing Members in order to match the instructions entered by the Clearing House.

FCM Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The time stipulated below is the latest possible time for matching.

(D) S-1 on or before the first Frankfurt working day following the last trading day (LTD)

By 10:00 hours

FCM Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

By 14:00 hours

All instructions must be matched with the Clearing House.

**Failure to match with the Clearing House contravenes Clearing House procedures.**

(E) S Settlement Day (LTD + 2)

By 08:00 hours Central European time

The Seller's delivery system or agent shall have transferred Bunds to the Clearing House's account at the relevant delivery system, against payment. The Clearing House shall have transferred Bunds to the Buyer's account at the relevant delivery system against payment.

**During Euroclear/Clearstream Luxembourg Overnight Processing**

Where the Clearing House is taking delivery of Bunds, via Euroclear or Clearstream Luxembourg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or Clearstream Luxembourg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxembourg overnight processing cycle will be passed to the defaulting Seller.

**During Clearstream Frankfurt standard cycle**

Where the Clearing House is taking delivery of Bunds via one of its Clearstream Frankfurt agents, and a Seller fails to deliver to the Clearing House Deliverable Bonds in the standard cycle, the Clearing House will attempt to borrow stock.

All costs arising as a result of failure to deliver to the Clearing House (in the standard cycle) will be passed to the defaulting Seller.

(F) S+1 The first Frankfurt working day immediately following Settlement Day (LTD + 3)

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

(d) German Government Bond (BOBL)

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;

- Delivery and receipt versus payment means a transfer of Bonds, against payment of the invoicing amount specified in the FCM Listed Interest Rates Contract Terms for Bobl Futures Contracts;
- Euroclear - The Euroclear System; and
- Securities correspondent - Euroclear, Clearstream Luxembourg SA or Clearstream Frankfurt.

(i) Delivery Mechanism

Deliveries under the Bobl contract must be made or taken via accounts at one or more of the following delivery systems:

- Clearstream Frankfurt;
- Euroclear; and
- Clearstream Luxembourg.

Clearing House Delivery Account Details. The Clearing House's delivery agents and account details at Clearstream Frankfurt are as follows:

Deutsche Bank AG  
Securities & Custody Services  
PO Box 65755  
Eschborn  
Germany

Clearing House account number : 7077

Details of the Clearing House's accounts at Euroclear and Clearstream Luxembourg are as follows:

<u>Euroclear</u>	<u>:</u>	<u>Clearing House account number 10167</u>
<u>Clearstream Luxembourg</u>	<u>:</u>	<u>Clearing House account number 18764</u>

**The Clearing House retains the right to amend the above list without prior notification to FCM Clearing Members.**

For each delivery, FCM Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

(ii) Delivery Communication and the Delivery System

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, FCM Clearing

Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action. FCM Clearing Members experiencing difficulties should contact Client Services on +44 7426 7651.

(iii) Consideration Valuation Calculation

The amounts due to Sellers from Buyers are calculated in accordance with the Bobl Futures Contract terms.

$$\text{Consideration value per lot} \equiv (1000 \times \text{FSP} \times \text{Price Factor}) + \text{Accrued Interest}$$

Consideration Calculation Example

$$\begin{aligned} \text{FSP} &\equiv 113.41 \\ \text{Price Factor} &\equiv 0.950491 \\ \text{Accrued Interest} &\equiv 2258.22 \end{aligned}$$

$$(1000 \times 113.41 \times 0.950491) + 2258.22$$

$$\equiv \text{EUR } 110,053.40431$$

$$\text{Consideration Value} \equiv \text{EUR } 110,053.40$$

The consideration value is calculated using the full extent of decimal places for each component of the formula.

The invoice value of 1 lot is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This per lot value is then multiplied by the number of lots to establish the total invoice value.



## (iv) Delivery Timetable

<u>DAY</u>	<u>TIME</u>		<u>ACTION</u>	
	<u>LONDON</u>	<u>CET*</u>	<u>SELLERS</u>	<u>BUYERS</u>
<u>Last trading day (LTD)</u>	<u>11:30</u>	<u>12:30</u>	<u>Trading ceases</u>	<u>Trading ceases</u>
	<u>12:00</u>	<u>13:00</u>	<u>FSP established</u>	<u>FSP established</u>
	<u>17:00</u>	<u>18:00</u>	<u>Synapse Position Keeping deadline</u> <u>Sellers submit <i>Sellers Delivery Notice</i></u>	<u>Synapse Position Keeping deadline</u>
	<u>17:30</u>	<u>18:30</u>	<u>The Clearing House performs delivery allocation</u>	<u>The Clearing House performs delivery allocation</u>
	<u>18:00</u>	<u>19:00</u>	<u>The Clearing House makes the Account Sales and Delivery Instructions Report available</u>	<u>The Clearing House makes the Invoices and Delivery Instructions Report available</u>
<u>S - 1 (LTD + 1)</u>	<u>10:00</u>	<u>11:00</u>	<u>Sellers submit DVP instructions to their custodian bank</u>	<u>Buyers submit RVP instructions to their custodian bank</u>
	<u>14:00</u>	<u>15:00</u>	<u>Sellers match the Clearing House instruction entered into delivery centre</u>	<u>Buyers match the Clearing House instruction entered into delivery centre</u>
<u>S (LTD + 2)</u>	<u>Following standard delivery cycles</u>	<u>Following standard delivery cycles</u>	<u>The Clearing House receives confirmation of delivery</u>	<u>The Clearing House receives confirmation of delivery</u>
<u>S + 1 (LTD + 3)</u>			<u>The Clearing House releases Collateral in respect of initial and variation margin</u>	<u>The Clearing House releases Collateral in respect of initial and variation margin</u>

\* CENTRAL EUROPEAN TIME INCLUDES FRANKFURT TIME WHERE QUOTED IN THE FCM LISTED INTEREST RATES CONTRACT TERMS, RELEVANT RATES EXCHANGE RULES AND CLEARING HOUSE DELIVERY PROCEDURES.

(v) Transaction Cut Off Times and Clearing House Deadlines

FCM Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each FCM Clearing Member's responsibility to ensure that they and their agents are aware of, and adhere to, the Clearing House deadlines.

(vi) Delivery Procedures

(A) Deliverable Bonds

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the FCM Listed Interest Rates Contract Terms for the Bobl Futures Contract. The initial list of bonds will be available from the Delivery System until such time as the final list is published.

(B) Last Trading, Notice and Settlement Day Definition

The Last Trading Day, Notice Day and Settlement Day are as defined in the FCM Listed Interest Rates Contract Terms for the Bobl Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a Frankfurt working day, in which case the Frankfurt working day immediately following it is the Settlement Day.

(C) Last Trading Day (LTD)

At 11:30

Trading ceases in the delivery month.

By 12:00

The FSP is announced.

By 17:00 hours - Delivery Notice Deadline

FCM Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 17:00 hours deadline. FCM Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a Seller's Delivery Notice to the Clearing House via the Delivery System.

At 17:30 hours

The Clearing House allocates deliveries to Buyers.

By 18:00 hours

The Clearing House makes the following available:

- Account Sales
- Invoices
- Delivery Instructions for Sellers
- Delivery Instructions for Buyers

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

The FCM Clearing Member shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*. The instructions as described **must** be utilised by FCM Clearing Members in order to match the instructions entered by the Clearing House.

FCM Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The time stipulated below is the latest possible time for matching.

(D) S-1 on or before the first Frankfurt working day following the last trading day (LTD)

By 10:00 hours

FCM Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

By 14:00 hours

All instructions must be matched with the Clearing House.

**Failure to match with the Clearing House contravenes Clearing House procedures.**

(E) S Settlement Day (LTD + 2)

By 08:00 hours Central European time

The Seller's delivery system or agent shall have transferred Bonds to the Clearing House's account at the relevant delivery system, against payment. The Clearing House shall have transferred Bonds to the Buyer's account at the relevant delivery system against payment.

**During Euroclear/Clearstream Luxembourg Overnight Processing**

Where the Clearing House is taking delivery of Bonds, via Euroclear or Clearstream Luxembourg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or Clearstream Luxembourg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxembourg overnight processing cycle will be passed to the defaulting Seller.

**During Clearstream Frankfurt standard cycle**

Where the Clearing House is taking delivery of Bonds via one of its Clearstream Frankfurt agents, and a Seller fails to deliver to the Clearing House Deliverable Bonds in the standard cycle, the Clearing House will attempt to borrow stock.

All costs arising as a result of failure to deliver to the Clearing House (in the standard cycle) will be passed to the defaulting Seller.

(F) S+1 The first Frankfurt working day immediately following Settlement Day (LTD + 3)

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

(e) German Government Bond (Schatz)

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;

- Delivery and receipt versus payment means a transfer of Bonds, against payment of the invoicing amount specified in the FCM Listed Interest Rates Contract Terms for Schatz Futures Contracts;
- Euroclear - The Euroclear System; and
- Securities correspondent - Euroclear, Clearstream Luxembourg SA or Clearstream Frankfurt.

(i) Delivery Mechanism

Deliveries under the Schatz contract must be made or taken via accounts at one or more of the following delivery systems:

- Clearstream Frankfurt;
- Euroclear; and
- Clearstream Luxembourg.

Clearing House Delivery Account Details. The Clearing House's delivery agents and account details at Clearstream Frankfurt are as follows:

Deutsche Bank AG  
Securities & Custody Services  
PO Box 65755  
Eschborn  
Germany

Clearing House account number : 7077

Details of the Clearing House's accounts at Euroclear and Clearstream Luxembourg are as follows:

<u>Euroclear</u>	<u>:</u>	<u>Clearing House account number 10167</u>
<u>Clearstream Luxembourg</u>	<u>:</u>	<u>Clearing House account number 18764</u>

**The Clearing House retains the right to amend the above list without prior notification to FCM Clearing Members.**

For each delivery, FCM Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

(ii) Delivery Communication and the Delivery System

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, FCM Clearing

Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action. FCM Clearing Members experiencing difficulties should contact Client Services on +44 7426 7651.

(iii) Consideration Valuation Calculation

The amounts due to Sellers from Buyers, are calculated in accordance with the FCM Listed Interest Rates Contract Terms for Schatz Futures Contracts.

<u>Consideration value per lot</u>	$\equiv$	<u><math>(1000 \times \text{FSP} \times \text{Price Factor}) + \text{Accrued Interest}</math></u>
<u>Consideration Calculation Example</u>		
<u>FSP</u>	$\equiv$	<u>113.41</u>
<u>Price Factor</u>	$\equiv$	<u>0.950491</u>
<u>Accrued Interest</u>	$\equiv$	<u>2258.22</u>
		<u><math>(1000 \times 113.41 \times 0.950491) + 2258.22</math></u>
	$\equiv$	<u>EUR 110,053.40431</u>
<u>Consideration Value</u>	$\equiv$	<u>EUR 110,053.40</u>

The consideration value is calculated using the **full** extent of decimal places for each component of the formula.

The invoice value of **1 lot** is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This **per** lot value is then multiplied by the number of lots to establish the total invoice value.

(v) Delivery Timetable

<u>DAY</u>	<u>TIME</u>		<u>ACTION</u>	
	<u>LONDON</u>	<u>CET*</u>	<u>SELLERS</u>	<u>BUYERS</u>
<u>Last trading day (LTD)</u>	<u>11:30</u>	<u>12:30</u>	<u>Trading ceases</u>	<u>Trading ceases</u>
	<u>12:00</u>	<u>13:00</u>	<u>FSP established</u>	<u>FSP established</u>
	<u>17:00</u>	<u>18:00</u>	<u>Synapse Position Keeping deadline</u> <u>Sellers submit <i>Sellers Delivery Notice</i></u>	<u>Synapse Position Keeping deadline</u>
	<u>17:30</u>	<u>18:30</u>	<u>The Clearing House performs delivery allocation</u>	<u>The Clearing House performs delivery allocation</u>
	<u>18:00</u>	<u>19:00</u>	<u>The Clearing House makes the Account Sales and Delivery Instructions Report available</u>	<u>The Clearing House makes the Invoices and Delivery Instructions Report available</u>
<u>S - 1 (LTD + 1)</u>	<u>10:00</u>	<u>11:00</u>	<u>Sellers submit DVP instructions to their custodian bank</u>	<u>Buyers submit RVP instructions to their custodian bank</u>
	<u>14:00</u>	<u>15:00</u>	<u>Sellers match the Clearing House instruction entered into delivery centre</u>	<u>Buyers match the Clearing House instruction entered into delivery centre</u>
<u>S (LTD + 2)</u>	<u>Following standard delivery cycles</u>	<u>Following standard delivery cycles</u>	<u>The Clearing House receives confirmation of delivery</u>	<u>The Clearing House receives confirmation of delivery</u>
<u>S + 1 (LTD + 3)</u>			<u>The Clearing House releases Collateral in respect of initial and variation margin</u>	<u>The Clearing House releases Collateral in respect of initial and variation margin</u>

\* CENTRAL EUROPEAN TIME INCLUDES FRANKFURT TIME WHERE QUOTED IN THE FCM LISTED INTEREST RATES CONTRACT TERMS, RELEVANT RATES EXCHANGE RULES AND CLEARING HOUSE DELIVERY PROCEDURES.

(iv) Transaction Cut Off Times and Clearing House Deadlines

FCM Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each FCM Clearing Member's responsibility to ensure that they and their agents are aware of, and adhere to, the Clearing House deadlines.

(v) Delivery Procedures

(A) Deliverable Bonds

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the FCM Listed Interest Rates Contract Terms for the Schatz Futures Contract. The initial list of bonds will be available from the Delivery System until such time as the final list is published.

(B) Last Trading, Notice and Settlement Day Definition

The Last Trading Day, Notice Day and Settlement Day are as defined in the FCM Listed Interest Rates Contract Terms for the Schatz Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a Frankfurt working day, in which case the Frankfurt working day immediately following it is the Settlement Day.

(C) Last Trading Day (LTD)

At 11:30

Trading ceases in the delivery month.

By 12:00

The FSP is announced.

By 17:00 hours - Delivery Notice Deadline

FCM Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 17:00 hours deadline. FCM Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System.

At 17:30 hours



The Clearing House allocates deliveries to Buyers.

By 18:00 hours

The Clearing House makes the following available:

- Account Sales
- Invoices
- Delivery Instructions for Sellers
- Delivery Instructions for Buyers

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

The FCM Clearing Member shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the Delivery Instructions for Sellers/Buyers. The instructions as described **must** be utilised by FCM Clearing Members in order to match the instructions entered by the Clearing House.

FCM Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The time stipulated below is the latest possible time for matching.

- (D) S-1 on or before the first Frankfurt working day following the last trading day (LTD)

By 10:00 hours

FCM Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the Delivery Instructions) given by the Clearing House.

By 14:00 hours

All instructions must be matched with the Clearing House.

**Failure to match with the Clearing House contravenes Clearing House procedures and the FCM Listed Interest Rates Contract Terms for the Schatz Future Contract.**

- (E) S Settlement Day (LTD + 2)

By 08:00 hours Central European time

The Seller's delivery system or agent shall have transferred Bonds to the Clearing House's account at the relevant delivery system, against payment. The Clearing House shall have transferred Bonds to the Buyer's account at the relevant delivery system against payment.

**During Euroclear/Clearstream Luxemburg Overnight Processing**

Where the Clearing House is taking delivery of Bonds, via Euroclear or Clearstream Luxemburg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or Clearstream Luxemburg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxemburg overnight processing cycle will be passed to the defaulting Seller.

**During Clearstream Frankfurt standard cycle**

Where the Clearing House is taking delivery of Bonds via one of its Clearstream Frankfurt agents, and a Seller fails to deliver to the Clearing House Deliverable Bonds in the standard cycle, the Clearing House will attempt to borrow stock.

All costs arising as a result of failure to deliver to the Clearing House (in the standard cycle) will be passed to the defaulting Seller.

(F) S+1 The first Frankfurt working day immediately following Settlement Day (LTD + 3)

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

**SCHEDULE 2.3A**  
**DELIVERABLE BOND FUTURES FORMS**

**FORM-1**  
**ACCOUNT SALE**

06-Mar-2014

LCH.CLEARNET LIMITED

Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA      Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH.Clearnet Limited

LONG GILT FUTURE

Delivery Month : MAR 2014      Settlement Date : 10-MAR-2014

Tendered in fulfilment of 104 lots of:

Stock Code : GB000997114  
Coupon Rate : 5.250%  
Maturity Date : 07-Dec-2020

<u>Nominal Value</u>	:	<u>GBP</u>	<u>10,400,000.00</u>
<u>EDSP</u>	:		<u>107.41</u>
<u>Price Factor</u>	:		<u>1.2554334</u>
<u>Initial Accrued</u>	:		<u>1746.58</u>
<u>Delivery Days @</u>	:		<u>17.1233</u>
<u>Total Daily Accrued</u>	:		<u>171.233</u>

Countervalue : GBP      14223446.64

E. & O.E.

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

**FORM-2**  
**INVOICE (GILTS)**

06-Mar-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

<u>Clearing Member</u>	:	<u>AAA</u>	<u>Subaccount</u>	:	<u>House</u>
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<u>Ref Id</u>	:	<u>3</u>
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AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH.Clearnet Limited

LONG GILT FUTURE

<u>Delivery Month</u>	:	<u>MAR 2014</u>	<u>Settlement Date</u>	:	<u>10-MAR-2014</u>
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Tendered in fulfilment of 104 lots of:-

<u>Stock Code</u>	:	<u>GB0009997114</u>
<u>Coupon Rate</u>	:	<u>5.250%</u>
<u>Maturity Date</u>	:	<u>07-Dec-2020</u>

<u>Nominal Value</u>	:	<u>GBP</u>	<u>10,400,000.00</u>
<u>EDSP</u>	:		<u>107.41</u>
<u>Price Factor</u>	:		<u>1.2554334</u>
<u>Initial Accrued</u>	:		<u>1746.58</u>
<u>Delivery Days @</u>	:		<u>17.1233</u>
<u>Total Daily Accrued</u>	:		<u>171.233</u>
<u>Countervalue</u>	:	<u>GBP</u>	<u>14223446.64</u>

E. & O.E.

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

**FORM-3**  
**LONG GILT FUTURE DELIVERY INSTRUCTION FOR SELLERS (GILTS)**

06-MAR-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

Delivery Month: MAR 2014

Clearing Member: AAA                      Subaccount: Client

Delivery to the Clearing House at CREST

From Clearing Member's Del Centre        :    CREST

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON  
FUTURES

Account No                                        :    92506  
Account Name                                    :    AAA

FSP     :    107.41

Notice Date                                     :    06-MAR-2014

Currency Id:                                    :    GBP

Settlement Date                                :    10-MAR-2014

<u>Instr. Clearing House Agent Name</u>	<u>Clearing House Account No</u>	<u>Countervalue</u>	<u>Stock Code</u>	<u>Nominal Value</u>	<u>Lots</u>
<u>CREST</u>	<u>5172</u>	<u>14223446.64</u>	<u>GB0009997114</u>	<u>10,400,000.00</u>	<u>104</u>

E. & O.E

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

**FORM-4****LONG GILT FUTURE DELIVERY INSTRUCTION FOR BUYERS (GILTS)**

06-MAR-2014

LCH.CLEARNET LIMITEDAldgate House, 33 Aldgate High Street, London, EC3N 1EATelephone +44 (0)20-7426 7000Delivery Month: MAR 2014Delivery to the Clearing House at CRESTClearing Member: AAASubaccount: ClientTo Clearing Member's Del Centre : CRESTAAA FUTURES LTDTENDER HOUSEFENCHURCH STREETLONDONAccount No : 92506Account Name : AAA FUTURESFSP : 107.41Notice Date : 06-MAR-2014Currency Id: GBPSettlement Date : 10-MAR-2014

<u>Instr.</u>	<u>Clearing House Agent Name</u>	<u>Clearing House Account No</u>	<u>Countervalue</u>	<u>Stock Code</u>	<u>Nominal Value</u>	<u>Lots</u>
	CREST	5172	14223446.64	GB0009997114	10,400,000.00	104

E. & O.ERegistered in England No. 25932 Registered Office:Aldgate House, 33 Aldgate High Street, London EC3N 1EAA Recognised Clearing House under the Financial Services and Markets Act 2000

**FORM-5**  
**ACCOUNT SALE (EURO BUND)**

06-JUN-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

<u>Clearing Member</u>	:	<u>AAA</u>	<u>Subaccount</u>	:	<u>House</u>
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<u>Ref Id</u>	:	<u>3</u>
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AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH.Clearnet Limited

GERMAN GOVT. BOND (EURO BUND) FUTURE

<u>Delivery Month</u>	:	<u>JUN 2014</u>	<u>Settlement Date</u>	:	<u>10-JUN-2014</u>
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Tendered in fulfilment of 203 lots of:

<u>Stock Code</u>	:	<u>DE0001135051</u>
<u>Coupon Rate</u>	:	<u>5.250%</u>
<u>Maturity Date</u>	:	<u>04-JAN-2023</u>

<u>Nominal Value</u>	:	<u>EUR</u>	<u>20,300,000.00</u>
<u>EDSP</u>	:		<u>113.41</u>
<u>Price Factor</u>	:		<u>0.950491</u>
<u>Accrued Interest</u>	:		<u>2258.22</u>

<u>Countervalue</u>	:	<u>EUR</u>	<u>22,340,840.20</u>
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E. & O.E.

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



**FORM-6**  
**INVOICE (EURO BUND)**

06-JUN-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

<u>Clearing Member</u>	:	<u>AAA</u>	<u>Subaccount</u>	:	<u>House</u>
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<u>Ref Id</u>	:	<u>3</u>
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AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH.Clearnet Limited

GERMAN GOVT. BOND (EURO BUND) FUTURE

<u>Delivery Month</u>	:	<u>JUN 2014</u>	<u>Settlement Date</u>	:	<u>10-JUN-2014</u>
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Tendered in fulfilment of 203 lots of:

<u>Stock Code</u>	:	<u>DE0001135051</u>
<u>Coupon Rate</u>	:	<u>5.250%</u>
<u>Maturity Date</u>	:	<u>04-JAN-2023</u>

<u>Nominal Value</u>	:	<u>EUR</u>	<u>20,300,000.00</u>
<u>EDSP</u>	:		<u>113.41</u>
<u>Price Factor</u>	:		<u>0.950491</u>
<u>Accrued Interest</u>	:		<u>2258.22</u>
<u>Countervalue</u>	:	<u>EUR</u>	<u>22,340,840.02</u>

E. & O.E.

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

**FORM-7****GERMAN GOVT. BOND (EURO BUND) FUTURE DELIVERY INSTRUCTION FOR SELLERS (EURO BUND)**

06-JUN-2014

LCH.CLEARNET LIMITEDAldgate House, 33 Aldgate High Street, London, EC3N 1EATelephone +44 (0)20-7426 7000Delivery Month: JUN 2014Clearing Member: AAASubaccount: ClientDelivery to the Clearing House at CEDFrom Clearing Member's Del Centre : CEDAAA FUTURES LTDTENDER HOUSEFENCHURCH STREETAgent Name : Clearstream  
LuxemburgLONDONAgent No :  
Account Name : AAA FUTURES  
Account No : 40256  
Notice Date : 06-JUN-2014FSP : 113.41Currency Id: : EURSettlement Date : 10-JUN-2014

<u>Instr.</u>	<u>Clearing House Agent Name</u>	<u>Clearing House Agent No</u>	<u>Clearing House Account No</u>	<u>Countervalue</u>	<u>Stock Code</u>	<u>Nominal Value</u>	<u>Lots</u>
51	Clearstream Luxemburg		18764	22,340,840.20	DE0001135051	20,300,000.00	203

E. & O.ERegistered in England No. 25932 Registered Office:Aldgate House, 33 Aldgate High Street, London EC3N 1EAA Recognised Clearing House under the Financial Services and Markets Act 2000

**FORM-8****GERMAN GOVT. BOND (EURO BUND) FUTURE DELIVERY INSTRUCTION FOR BUYERS (EURO BUND)**

06-JUN-2014

LCH.CLEARNET LIMITEDAldgate House, 33 Aldgate High Street, London, EC3N 1EADelivery from the Clearing House at CEDDelivery Month: JUN 2014Clearing Member: AAA      Subaccount: ClientTo Clearing Member's Delivery Centre : CEDAAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDONAgent Name : Clearstream LuxemburgAgent No :Account Name : AAA FUTURESAccount No : 40256FSP : 113.41Notice Date : 06-JUN-2014Currency Id: : EURSettlement Date : 10-JUN-2014

<u>Instr.</u>	<u>Clearing House Agent Name</u>	<u>Clearing House Agent No</u>	<u>Clearing House Account No</u>	<u>Countervalue</u>	<u>Stock Code</u>	<u>Nominal Value</u>	<u>Lots</u>
41	Clearstream Luxemburg		18764	22,340,840.20	DE0001135051	20,300,000.00	203

E. & O.ERegistered in England No. 25932      Registered Office:Aldgate House, 33 Aldgate High Street, London EC3N 1EAA Recognised Clearing House under the Financial Services and Markets Act 2000

**FORM-9**  
**ACCOUNT SALE (BOBL)**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

<u>Clearing Member</u>	:	<u>AAA</u>	<u>Subaccount</u>	:	<u>House</u>
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<u>Ref Id</u>	:	<u>3</u>
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AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH.Clearnet Limited

GERMAN GOVT. BOND (BOBL) FUTURE

<u>Delivery Month</u>	:	<u>SEP 2014</u>	<u>Settlement Date</u>	:	<u>10-SEP-2014</u>
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Tendered in fulfilment of 203 lots of:

<u>Stock Code</u>	:	<u>DE0001135052</u>
<u>Coupon Rate</u>	:	<u>5.250%</u>
<u>Maturity Date</u>	:	<u>04-APR-2019</u>

<u>Nominal Value</u>	:	<u>EUR</u>	<u>20,300,000.00</u>
<u>EDSP</u>	:		<u>113.41</u>
<u>Price Factor</u>	:		<u>0.950491</u>
<u>Accrued Interest</u>	:		<u>2258.22</u>

<u>Countervalue</u>	:	<u>EUR</u>	<u>22,340,840.20</u>
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E. & O.E.

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

**FORM-10**  
**INVOICE**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

<u>Clearing Member</u>	:	<u>AAA</u>	<u>Subaccount</u>	:	<u>House</u>
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<u>Ref Id</u>	:	<u>3</u>
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AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH.Clearnet Limited

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GERMAN GOVT. BOND (BOBL) FUTURE

<u>Delivery Month</u>	:	<u>SEP 2014</u>	<u>Settlement Date</u>	:	<u>10-SEP-2014</u>
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Tendered in fulfilment of 203 lots of:

<u>Stock Code</u>	:	<u>DE0001135052</u>
<u>Coupon Rate</u>	:	<u>5.250%</u>
<u>Maturity Date</u>	:	<u>04-APR-2019</u>

<u>Nominal Value</u>	:	<u>EUR</u>	<u>20,300,000.00</u>
<u>EDSP</u>	:		<u>113.41</u>
<u>Price Factor</u>	:		<u>0.950491</u>
<u>Accrued Interest</u>	:		<u>2258.22</u>
<u>Countervalue</u>	:	<u>EUR</u>	<u>22,340,840.20</u>

E. & O.E.

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

**FORM-11**  
**BOBL FUTURE DELIVERY INSTRUCTION FOR SELLERS**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

<u>Delivery Month:</u> <u>SEP 2014</u>	<u>Delivery to the Clearing House at CED</u>
<u>Clearing Member:</u> <u>AAA</u> <u>Subaccount:</u> <u>Client</u>	<u>From Clearing Members Del Centre</u> : <u>CED</u>
<u>AAA FUTURES LTD</u>	<u>Agent Name</u> : <u>Clearstream Luxemburg</u>
<u>TENDER HOUSE</u>	<u>Agent No</u> :    :
<u>FENCHURCH STREET</u>	<u>Account Name</u> : <u>AAA FUTURES</u>
<u>LONDON</u>	<u>Account No</u> : <u>40256</u>
<u>FSP</u> : <u>113.41</u>	<u>Notice Date</u> : <u>08-SEP-2014</u>
<u>Currency Id:</u> : <u>EUR</u>	
<u>Settlement Date</u> : <u>10-SEP-2014</u>	

<u>Instr.</u>	<u>Clearing House Agent Name</u>	<u>Clearing House Agent No</u>	<u>Clearing House Account No</u>	<u>Countervalue</u>	<u>Stock Code</u>	<u>Nominal Value</u>	<u>Lots</u>
<u>51</u>	<u>Clearstream Luxemburg</u>	<u>18764</u>		<u>22,340,840.20</u>	<u>DE0001135051</u>	<u>20,300,000.00</u>	<u>203</u>

E. & O.E

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

**FORM-12**  
**BOBL FUTURE DELIVERY INSTRUCTION FOR BUYERS (BOBL)**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

Delivery Month: SEP  
2014

Clearing Member: AAA    Subaccount: Client

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON

FSP : 113.41  
Currency Id: : EUR  
Settlement Date : 10-SEP-2014

Delivery from the Clearing House at CED

To Clearing Member's Delivery : CED  
Centre

Agent Name : Clearstream Luxemburg

Agent No :  
Account Name : AAA FUTURES  
Account No : 40256  
Notice Date : 08-SEP-2014

<u>Instr.</u>	<u>Clearing House Agent Name</u>	<u>Clearing House Agent No</u>	<u>Clearing House Account No</u>	<u>Countervalue</u>	<u>Stock Code</u>	<u>Nominal Value</u>	<u>Lots</u>
41	Clearstream Luxemburg		18764	22,340,840.20	DE0001135052	20,300,000.00	203

E. &amp; O.E

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

**FORM-13**  
**ACCOUNT SALE (SCHATZ)**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

<u>Clearing Member</u>	: <u>AAA</u>	<u>Subaccount</u>	: <u>House</u>
<u>Ref Id</u>	: <u>3</u>		
<u>AAA FUTURES LTD</u>			
<u>TENDER HOUSE</u>			
<u>FENCHURCH STREET</u>			
<u>LONDON</u>			
<u>EC3 4DR</u>			

In a/c with LCH.Clearnet Limited

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GERMAN GOVT. BOND (SCHATZ) FUTURE

<u>Delivery Month</u>	: <u>SEP 2014</u>	<u>Settlement Date</u>	: <u>10-SEP-2014</u>
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Tendered in fulfilment of 203 lots of:-

<u>Stock Code</u>	: <u>DE0001135053</u>
<u>Coupon Rate</u>	: <u>5.250%</u>
<u>Maturity Date</u>	: <u>04-AUG-2016</u>

<u>Nominal Value</u>	: <u>EUR</u>	<u>20,300,000.00</u>
<u>EDSP</u>	:	<u>113.41</u>
<u>Price Factor</u>	:	<u>0.950491</u>
<u>Accrued Interest</u>	:	<u>2258.22</u>
<u>Countervalue</u>	: <u>EUR</u>	<u>22,340,840.20</u>
<u>E. &amp; O.E.</u>		

Registered in England No. 25932 Registered Office:  
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A Recognised Clearing House under the Financial Services and Markets Act 2000



**FORM-14**  
**INVOICE (SCHATZ)**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

<u>Clearing Member</u>	: <u>AAA</u>	<u>Subaccount</u>	: <u>House</u>
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<u>Ref Id</u>	: <u>3</u>
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AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON  
EC3 4DR

In a/c with LCH.Clearnet Limited

GERMAN GOVT. BOND (SCHATZ) FUTURE

<u>Delivery Month</u>	: <u>SEP 2014</u>	<u>Settlement Date</u>	: <u>10-SEP-2014</u>
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Tendered in fulfilment of 203 lots of:-

<u>Stock Code</u>	: <u>DE0001135053</u>
<u>Coupon Rate</u>	: <u>5.250%</u>
<u>Maturity Date</u>	: <u>04-AUG-2016</u>

<u>Nominal Value</u>	: <u>EUR</u>	<u>20,300,000.00</u>
<u>EDSP</u>	:	<u>113.41</u>
<u>Price Factor</u>	:	<u>0.950491</u>
<u>Accrued Interest</u>	:	<u>2258.22</u>

<u>Countervalue</u>	: <u>EUR</u>	<u>22,340,840.20</u>
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Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**FORM-15**  
**SCHATZ FUTURE DELIVERY INSTRUCTION FOR SELLERS (SCHATZ)**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

<u>Delivery Month:</u>	<u>SEP 2014</u>	<u>Delivery to the Clearing House at CED</u>
<u>Clearing Member:</u>	<u>Subaccount:</u>	
<u>AAA</u>	<u>Client</u>	
		<u>From Clearing Member's Del Centre</u> : <u>CED</u>
<u>AAA FUTURES LTD TENDER HOUSE FENCHURCH STREET LONDON</u>		<u>Agent Name</u> : <u>Clearstream Luxemburg</u>
		<u>Agent No</u> : <u>Account Name</u> : <u>AAA FUTURES</u>
		<u>Account No</u> : <u>40256</u> <u>Notice Date</u> : <u>08-SEP-2014</u>
<u>FSP</u>	: <u>113.41</u>	
<u>Currency Id:</u>	: <u>EUR</u>	
<u>Settlement Date</u>	: <u>10-SEP-2014</u>	

<u>Ins tr.</u>	<u>Clearing House Agent Name</u>	<u>Clearing House Agent No</u>	<u>Clearing House Account No</u>	<u>Countervalue</u>	<u>Stock Code</u>	<u>Nominal Value</u>	<u>Lots</u>
51	Clearstream Luxemburg		18764	22,340.84 0.20	DE00011 35053	20,300.00 0.00	20 3

E. &amp; O.E

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

**FORM-16**  
**SCHATZ FUTURE DELIVERY INSTRUCTION FOR BUYERS**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

<u>Delivery Month:</u>	<u>SEP 2014</u>	<u>Delivery to the Clearing House at CED</u>
<u>Clearing Member:</u>	<u>Subaccount:</u>	
<u>AAA</u>	<u>Client</u>	
		<u>From Clearing : CED</u>
		<u>Member's Del Centre</u>
<u>AAA FUTURES</u>		<u>Agent Name : Clearstream</u>
<u>LTD</u>		<u>Luxemburg</u>
<u>TENDER</u>		
<u>HOUSE</u>		
<u>FENCHURCH</u>		
<u>STREET</u>		
<u>LONDON</u>		<u>Agent No :</u>
		<u>Account Name : AAA</u>
		<u>FUTURES</u>
		<u>Account No : 40256</u>
		<u>Notice Date : 08-SEP-2014</u>
<u>FSP</u>	<u>: 113.41</u>	
<u>Currency Id:</u>	<u>: EUR</u>	
<u>Settlement Date</u>	<u>: 10-SEP-</u>	
	<u>2014</u>	

<u>Ins</u>	<u>Clearing House</u>	<u>Clearing House</u>	<u>Clearing House</u>	<u>Counterva</u>	<u>Stock</u>	<u>Nominal</u>	<u>Lo</u>
<u>tr.</u>	<u>Agent Name</u>	<u>Agent No</u>	<u>Account No</u>	<u>lue</u>	<u>Code</u>	<u>Value</u>	<u>ts</u>
41	Clearstream Luxemburg		18764	22,340,84 0.20	DE00011 35053	20,300.00 0.00	20 3

E. & O.E

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

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

### 3.3.1 *Cash*

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

Cash cover need not be provided in the same currency as that of the liability. In such cases, currencies will be notionally converted with reference to quoted exchange rates determined at approximately 16:45 London time the previous business day.

FCM Clearing Members must give LCH.Clearnet Limited Treasury Operations no less than two business days' notice of their intention to request withdrawal of cash Collateral and its replacement by the lodgment of non-cash Collateral or the replacement of one currency for another. Where an FCM Clearing Member fails to give such notice, the Clearing House may decline to release such cash Collateral until the end of the required notice period. This paragraph applies only to the Proprietary Account of an FCM Clearing Member.

### 3.3.2 *Securities*

Please refer to the following pages on our website for both prevailing haircuts and notes on types of collateral acceptable to the Clearing House as Collateral:

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

### 3.3.3 *Securities Value Notification*

FCM Clearing Members may obtain details on the Margin value of securities on their account by viewing the relevant reports available on the Member Reporting Website.

### 3.3.4 *Investment of FCM Client Funds*

Pursuant to the application of FCM Regulation 7(n)(ii)(A), the investment of cash Collateral held on behalf of FCM Clients by the Clearing House [in respect of clearing Swaps Products and Futures Products](#) is limited to investments in U.S. Treasury securities (through outright purchases, repurchase or reverse repurchase transactions).

Each FCM Clearing Member shall instruct the Clearing House as to whether or not to invest such cash Collateral delivered by such FCM Clearing Member to the Clearing House by submitting to the Clearing House such documents as the Clearing House shall provide to FCM Clearing Members for such purpose.

### 3.7 **Default Fund; SwapClear Contributions**

SwapClear Contributions (as defined in the Default Rules) will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the SwapClear Contribution under Rule S2(k) of the [Rates Service](#) Default [Rules Fund Supplement](#) (each, a “**SwapClear Reset Day**”). SwapClear Contribution requirements will be notified to the applicable FCM Clearing Members at least two working days prior to each SwapClear Reset Day on Member Intranet Report 000032.

Excess SwapClear Contribution amounts due to FCM Clearing Members following the adjustment to the SwapClear Contribution will be repaid to FCM Clearing Members' PPS accounts on the SwapClear Reset Day immediately following the adjustment to the SwapClear Contribution.

Interest on SwapClear Contributions will be paid to FCM Clearing Members' PPS accounts on the first working day after the SwapClear 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 SwapClear Reset Day and ends on (and includes) the calendar day immediately before the next SwapClear Reset Day. Notwithstanding anything else herein, if the rate of interest payable on SwapClear Contributions is negative, interest shall be payable by FCM Clearing Members to the Clearing House.

### 3.8 **Quantifying SwapClear Contributions**

For the purposes of calculating the SwapClear Margin Weight under Rule S2(c) of the [SwapClear Rates Service](#) Default Fund Supplement, the average daily requirement for Initial Margin applied to an FCM Clearing Member shall be determined by reference to the FCM SwapClear Contracts comprising the SwapClear House Business of that FCM Clearing Member only. Nothing in the foregoing sentence shall prevent the Clearing House from introducing changes to the methodology used for calculating the SwapClear Margin Weight and, in particular, with effect from 28 September 2012, the average daily requirement for Initial Margin applied to an FCM Clearing Member for the purposes of such calculation shall be determined by reference to the FCM SwapClear Contracts comprising both the SwapClear House Business and the SwapClear Clearing Client Business of that FCM Clearing Member.

### 3.9 **Default Fund; ForexClear Contributions**

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

Excess ForexClear Contribution amounts due to ForexClear Clearing Members following the adjustment to the ForexClear Contribution will be repaid to ForexClear Clearing Members' PPS accounts on the ForexClear Reset Day immediately following the adjustment to the ForexClear Contribution.

Interest on ForexClear Contributions will be paid to ForexClear Clearing Members' PPS accounts on the first working day after the ForexClear Reset Day following the end of the relevant "interest accrual period". Interest is calculated in respect of each "interest accrual period", which commences on (and includes) a ForexClear Reset Day and ends on (and includes) the calendar day immediately before the next ForexClear Reset Day.

### 3.10 Quantifying ForexClear Contributions

For the purposes of calculating the ForexClear Margin Weight under Rule F2(d) of the ForexClear Default Fund Supplement, the average daily requirement for Initial Margin applied to an FX FCM shall be determined by reference to the ForexClear Contracts comprising the ForexClear House and Client Business of that FX FCM only.

### 3.11 ~~Default Fund Contributions and Loss Distribution Charges: FCM Nodal Clearing Service~~~~[Reserved.]~~

~~For the FCM Nodal Clearing Service, Contributions will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the Contribution under the Commodities Default Fund Supplement (each a "Reset Day"). Contribution requirements will be notified to FCM Clearing Members at least two working days prior to each Reset Day on the report available on the Member website named "Member Default Fund" (REP000032).~~

~~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. 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.